

CORRECTED EVALUATION DATED JANUARY 29, 2024, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY SHC MEDICAL CENTER – TOPPENISH, dba ASTRIA TOPPENISH HOSPITAL, PROPOSING TO AMEND CERTIFICATE OF NEED #1612

BACKGROUND INFORMATION and APPLICANT DESCRIPTION

SHC Medical Center – Toppenish, dba Astria Toppenish Hospital (Toppenish) is a not-for-profit hospital serving the residents of Yakima County. In September 2017, Toppenish was purchased by Regional Health, a non-profit corporation previously known as Sunnyside Healthcare, and was organizationally placed under SHC Holdco, LLC, a wholly-owned subsidiary of Regional Health, along with another hospital, Yakima Regional Medical Center (Yakima). Regional Health purchased both hospitals from Yakima HMA, LLC, a subsidiary of Community Health Systems (CHS), a for-profit corporation that operated acute care hospitals in several states¹. In October 2017, Regional Health re-branded as Astria Health (Astria).

Community Health Systems purchased Yakima HMA, LLC, from Health Management Associates (HMA) in 2014². HMA, a for-profit operator of hospitals in several states had purchased both hospitals from Providence Washington Regional Services, a subsidiary of a precursor entity to Providence St. Joseph Health, in 2003³. When HMA purchased the hospitals, it converted them from not-for-profit to for-profit status under a process governed by RCW 70.45 and Chapter 246-312 WAC. The net proceeds of HMA’s purchase of the two hospitals was used to create the Yakima Valley Community Foundation, with an initial contribution of \$8 million and a commitment by HMA to donate \$10 million more over ten years. The Yakima Valley Community Foundation also possessed a right of first refusal on the sale of either hospital.

In May 2019, Astria Health and its subsidiaries and affiliates, including SHC Holdco, LLC, and SHC Medical Center – Toppenish filed for bankruptcy protection under Chapter 11 USC. During the bankruptcy process, Astria closed Astria Regional Medical Center (the former Yakima Regional Medical Center.) Astria’s reorganization plan became effective January 15, 2021, although some related litigation appears to be ongoing as of the date of this evaluation.

Astria Health is the non-profit parent organization of two hospitals, a home health agency, and several medical and specialty clinics located in towns and cities throughout Yakima County and surrounding communities. The chart below shows the name and location of the two Astria Health hospitals. [source: Astria Health website and program records]

Hospital	City	State
Astria Sunnyside Hospital	Sunnyside	Washington
Astria Toppenish Hospital	Toppenish	Washington

This application focuses on Astria Toppenish Hospital listed in the chart above.

PROJECT DESCRIPTION

Astria is proposing to amend CN #1612, issued August 30, 2017, by removing condition 9 of the certificate, which reads:

9. Regional Health will continue providing the essential services identified in the application for a minimum of ten years. These services are restated below:
- Perinatal/Obstetrical Services, including C-Section and LDRP
 - Critical Care

¹ CN Application #17-25 and CN #1612 for Toppenish, and CN Application #17-26 and CN #1613 for Yakima

² CN Application #14-12 and CN #1522 for Toppenish, and CN Application #14-13 and CN #1523 for Yakima

³ CN Application #03-26 and CN#1270 for Toppenish, and CN Application #03-27 and CN #1271 for Yakima

- Pediatric Care
- 24-hour Emergency Care
- Diagnostic Services (except cardiac cath)
- Electrocardiography
- Pulmonary Function Services
- Gastro-intestinal Laboratory
- Pulmonary Function Services
- Respiratory Therapy
- Inpatient and Outpatient Surgical Services
- Therapeutic Services, including gastro-intestinal laboratory, pulmonary function, respiratory therapy, and stress testing
- Outpatient Services, including diabetes, hypertension, metabolic, wound care, and IV therapy
- Contracted Therapy Services (except occupational)
- Pharmacy
- Toxicology/Antidote Information

Because CN #1612 was issued on August 31, 2017, Toppenish is required to offer the services listed above until August 31, 2027. For reasons discussed later in this evaluation, Toppenish seeks to remove this condition slightly more than three years before it expires.

If approved, any amended certificate issued would be updated to indicate the current name of the applicant, the approved bed count of the hospital as of the date of this evaluation, and the current status of other conditions as applicable.

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to review as the amendment of an issued certificate of need under the provisions of RCW 70.38.115(11), WAC 246-310-100(1)(a) and (c), and WAC 246-310-570(1)(a), (b), and (d).

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. To obtain Certificate of Need approval, an applicant must demonstrate compliance with the applicable 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).

Specific to this project, Astria does not seek to change licensed bed capacity, add any tertiary services, or engage in any new activities or construction that would otherwise require review. As a result, only those criteria and sub-criteria that would be affected by the removal of the condition mentioned above will be examined in this evaluation.

TYPE OF REVIEW

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

APPLICATION CHRONOLOGY

Action	Astria Health
Letter of Intent Submitted	January 30, 2023
Application Submitted	July 31, 2023
Department's pre-review activities • DOH 1st Screening Letter • Applicant's Responses Received	August 21, 2023 October 5, 2023
Beginning of Review	October 25, 2023
End of Public Comment • No public hearing conducted, and public comments accepted through the end of public comment	November 29, 2023
Rebuttal Comments Due	December 13, 2023
Department's Anticipated Decision Date	January 29, 2024
Department's Actual Decision Date	January 29, 2024

AFFECTED PERSONS

“Affected persons” are defined under WAC 246-310-010(2). In order to qualify as an affected person, someone must first qualify as an “interested person,” defined under WAC 246-310-010(34).

During the review of this project, three entities sought interested person status.

Kadlec Regional Medical Center

Kadlec Regional Medical Center (Kadlec) is a 337-bed acute care hospital located at 888 Swift Boulevard in Richland [99352], within Benton County. [source: DOH internal database] Kadlec offers a number of healthcare services in Benton and Franklin counties and the surrounding areas including the acute care hospital, primary care offices, urgent care, and specialty care services. Kadlec is also invested in several joint ventures throughout the area, including Tri-Cities Home Health, Tri-Cities Cancer Center, and Tri-Cities Laboratory. On August 23, 2023, Kadlec submitted its request for interested person status. The hospital qualifies as an interested person, however, given that Kadlec did not provide public comments, it does not qualify as an affected person for this project.

Washington State Nurses Association

Washington State Nurses Association (WSNA) is a labor union and advocacy organization that represents healthcare workers at many hospitals in Washington [source: WSNA website]. On September 1, 2023, WSNA submitted its request for interested person status. It is unclear whether WSNA qualifies as an interested person under WAC 246-310-010(34), however, given that WSNA did not provide public comments, it is not necessary to determine whether it qualifies as an affected person for this project.

Health Trends

Health Trends is a business located in Seattle that performs a variety of consulting services for the healthcare sector throughout the Pacific Northwest, including participation in the Certificate of Need process. Health Trends submitted a request for interested person status on July 12, 2023. Although Health Trends represents many health organizations, on its own, it does not qualify for interested person status and, therefore, cannot qualify for affected person status.

SOURCE INFORMATION REVIEWED

- Astria Certificate of Need application received July 31, 2023
- Astria screening responses received October 5, 2023
- Public comments received by the end of public comment on November 29, 2023
- Progress reports for CN #1612
- Department of Health Integrated Licensing and Regulatory System database [ILRS]
- Compliance history for facilities owned and operated by Astria obtained from the Washington State Department of Health – Office of Health Systems Oversight
- DOH Provider Credential Search website: <https://www.doh.wa.gov/pcs>
- Astria Health website at www.astria.health
- CMS QCOR Compliance website: https://qcor.cms.gov/index_new.jsp

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Astria Health proposing to amend Certificate of Need #1612 is consistent with the applicable review criteria of the Certificate of Need Program, provided the applicant agrees to the following in its entirety.

Project Description

This certificate approves the purchase of Toppenish Community Hospital by Astria Health. There is no change in the number of approved beds. A breakdown of beds by type is shown below:

Bed Type	Number of Licensed Beds
General Medical/Surgical	63
PPS Exempt Psychiatric	62
Total Licensed Beds	125

Conditions

1. Approval of the project description as stated above. Astria Health 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. Prior to issuance of a Certificate of Need for this project, Astria Health shall submit the documentation referenced in section 2.1 of the Asset Purchase Agreement that identifies a revised closure date for the transaction. **Condition met August 29, 2017.**
3. Astria Health shall finance the project as described in the application.
4. Within 30 days of the acquisition, Astria Health will submit to the department for review and approval the executed copy of the System Benefit Agreement. The executed copy must be consistent with the draft agreement provided in the application. **Condition met September 29, 2017.**
5. Within 30 days of the acquisition, Astria Health will submit to the department for review and approval the adopted copies of its admissions policy, non-discrimination policy, end-of-life policy, and reproductive health policy. Each of these policies must be consistent with the drafts provided in the application. **Condition met September 29, 2017**
6. Within 30 days of the acquisition, Astria Health will submit to the Certificate of Need Program a copy of the charity care policy that has been reviewed and approved by the Charity Care Program within the Department of Health. **Condition met September 29, 2017**

7. Toppenish Community 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. Toppenish Community Hospital will use reasonable efforts to provide charity care in an amount identified in the application or comparable to the average amount of charity care provided by hospitals in the Central Region – whichever is greater. The amount identified in the application was 0.86% of gross revenue and 3.26% of adjusted revenue. Currently, the regional average is 1.50% gross revenue and 3.67% of adjusted revenue. Toppenish Community 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.
8. Toppenish Community Hospital will submit annual budgets (required under WAC 246-454-030) that include budgeted charity care of at least the amount identified in the application or comparable to the average amount of charity care provided by hospitals in the Central Region – whichever is greater. **No longer applicable – WAC 246-454-030 was repealed effective January 18, 2019**

Approved Costs

The estimated capital expenditure for the purchase of Toppenish Community Hospital is \$8,556,800, which is broken down in the table below.

Item	Amount
Purchase	\$5,920,000
Estimated Working Capital	\$2,400,000
Transaction Fees	\$236,800
Total	\$8,556,800

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210) Need

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that the Astria application meets 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.

As stated above in the Evaluation Criteria section of this evaluation, the availability and accessibility review under this criterion will focus on the consequences of amending Certificate of Need #1612 to remove Condition 9 of that certificate.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criterion above was met based on the following factors:

- 1) The department's review of the patient origin information for all hospitals in Yakima County; and
 - 2) The impact of the potential closure of Toppenish on other hospitals in the planning area
- [source: Initial evaluation of CN application #17-25, p25]

Astria Health

In response to this sub-criterion, the applicant provided information that focused on the services specified in Condition 9 and the consequences of retaining that condition on the hospital and community. [source: Application, pp7-10]

"CN #1612 was issued in late August 2017. It approved the acquisition of the Hospital from the for-profit company CHS, and the conversion of the hospital from for profit to not for profit status. In that application, Astria (previously Regional Health) wrote:

We understand that Toppenish is being offered for acquisition because CHS' business and financial planning have resulted in it electing to focus on only specific markets, and Washington State is not one of those markets. Regional Health capitalized on this opportunity to return the hospital to not-for-profit and community-based status and to assure continued access to a community hospital that serves a high percentage of Hispanic and Native American families.

In its 2003 and 2014 CN decisions related to the previous sales of Toppenish (first as Providence Toppenish Community Hospital to Health Management Associates (HMA) and secondly from HMA to CHS), the Certificate of Need Program (CN Program) concluded that the transactions should be approved, in part, because they would preserve access within the community. Specifically, the Department noted:

...staff from OHPDS provided the following analysis. (Source: OHPDS analysis, p. 6)

"Providence Toppenish Medical Center has not, for various reasons, been financially healthy recently. HMA's purchase of this facility should, at a minimum, maintain the current delivery of care. HMA proposes to improve service with physical improvement to the hospital, as well as adding new equipment. While these portions of the project are not a direct part of CON, HMA discusses how they plan to implement HMA management practices and introduce proprietary software to improve delivery of health care and contain costs. Staff is satisfied the project is appropriate and needed."

The department's review concludes this project meets the criteria of need, financial feasibility, and structure and process of care, and further concludes that the sale of this hospital to a proven provider of health care facilities throughout the United States is the best available alternative for the community.

The return of the hospital to local control and to not-for-profit status preserves choice and assures that community access is maintained. In addition, Regional Health has a strong track record, commitment and vision to operational excellence, as evidenced by the strong turnaround of RH Sunnyside (Sunnyside Community Hospital & Clinics).

Return of the hospital to not-for profit status also means that proceeds from operations will be reinvested in services, staff and the community—and we believe that the community will be the direct beneficiary. We also intend to continue coordinating with other providers in the County and region to best serve patients.”

The applicant continues:

A number of conditions were included with the CN award. This CN application requests removal of Condition 9, which reads:

Regional Health will continue providing the essential services identified in the application for a minimum of ten years. These services are restated below.

- *Perinatal/Obstetrical Services, including C-Section and LDRP*
- *Critical Care*
- *Pediatric Care*
- *24-hour Emergency Care*
- *Diagnostic Services (except cardiac cath)*
- *Electrocardiography*
- *Pulmonary Function Services*
- *Gastro-intestinal Laboratory*
- *Pulmonary Function Services*
- *Respiratory Therapy*
- *Inpatient and Outpatient Surgical Services*
- *Therapeutic Services, including gastro-intestinal laboratory, pulmonary function, respiratory therapy, and stress testing*
- *Outpatient Services, including diabetes, hypertension, metabolic, wound care, and IV therapy*
- *Contracted Therapy Services (except occupational)*
- *Pharmacy*
- *Toxicology/Antidote Information*

Toppenish's service area is highly diverse, with 66% of residents of Hispanic origin and another 15% American Indian. The community is poorer than the rest of Yakima County. Twelve percent are uninsured. As shown in Table 1, Toppenish, a PPS hospital, experiences the highest percentage of Medicaid (as a percentage of total patient days of any hospital in the State.

Applicant's Table

**2021 Inpatient Medicaid as a Percentage of Total Patient Days
Top 15 Hospitals**

Rank	Hospital Name	Commercial	HMO	Medicaid	Medicare	Self-Pay/Other	Grand Total
1	Toppenish Community Hospital	10.3%		60.4%	26.2%	3.2%	100%
2	Othello Community Hospital	45.4%		47.0%	7.6%		100%
3	Sunnyside Community Hospital	9.7%		36.6%	48.5%	5.2%	100%
4	UW/Harborview Medical Center	20.2%		36.2%	38.0%	5.6%	100%
5	PMH Medical Center	18.4%	6.2%	33.8%	36.4%	5.3%	100%
6	Garfield County Memorial Hospital	25.0%		33.7%	41.3%		100%
7	East Adams Rural Hospital			33.3%	66.7%		100%
8	Tacoma General Allenmore Hospital	20.5%	3.2%	31.8%	38.3%	6.2%	100%
9	Mason General Hospital	13.3%	0.4%	31.3%	49.3%	5.7%	100%
10	Providence Sacred Heart Medical Center	18.2%	8.3%	30.5%	35.7%	7.2%	100%
11	Yakima Valley Memorial Hospital	16.0%		30.5%	48.5%	4.8%	100%
12	Highline Medical Center	16.3%	25.5%	30.2%	26.0%	2.0%	100%
13	Forks Community Hospital	15.8%	0.4%	30.0%	48.1%	5.7%	100%
14	Saint Clare Hospital	10.2%	27.1%	29.3%	27.6%	5.8%	100%
15	Grays Harbor Community Hospital	17.4%		29.1%	41.6%	11.9%	100%

Source: CHARS 2021

Toppenish's payer mix, coupled with the higher costs of operating over the past few years resulted in Toppenish experiencing significant operating losses. With no alternative, Toppenish closed its OB Program in January 2023. The closure of this unit technically placed Toppenish out of compliance with CN conditions. We advised the CN Program of the urgency to close the unit and our interest in having the CN conditions amended.

In response to the threat of the failure of the hospital, and in recognition of the need to preserve access to hospital services in Toppenish, Wapato and surrounding communities, the Washington State Legislature approved distressed hospital funding and enhanced Medicaid rates to Toppenish during the 2023 legislative session, set to sunset with CMS approval of the SNAP Program waiver.

Throughout the process of preparing information and data for the legislature and this CN amendment, it was recognized that no other hospital for acquisition, sale or lease has ever been issued with conditions such as those placed on the Toppenish CN. In TA conversations with the CN Program beginning in late 2022, the same was recognized, and the Program agreed to accept this amendment application to address the inequity and lack of fundamental fairness of the potentially burdensome conditions. While Astria does not intend to eliminate other services, the reimbursement environment, coupled with the instability of Yakima County's hospitals means that we must have the flexibility to add or delete non-CN reviewable services quickly and efficiently so as to protect access to the other services offered by the Hospital and needed by the community.

When asked by the program if Toppenish intends to discontinue any other service lines, the following response was provided. [Source: October 5, 2023, screening responses, pp3-4]

For context, the Astria Toppenish Hospital Certificate of Need (CN) application that resulted in the award of CN#1612 was submitted on January 13, 2017. The CN was approved on August 22, 2017; by that date, the prior owner was experiencing challenging financials. The Program is aware of this fact because Astria representatives had numerous conversations with the Program Manager at that time, regarding the impact of the elongated review period on services and access (the CN was eligible for expedited review, but the Program elected not to conduct one). We agreed to all conditions because, per the cover letter sent with the CN decision:

If you accept these {conditions} in their entirety, your application will be approved, and a CN will be 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 providing information about your appeal rights.

We were well aware of the fragility of the Hospital, which was made worse by the extended review timeframe. Had we attempted to amend the condition prior to issuance, the denial of a subsequent appeal would likely have resulted in the then current owner, much to the detriment of the community, closing the facility. Table 1 provides information on the services listed in the condition.

Applicant's Table

Table 1
Current Status of Services Identified in CN#1612 Condition

Service	Status
Perinatal/Obstetrical Services, including C-Section and LDRP	We discontinued this service in December 2022.
Critical Care	Offered
Pediatric Care	As of December 2022, we offer pediatric services on a part time basis. The local FQHC provided 24/7 pediatric call coverage for the hospital until November 2021. At that time, they informed of their inability to provide any pediatric call coverage. We attempted to recruit pediatricians but were not successful. In December 2022, pediatric call coverage was reduced to a part time basis.
24-hour Emergency Care	Offered
Diagnostic Services (except cardiaccath)	Offered
Electrocardiography	Offered
Gastro-intestinal Laboratory	Offered
Pulmonary Function Services	This service was not being provided when Astria assumed ownership and is still not today.
Respiratory Therapy	Offered
Inpatient and Outpatient Surgical Services	Offered
Services, including gastro-intestinal laboratory, pulmonary function, respiratory therapy, and stress testing	Stress testing was not being provided when Astria assumed ownership and is still not today.
Outpatient Services, including diabetes, hypertension, metabolic, wound care, and IV therapy	Diabetes, hypertension, or metabolic outpatient services were not being provided when Astria assumed ownership and are still not today.
Contracted Therapy Services (except occupational)	We currently provide Physical Therapy, Occupational Therapy and Speech Therapy Services for our community. We do not contract for the services.
Pharmacy	Offered
Toxicology/Antidote Information	These services were not being provided when Astria assumed ownership and are still not today. Note: we do operate a medical withdrawal program.

Because this application requests the removal of a condition pursuant to the discontinuation of OB services at Toppenish, the applicant provided the following discussion of the effects of that cessation:

“Prenatal, post-natal and pediatric services continue to be provided to area residents by Yakima Valley Farm Workers Clinic (YVFWC), the Federally Qualified Health Center in Toppenish.

YVFWC notified Astria Toppenish Hospital that it was unable to continue providing pediatric call coverage as of November 2021. At that time, they also determined it was unsustainable to provide the OB/GYN call coverage. In March 2022 (4 months later), they were able to reinstate part time OB/GYN call coverage but would not commit to a long-term provision of this service. Astria Toppenish Hospital was unable to recruit OB/GYN and pediatric physicians to cover the remaining call coverage for pediatric and OB/GYN services, so it was forced to close the OB unit. Currently, YVFWC physicians have privileges to perform all OB deliveries at MultiCare Yakima Memorial Hospital.

We have provided online and in person education to our ER and Respiratory Therapy employees to prepare for emergency deliveries. The ER staff completed online training, and all are trained and certified in neonatal resuscitation. We reviewed and updated all equipment for emergency deliveries and completed practice drills.”

In response to the department’s request for discussion of the specific impacts of this amendment request, Astria provided the following information. [Source: October 5, 2023, screening responses, pp3-4

“Astria Toppenish Hospital complies with all EMTALA requirements. When a pregnant patient arrives at the Astria Toppenish Hospital Emergency Department, they are immediately triaged by a Registered Nurse using the Emergency Severity Index (ESI). The ESI is a five-level emergency department (ED) triage algorithm that provides clinically relevant stratification of patients into five groups from 1 (most urgent) to 5 (least urgent) on the basis of acuity and resource needs. The Agency for Healthcare Research and Quality (AHRQ) funded initial work on the ESI.

The Emergency Department Physician provides a Medical Screening Exam and determines which interventions and diagnostics are needed. Diagnostics include but are not limited: a physical exam, a cervical exam, laboratory studies, ultrasound and any other pertinent tests based on medical necessity. Based on the physician’s findings, the patient may be discharged with appropriate outpatient follow-up or transferred to a higher level of care once stabilized.

In addition, we have provided online and in-person education to all Emergency Room (ER) and Respiratory Therapy employees to prepare for emergency deliveries. The ER staff completed online training, and all are trained and certified in neonatal resuscitation. We reviewed and updated all equipment for emergency deliveries and completed practice drills. Since the closure of the unit in December of 2022, we have delivered one neonate in the ED.

OB patients who present to Astria Toppenish Hospital are referred to the following facilities:

- Astria Sunnyside Hospital*
- Kadlec Hospital*
- MultiCare Yakima Memorial Hospital (formerly Yakima Memorial Hospital)*
- Prosser Memorial Hospital*
- Providence Sacred Heart Medical Center*
- Seattle Children’s Hospital*

Prenatal, post-natal and pediatric services continue to be provided to area residents by Yakima Valley Farm Workers Clinic (YVFWC), the Federally Qualified Health Center in Toppenish.

YVFWC notified Astria Toppenish Hospital that it was unable to continue providing pediatric call coverage as of November 2021. At that time, they also determined it was unsustainable to provide the OB/GYN call coverage. In March 2022 (4 months later), they were able to reinstate part time OB/GYN call coverage but would not

commit to a long-term provision of this service. Astria Toppenish Hospital was unable to recruit OB/GYN and pediatric physicians to cover the remaining call coverage for pediatric and OB/GYN services, so it was forced to close the OB unit. Currently, YVFWC physicians have privileges to perform all OB deliveries at MultiCare Yakima Memorial Hospital.

We have provided online and in person education to our ER and Respiratory Therapy employees to prepare for emergency deliveries. The ER staff completed online training, and all are trained and certified in neonatal resuscitation. We reviewed and updated all equipment for emergency deliveries and completed practice drills.

Public Comment

Only one letter was received by the department prior to the close of public comment. An excerpt from that letter is quoted below

Raul Garcia, MD, Medical Director, Astria Toppenish Hospital

"I am a practicing board-certified emergency physician and the Medical Director of Astria Toppenish Hospital (ATH). Located on the Yakama tribal reservation, ATH is a safety net hospital providing Level IV trauma and other services to a highly diverse and low-income population. I can speak firsthand to the health disparities and health needs of the community. As depicted in the ATH CN application, the Hospital has the highest percentage of Medicaid (as a percentage of total patient days) of any hospital in the State.

Directly due to the Toppenish area's payer mix, historical Medicaid reimbursement rates, and the challenging healthcare workforce marketplace, ATH had no choice but to make the difficult decision in late 2021 to discontinue OB. ATH was subsequently required to submit a certificate of need (CN) application to the Department requesting that a condition issued at the time Astria [sic], a not-for-profit entity, acquired the hospital from a large national for-profit entity, be removed. This condition requires continuation of select services, including OB, as well as a number that were not even offered at the time the Hospital was acquired.

I understand that through the process of compiling data for the CN application it was recognized that no other hospital for acquisition, sale or lease in the State has ever been issued with conditions such as those placed on the ATH CN. The burden of this condition on ATH, and more importantly on the people that ATH serves, must be recognized. Access to care for the people of the greater Toppenish area would be negatively impacted if ATH were forced to close due to an inability to alter services to stabilize the hospital.

Please approve the ATH CN and remove the condition. It unduly limits the hospital and negatively impacts the community."

Department Evaluation

The list of services covered by condition 9 of CN #1612 was not present on either CN #1270 or CN #1522, although CN #1522 carried a condition stating "CHS/Community Health Systems agrees to continue services identified in the application at Toppenish Community Hospital for a minimum of ten years."⁴ CN #1270's only attached condition was the condition applied to all hospital CNs requiring the hospital to use reasonable efforts to provide charity care in an amount comparable to the average amount of charity care provided by hospitals in its region.

The services that are contained in condition 9 are listed on pages 6 and 7 of application #17-25 and are accompanied by the text "Table 2 details the services currently offered by Toppenish. After assuming ownership, RH Toppenish will evaluate unmet community needs and determine if any new services should be offered. At this time, there are no plans to terminate any current services."

⁴ CN#1522, Condition 2,

On page 14 of that application, in response to the application question “Describe any anticipated changes in service during the first three years of the proposed purchase,” Regional Health responded as follows:

“At this time, there is no anticipated reduction or elimination of any current service. Regional Health and RH Toppenish will evaluate and respond to documented community needs, and is likely to add, or expand services in response to those needs. To be conservative, our pro forma financials do not assume any significant new services. Further, we are well aware that if an identified new service requires prior CN review and approval, that we will need a separate CN approval prior to establishing the service.”

As noted above, Astria makes the following representation:

“Throughout the process of preparing information and data for the legislature and this CN amendment, it was recognized that no other hospital for acquisition, sale or lease has ever been issued with conditions such as those placed on the Toppenish CN. In TA conversations with the CN Program beginning in late 2022, the same was recognized, and the Program agreed to accept this amendment application to address the inequity and lack of fundamental fairness of the potentially burdensome conditions.”

A review of CNs issued for the purchase, sale, or lease of a hospital since 2003 reveals that 23 certificates have been issued for hospital acquisitions. Of those, 13 contained a condition requiring certain services to be provided for ten years following completion of the acquisition. Four of the conditions referred only to the “services identified in the application” and the remaining 9 contained specific lists of services. Another certificate stated that all services currently offered at the hospital would be continued after purchase but contained no time period. The program cannot conclude that its historical practice of applying conditions to CNs that require ongoing provision of certain services is unfair, inequitable, or burdensome. The department does, however, conclude that removing or altering such conditions may be appropriate in certain cases.

The department notes that only 4 of the 13 CNs issued since 2003 that contained service conditions were issued when a hospital was being acquired by a not-for-profit organization. Except for 2 CNs where only real property, not the hospital business, was being acquired, all hospital acquisitions by for-profit entities have had conditions attached requiring continuation of the services addressed in the underlying applications. Six other hospital acquisitions by not-for-profit organizations had no service line-related conditions.

A review of the evaluations and supporting documentation of several of the CNs requiring ongoing provision of certain services indicates that such conditions have often been in response to concerns voiced in public comment that the acquiring entity might reduce services after the purchase. The department has not identified such concerns in the record supporting CN #1612. Astria also identified the difficulties it has experienced finding physicians to provide adequate coverage for operating an obstetrics program. The department concludes that requiring a hospital to maintain a service for which it is unable to recruit required physicians is not consistent with the rationale behind the initial issuance of service-line conditions, which is generally to ensure that hospital purchasers will not seek to shed service lines for purely economic reasons. The elimination of childbirth services at Toppenish will negatively impact the community, but Astria has adequately demonstrated that it is currently unable, as opposed to unwilling, to provide those services.

Based on the information provided in the application, including public comment, the department concludes that Astria provided sufficient documentation to demonstrate that removing condition 9 of CN #1612 is appropriate. **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 willingness to serve patients who 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 aged 65 and over. Medicaid certification is a measure of an applicant's willingness to serve low-income persons and may include individuals with disabilities.

Charity care shows the 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 underinsured.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criterion above was met based on the following factors:

1. A review of Regional Health's draft Admission Policy, draft Non-Discrimination, draft End of Life Policy, and draft Reproductive Health Policy;
2. A comparison review of Regional Health's proposed charity care projections relative to the planning area's recent historical hospital charity care percentages; and
3. Public comment and rebuttal comment on the project.

[source: Initial evaluation of CN application #17-25, pp34-37]

Astria Health

While Toppenish will no longer offer childbirth and obstetrics services, all policies will remain in effect. The following policies are currently used at Toppenish. [source: Application, Exhibit 3]

- Patient Admissions policy – revised March 2018
- Financial Assistance (Charity Care) policy – revised March 2022
- Withholding/Withdrawal of Life-Sustaining Treatments – revised July 2021
- Notice of Nondiscrimination – Revised July 2021

Toppenish is currently Medicare and Medicaid certified and Astria provided the current source of revenues by payer and stated that the elimination of obstetrics would not change the payer mix. The table below shows the current and projected payer mix. [source: Application, p23]

Applicant's Table

Table 8
Current and Projected Payer Mix-Entire Hospital
(Inpatient and Outpatient)
Based on 2022 Actual

Payer Mix	Percentage by Gross Revenue	Percentage by Patient
Medicare	14.24%	24.42%
Managed Medicare	13.72%	12.62%
Medicaid	37.92%	53.85%
Commercial	22.78%	3.81%
Other Govt	5.47%	1.87%
Self-Pay	5.86%	3.43%
Total:	100.00%	100.00%
Managed Medicaid	25.51%	

Source: Applicant

In addition to the policies and payer mix information above Astria provided the following information related to access to healthcare services provided by Toppenish. [source: Application, pp18-19]

“For hospital charity care reporting purposes, the Department divides Washington State into five regions. Astria hospitals are located in the Central Washington region. According to 2019-2021 charity care data produced by the Department (the latest data available), the three-year charity care average for the Region is 1.47% of gross revenue. As shown in Table 7, Astria Toppenish’s charity care has historically ranged from .42% to .61%. The amount of charity care in the pro forma financials is based on the most recent experience (0.54% of gross revenue). While Toppenish is fully committed to providing charity care and accepting all patients regardless of their ability to pay, our significant percentage of Medicaid and Medicare patients results in Toppenish not having enough patient volumes in non-government payers to have a higher charity care provision. Both Medicaid and Managed Medicaid do not have patient balances.”

Applicant's Table

Table 7
Astria Toppenish Hospital
Historical (2020-2022) and Projected Charity Care (2023-2026)

	2020	2021	2022	Proj Year 1 2023	Proj Year 2 2024	Proj Year 3 2025	Proj Year 4 2026
Dollar Amount	\$614,309	\$1,035,203	\$1,263,807	\$1,074,397	\$1,100,570	\$1,225,262	\$1,290,250
% of Total Revenue	.42%	.56%	.61%	.54%	.54%	.54%	.54%

Source: Applicant

Public Comment

No public comment was received for this sub-criterion

Department Evaluation

Astria Toppenish Hospital has been providing healthcare services to the residents of Yakima County and surrounding areas since it became operational in 1951. This project proposes the discontinuation

of obstetrics services. All other services, associated policies currently in use, and all designations obtained by Toppenish will remain in effect.

The Admission Policy provided in the application is used to admit all patients and outlines the rights and responsibilities of both Toppenish and the patient. This policy includes the following non-admission criteria:

“Patient placement within the hospital is based upon and guided by established admission criteria of medical diagnosis, severity of illness, patient’s special needs, available nursing staff and level of nursing care required”

The Non-Discrimination policy ensures patients will be treated or admitted to the hospital without regard to *“the basis of age, race, color, national origin, ethnicity, religion, culture, language, physical or mental disability, socioeconomic status, sex, sexual orientation, or gender identity or expression, in admission to, participation in, or receipt of the services and benefits under any of its programs and activities, or in employment therein, whether carried out by the affiliate directly or through a contractor or any other entity with which the affiliate arranges to carry out its programs and activities.”*

Toppenish currently provides services to both Medicare and Medicaid patients. The application does not propose to change that practice. The hospital’s current Medicaid revenues are approximately 37.9% of total revenues; commercial revenues are currently 22.8%; Other Government, self-pay, and other revenues are currently 34.1%. Toppenish projects no change in payer mix with the new facility. Financial data provided in the application also shows both Medicare and Medicaid revenues.

The updated Charity Care/Financial Assistance Policy provided in the application has been reviewed and approved by the Department of Health (DOH) Hospital Financial/Charity Care Program (HFCCP). The policy outlines the process one would use to obtain financial assistance or charity care. The policy provided in the application is effective March 2022. 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. Toppenish is located in the Central Region. This review includes historical data for the years 2020-2022 in the Central Region and at that time, 20 licensed hospitals were operating within the region.

Table 2 below compares the three-year (2020-2022) historical average of charity care provided by the hospitals operating in the Central Region and Toppenish’s historical charity care percentages for the same years. The table also shows the projected percentage of charity care for Toppenish. [source: Application, pp18-19, Exhibits 3 and 4; October 5, 2023, supplemental screening responses, Attachment 4; and 2020 - 2022 charity care summaries]

Department's Table 1
Central Region Charity Care Percentage Comparisons

	Percentage of Total Revenue	Percentage of Adjusted Revenue
Central Region Historical 3-Year Average	1.41%	4.12%
Toppenish Historical 3-Year Average	0.53%	1.63%
Toppenish Projected Average	0.54%	N/A

As noted in Table 2 above, the three-year historical average shows Toppenish has historically been providing charity care below the total and adjusted regional averages. For this project, Astria has assumed that Toppenish will not increase its charity care percentages to match the average of the hospitals in the Central region as detailed in Applicant's Table 7, above, and based on the quoted discussion of Toppenish's payer mix. While Astria's explanation of Toppenish's charity amounts is reasonable, the department will require the hospital to make reasonable efforts to attain the regional average charity amounts.

In past hospital CN reviews, the department has attached a charity care condition to the approvals, based, in part, on the fluctuation of charity care percentages. For this reason, if this project is approved, the department would attach the following charity care condition for Toppenish:

Astria Toppenish 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. Astria Toppenish Hospital will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Central Region. Currently, this amount is 1.41% gross revenue and 4.12% of adjusted revenue. Astria Toppenish 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 Astria's agreement to the two conditions referenced above, 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.
 - (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.
 - (c) The special needs and circumstances of osteopathic hospitals and non-allopathic services.
- (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.
 - (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.

(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.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criteria above were not applicable to the application.

[source: Initial evaluation of CN application #17-25, p38]

Department Evaluation

None of the criteria above apply to this amendment 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 the Astria application meets 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 direct what the operating revenues and expenses should be for a project of this type and size. Therefore, using its experience and expertise the department evaluates if the applicant's pro forma income statements reasonably project the proposed project is meeting its immediate and long-range capital and operating costs by the end of the third complete year of operation.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criterion above was met based on the following factors:

- 1) A review of the applicant's assumptions supporting its projected utilization of the hospital.
- 2) A review of the applicant's historical and projected financial statements

. [source: Initial evaluation of CN application #17-25, pp48-50]

Astria Health

Astria provided the following assumptions used to project patient days, hospital utilization, and projected increases in patient volumes for Toppenish. [source: Application, p15]

"There is no bed increase resulting from the removal of the conditions. A separate CN project approved through a DNR that includes a total of 47 additional psychiatric beds is expected to be operational within the timeframe of this project, with 14 of those beds operational in late 2024. The estimated patient days for the period of 2024-2026 are included in Table 5."

Toppenish operates on a January 1 to December 31 fiscal year. For this project, Astria provided utilization showing historical years 2020-2022, the current year 2023, and projection years 2024 through 2026. Based on the assumptions above, the hospital's utilization projections are shown in the applicant's tables below beginning in historical year 2020 through projection year 2026. [source: Application, pp15-16]

Applicant's Table

**Table 4
Toppenish Astria Hospital Historical Utilization, 2019-2022**

Medical Surgical Beds	2020	2021	2022
Licensed beds	63	63	63
Available beds	18	18	18
Admissions	918	720	885
Patient days	3,864	2,774	3,970
Psychiatric Beds			
Licensed beds	15	15	15
Available beds	14	14	14
Admissions	61	197	77
Patient days	3,571	5,268	5,153
Total Hospital			
Licensed beds	78	78	78
Available beds	32	32	32
Admissions	1,238	917	962
Patient days	7,435	8,042	9,123

Source: Applicant

Applicant's Table

**Table 5
Toppenish Astria Hospital
Estimated 2023 and Projected Utilization, 2024 2026**

	Estimated	Projected		
Medical/Surgical	2023	2024	2025	2026
Licensed beds	63	63	63	63
Available beds	18	18	18	18
Admits	595	616	628	640
Patient days	3,285	3,379	3,266	3,328
Psychiatric	2023	2024	2025	2026
Licensed beds	15	15	30	30
Available beds	15	15	30	30
Admits	120	128	224	256
Patient days	5,296	5,390	9,408	10,752
Total	2023	2024	2025	2026
Licensed beds	78	78	93	93
Available beds	32	32	47	47
Admits	739	760	852	896
Patient days	8,581	8,769	12,674	14,080

Source: Applicant

The assumptions used to project revenue, expenses, and net income for Toppenish for the years 2024 through 2026 are below. [source: October 5, 2023, screening responses, Attachment 3]

“OVERALL

The budget was built on Year-to-Date July 31, 2022 financial data at the department level, the 5 remaining months of the year were forecasted out by month, no inflation has been added but new services, new physician recruits, and known changes were added into the budget process.

Each department was budgeted based on statistics, either the unit of service for that department or a unit of service that impacts how that department functions.

VOLUMES

Volumes are based on general growth in the Service.

OB has been removed as we closed this program in December 2022. In addition, we have combined ICU/Med Surg into a single department to help control contract labor for the current year.

In addition, we have added the impact of our new physician recruits into the new budget year.

GROSS REVENUE

Gross revenue is modeled on our current run rate per unit of service by department. No price increase was budgeted. All amounts driven by the relationship of current year per unit of service times FY 2023 Unit of Services.

DEDUCTIONS

Deductions were built the same way, by underlying account, adjusted for known changes for next year.

OTHER REVENUE

We have eliminated the PPP Loan Forgiveness money that was recorded as Other Revenue in FY 2022

OPERATING EXPENSES

All operating expense are based on either Units of Services, or calendar days based on whether variable or fixed type expenses.

No inflation factors included.

Salaries and Wages include an amount for the known impact of the Union Contracts that were just finalized.

Contract Labor is budgeted to decline modestly based on these new wages, with the assumption that we can hire additional staff and eliminate the contract labor.

EBITDA

EBITDA is budgeted to decline, this is primarily due to the elimination of PPP Loan Forgiveness revenue recorded in FY 2022 (3 M), the elimination of OB Services and reduction in ICU.

Forecast for 2024 – 2026

Volumes increase slightly based only on normal market growth.

Added Distress Hospital Grant income in 2024 into Other Revenue, removed the effect in FY 2025.

Added the New Safety Net Estimated impact to FY 25 & 26, new line in Revenue Deductions section.

Added new Psych beds during FY 2025, 9 months and 12 months in FY 2026.

Added expenses for new beds into labor, benefits, supplies.

No inflation factored into any of the rates.”

Based on the assumptions above, Astria provided historical and projected Revenue and Expense Statements and Balance Sheets for Toppenish, which are summarized below.

If this project is approved, full year one without condition 9 is 2024 and year three is 2026. The statements provided by Astria show the years 2021 through the year 2026. Table 2, below, shows the historical years 2021 and 2022, the current year 2023, and projection years 2024 through 2026. [source: Application, Exhibit 4; October 5, 2023, screening responses, Attachment 4]

Department's Table 2
Astria Toppenish
Revenue and Expense Statements for Years 2021 through 2026

	Historical CY 2021	Historical CY 2022	Current CY 2023
Net Revenue	\$52,551,309	\$57,593,188	\$54,395,780
Minus Total Expenses	\$53,535,058	\$64,926,234	\$56,761,380
Net Profit / (Loss)	(\$1,316,749)	(\$7,333,046)	(\$2,365,600)

	Projection CY 2024	Projection CY 2025	Projection CY 2026
Net Revenue	\$60,409,795	\$70,479,890	\$74,614,963
Minus Total Expenses	\$57,354,227	\$647,54,957	\$68,205,362
Net Profit / (Loss)	\$3,055,568	\$5,724,933	\$6,409,601

Net revenue includes both inpatient and outpatient revenue, and non-operating revenue, minus any deductions for contractual allowances, bad debt, and charity care. Total expenses include all expenses specific to the hospital and its clinics, such as staffing, supplies, any purchased services, and corporate allocation.

Astria also provided historical and projected balance sheets for Toppenish. Table 6 on the following page shows historical years 2021 and 2022, current year 2023, and projection years 2024 through 2026. [source: Application, Exhibit 4; October 5, 2023, screening responses, Attachment 4]

Department's Table 3
Astria Toppenish
Balance Sheet for Years 2021 through 2026

ASSETS	Historical CY 2021	Historical CY 2022	Current CY 2023
Current Assets	\$12,352,723	\$14,767,525	\$13,284,542
Property and Equipment	\$7,757,009	\$11,965,695	\$10,862,359
Other Assets	\$0	\$0	\$0
Total Assets	\$20,109,732	\$26,733,220	\$24,146,901
LIABILITIES	Historical CY 2021	Historical CY 2022	Current CY 2023
Current Liabilities	\$7,702,660	\$7,506,157	\$36,305,258
Long-Term Debt	\$0	\$3,557,670	\$2,926,708
Other Liabilities	\$14,576,230	\$25,171,592	\$0
Equity	\$-2,169,154	\$-9,502,200	\$-15,085,065
Total Liabilities, Long-Term Debt, and Equity	\$20,109,736	\$26,733,219	\$24,146,901

ASSETS	Projection CY 2024	Projection CY 2025	Projection CY 2026
Current Assets	\$13,330,017	\$13,652,517	\$14,322,015
Property and Equipment	\$10,592,723	\$12,923,087	\$15,782,889
Other Assets	\$0	\$0	\$0
Total Assets	\$23,922,740	\$26,575,604	\$30,104,904
LIABILITIES	Projection CY 2024	Projection CY 2025	Projection CY 2026
Current Liabilities	\$36,369,190	\$36,500,645	\$36,862,611
Long-Term Debt	\$2,800,313	\$2,814,063	\$2,789,063
Other Liabilities	\$0	\$0	\$0
Equity	\$-15,246,763	\$-12,739,104	\$-9,546,770
Total Liabilities, Long-Term Debt, and Equity	\$23,922,740	\$26,575,604	\$30,104,904

*Totals differ from application materials due to minor rounding errors

Astria also provided a discussion of the financial effect of maintaining obstetrics at Toppenish. [Source: October 5, 2023, screening responses, p7]

“Table 3 provides a summary of the revenue and expenses, and subsequent operating subsidies, for FY2020-FY2022. For the most recent three-year period, Astria Toppenish Hospital’s subsidized operating losses were in excess of \$5million. The reference to the \$370,000 per month was related to FY2022; while the average as reported in the table was \$281,000, these losses accelerated in the last half of the year and approached or exceeded \$370,000 in the few months before closure. Additional details are included in Attachment 1.”

Applicant's Table

Table 3
Astria Toppenish Hospital
Summary of OB Cost Center Revenue and Expenses, FY2020-FY2022

	FY2020	FY2021	FY2022	Total FY2020- 2022
Total IP and OP OB Cash Receipts	2,604,359	1,949,733	1,685,315	6,236,407
Direct Expenses	2,351,542	2,140,447	3,407,931	7,899,920
Indirect Expenses	777,520	1,053,144	1,650,000	3,480,664
Total OB Costs	3,129,062	3,193,591	5,057,931	11,380,584
Shortfall (Loss)	(524,703)	(1,243,858)	(3,372,616)	(5,141,177)

Source: Applicant, numbers may not match detail exactly due to rounding.

Public Comment

No public comment was received for this sub-criterion

Department Evaluation

This application is unique in that, with the removal of a condition that several services be offered at Toppenish, it requests the cessation of a service, rather than the addition of a service. In most hospital reviews, the department conducts a detailed evaluation of the hospital's financial status, including the calculation of several financial ratios. Because of the unique nature of this application, the department did not conduct this supplemental review.

The hospital has experienced operating losses for the past several years, and a significant portion of that loss can be attributed to the obstetrics program. Astria provided an analysis of the losses attributable to that program, which totaled over \$5 million in the three years of 2020-2022. The department conducted an independent evaluation of these claims using the year-end financial reports Toppenish submitted to its Hospital Charity Care and Financial Data program. Because the year-end financial reports are submitted according to a chart of accounts uniform to all hospitals and may not match a hospital's internal chart of accounts, some deviation is expected. For this review, the department examined cost centers 6170 Nursery, and 7010 Labor and Delivery. After applying minor edits to correct cost allocation errors for those cost centers, the department calculated obstetrics-specific losses that exceeded Astria's loss estimates:

Department's Table 4
Astria Toppenish
Nursery and Labor and Delivery Cost Center Financial Information

	2020	2021	2022	Total
Cost Center Revenue	\$4,121,876	\$2,895,688	\$3,167,724	\$10,185,288
Deductions from Revenue (Estimated)	\$3,046,066	\$2,113,852	\$2,346,650	\$7,506,568
Cost Center Net Revenue	\$1,075,810	\$781,836	\$821,074	\$2,678,719
Direct Expenses	\$2,448,814	\$1,961,515	\$2,412,339	\$6,822,668
Indirect Expenses (Estimated)	\$730,364	\$473,612	\$1,271,012	\$2,474,988
Total OB costs	\$3,179,178	\$2,435,127	\$3,683,351	\$9,297,656
Shortfall (Loss)	\$(2,103,368)	\$(1,653,291)	\$(2,862,277)	\$(6,618,937)

The department's calculations differ from Astria's estimates because they are calculated using different data sources and assumptions, yet the results are consistent with one another in large part. The department concludes that Astria's estimate of the contribution of the obstetrics cost center(s) to the overall losses of the hospital is reasonable.

Based on the information provided in the application, the department concludes that Astria provided sufficient documentation to demonstrate 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 direct 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.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criterion above was met based on the following factors:

- 1) A review of the applicant's assumptions supporting its projected charges for services at the hospital.
- 2) A review of the applicant's payer mix

. [source: Initial evaluation of CN application #17-25, p56]

Department Evaluation

Because there is no capital cost associated with this application, the department concludes that **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 direct 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.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criterion above was met based on the following factors:

- 1) A review of the applicant's proposed method for financing the project
- 2) A review of the applicant's financial status

. [source: Initial evaluation of CN application #17-25, pp63-65]

Department Evaluation

As discussed above in WAC 246-310-220(2), because there is no capital cost associated with this application, the department concludes that **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 the Astria application meets the applicable structure and process of care criteria in WAC 246-310-230 and associated standards.

(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 direct what specific staffing patterns or numbers of full-time equivalents (FTEs) that should be employed for projects of this type or size. Therefore, using its experience and expertise the department evaluates the applicant's staffing proposal to determine the reasonableness of the availability of staff.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criterion above was met based on the following factors:

- 1) A review of the applicant's staffing assumptions
- 2) A review of the applicant's recruitment and retention strategies

. [source: Initial evaluation of CN application #17-25, pp67-68]

Astria Health

Recruitment of sufficient healthcare professionals is a significant reason for this proposed amendment to CN #1612, but this amendment request does not require additional staff. Concerning current and ongoing staff recruitment and retention, Astria provided the following information. [Source: Application, p26]

“Like all hospitals and hospital systems in the region/nation, Astria has experienced significant wage/benefits competition and workforce shortages. Our use of per diem staff has declined since our August 2022 new contract with nurses making them among the highest paid in Eastern Washington. The contract was ratified August 19, 2022, by unanimous vote. Registered nurses will receive raises of 21%-34% in various premiums, and a much-wanted holiday for Christmas Eve. Other staff have also received increases. In addition to competitive wages, we have instituted a number of recruitment strategies, including the development of an RN Residency Program and relocation reimbursement.”

Astria also provided its historical and projected numbers of FTEs for Toppenish. [Source: October 5, 2023, screening responses, p9]

Applicant's Table

Table 5
Astria Toppenish Hospital
FTEs by Category

	FY2022	FY2023	Projection		
			FY2024	FY2025	FY2026
Management	28	25	25	25	25
Provider	15	18	18	18	18
RN	103	76	79	99	104
Staff	145	132	132	137	142
Technician	76	77	77	92	94
Total	367	328	331	371	383

Source: Applicant

Public Comment

No public comment was received for this sub-criterion

Department Evaluation

This section of the evaluation focuses on the staffing of the proposed project. As stated in the project description section of this evaluation, Toppenish is currently operational, and the applicant only proposes to eliminate obstetrics services. The hospital is a licensed hospital with 82 acute care beds and provides a variety of health care services.

The FTE increases shown in the table above reflect projected FTE increases based on the projected utilization of the hospital. By the end of the year 2026, a total of 55 additional FTEs are expected to be needed. All FTE increases are associated with the growth of patient volume in areas not affected by this application.

Information provided in the application demonstrates that Astria is a well-established provider of healthcare services in Yakima County and surrounding communities within central Washington. For the projected increase of 55 staff needed by the end of 2026, the hospital intends to use its recruitment and retention strategies that have been successfully used in the past.

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

(2) The proposed service(s) will have an appropriate relationship, including organizational relationship, to ancillary and support services, and ancillary and support services will be sufficient to support any health services included in the proposed project.

WAC 246-310 does not contain specific WAC 246-310-230(2) as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that direct 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.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criterion above was met based on the following factors:

- 1) A review of the applicant's current and proposed ancillary and support services agreements
- 2) A review of the purchase and sale agreement for the proposed transaction

. [source: Initial evaluation of CN application #17-25, p72]

Astria Health

In response to this sub-criterion, the applicant provided the following statements. [source: October 5, 2023, screening responses p9]

"Astria Toppenish Hospital's ancillary and support services include:

- *Advanced diagnostic services including CT and X-ray 24/7; MRI and ultrasound daily and on call for nights; and Mammography, DEXA scan, echocardiography during weekdays.*
- *Laboratory services 24/7*
- *Respiratory services 24/7*
- *Endoscopy services during the weekdays*
- *Infusion therapy during the weekdays and on weekend days.*
- *Rehabilitation Services including physical therapy, occupational therapy, and speech therapy during the weekdays; physical therapy coverage for inpatients during the weekend days."*

The applicant also provided copies of executed transfer agreements between Toppenish and Yakima Valley Memorial Hospital (now MultiCare Yakima Memorial Hospital), Prosser Memorial Hospital

(now Prosser Memorial Health), Providence Sacred Heart Medical Center, and Seattle Children's Hospital. [source: October 5, 2023, screening responses, Attachment 2]

Public Comment

No public comment was received for this sub-criterion

Department Evaluation

As previously stated, this application requests the removal of a condition that mandates the provision of certain healthcare services. Approval of this application would not create a need for any new support services. Information provided in the application demonstrates that Astria is a well-established provider of healthcare services in central Washington. The application provided a listing of existing relationships that have been established by the hospital, none of which would be affected by the approval of this application. The applicant also provided several executed transfer agreements with other hospitals in Yakima County, as well as tertiary-care hospitals located in Spokane and Seattle. Each agreement identified the conditions under which patients might be transferred from or to Toppenish. Based on the information above, the department concludes **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.

As part of this review, the department must also conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.⁵ To accomplish this task, the department reviews the quality of care compliance history for all Washington State and out-of-state healthcare facilities owned, operated, or managed by an applicant, its parent company, or its subsidiaries.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criterion above was met based on a review of the applicant's compliance history. [source: Initial evaluation of CN application #17-25, pp73-74]

Astria Health

In response to this sub-criterion, the applicant provided the following statements. [source: Application, p28]

"No Astria facility or provider has any history related to criteria included in this question."

Public Comment

No public comment was received for this sub-criterion

Department Evaluation

As a part of this review, the department must typically conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public. In this application, the applicant is requesting permission to cease providing a service. For hospital projects,

⁵ WAC 246-310-230(5).

the department reviews two different areas when evaluating this sub-criterion. One is a review of the Centers for Medicare and Medicaid Services (CMS) “Terminated Provider Counts Report” covering the years 2020 through 2023.⁶ The department uses this report to identify any healthcare facilities owned or operated by the applicant that were involuntarily terminated from participation in Medicare reimbursement.

The department also reviews an applicant’s conformance with Medicare and Medicaid standards. The department uses the CMS ‘Survey Activity Report’ to identify facilities with a history of condition-level findings. For CMS surveys, there are two levels of deficiencies: standard and condition.⁷

- Standard Level
A deficiency is at the Standard level when there is noncompliance with any single requirement (or several requirements) within a particular standard that is not of such character as to substantially limit a facility’s capacity to furnish adequate care, or which would not jeopardize or adversely affect the health or safety of patients if the deficient practice recurred.
- Condition Level
Deficiency at the Condition level may be due to non-compliance with requirements in a single standard that, collectively, represent a severe or critical health or safety breach, or it may be the result of non-compliance with several standards within the condition. Even a seemingly small breach in critical actions, or at critical times, can kill or severely injure a patient, and such breaches would represent a serious or severe health or safety threat.

Astria operates two acute care hospitals, several clinics and medical practices, two home health agencies, and one hospice agency. Below is a summary of the two areas reviewed.

Terminated Provider Counts Report

Focusing on the years 2020 through 2023, neither Toppenish nor any of Astria’s associated facilities were involuntarily terminated from participation in Medicare reimbursement.

CMS Survey Data

Using the Center for Medicare and Medicaid Services Quality, Certification & Oversight Reports (QCOR) website, the department reviewed the available historical survey information for all Astria hospital facilities. A QCOR review shows that since 2020, each Astria hospital has been surveyed at least once. No surveys for the home health or hospice agencies were found for that period.

**Department’s Table 5
Astria’s Facilities and Survey History**

Facility	Number of Surveys Since Year 2020
Astria Sunnyside Hospital	2
Astria Toppenish Hospital	1
Sunnyside Community Home Health	0
Yakima HMA Home Health	0
Yakima HMA Hospice	0

⁶ Reports are all current as of January 29, 2024.

⁷ Definitions of standard and condition level surveys: <https://www.compass-clinical.com/deciphering-tjc-condition-level-findings/>

All of the hospitals, home health agencies, and hospice agencies owned and operated by Astria are located in Washington State. Since 2020, Toppenish received two condition-level deficiencies. Several surveys resulted in no deficiencies. The surveys that resulted in condition-level deficiencies were remedied and verified on follow-up visits.

Astria identified the following three clinical staff for the hospital shown in the table below. [source: October 5, 2023, screening responses, p10]

**Department's Table 6
Astria Toppenish Key Staff**

Name	Title
Paul Rodriguez-Garcia, DO	Medical Director
Melissa Waggoner, RN	Chief Nursing Officer
Zlatka Zupic, RN	Acute Care Director
Sandro Braga, RN	Surgical Services Manager

Using data from the Medical Quality Assurance and Nursing Quality Assurance commissions, the department confirmed that all four key staff hold an active state license and have no conditions or limits on their license with no enforcement actions.

For this sub-criterion, the department considered the total compliance history of Astria. The department also considered the compliance history of the key staff of the hospital. Based on the information reviewed, the department concludes that Toppenish is in compliance with applicable state and federal licensing and certification requirements. As a result, the department concludes there is reasonable assurance that the removal of condition 9 of CN #1612 would not have a negative effect on the hospital's or associated facilities' compliance. **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.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criterion above was met based on the following factors:

- 1) A review of public comment supporting the project
- 2) A review of the relationships the applicant demonstrated with other components of the area's healthcare system

. [source: Initial evaluation of CN application #17-25, p76]

Astria Health

In response to this sub-criterion, the applicant provided the following statements. [source: October 5, 2023, screening responses, p8 and 12]

“Over the past decade, but accelerating in the last few years, the Toppenish community has progressively lost access to prenatal care. As explained in response to Q5 above, YVFWC still provides OB/GYN and pediatric clinic services, including prenatal care, in Toppenish. They have experienced a reduction in OB/GYN physicians over the past decade, and currently only have 1 OB/GYN serving the

Toppenish community. Three years ago, they had 3-4 OB/GYN physicians in the Toppenish clinic. The decline in their coverage is the reason that Astria Toppenish Hospital's OB deliveries (as shown in Table 2) declined from 2020 to 2022.

Like YVFWC, Astria Toppenish Hospital was also unable to recruit OB/GYN and pediatric physicians to provide prenatal and obstetric services for the community and for call coverage for pediatric and OB/GYN services at the hospital which forced the closure of the OB unit.

The Program should understand that pre-and post-natal services and pediatric services are still provided by YVFWC in Toppenish. What has been eliminated is the actual delivery service. As explained earlier, this is due to the fact that YVFWC would no longer provide the required pediatric and OB coverage for the unit. Astria Toppenish Hospital attempted to continue the service, but the cost of locum medical providers was cost prohibitive, and the subsidy required jeopardized the viability of the entire hospital.

Before closing the inpatient unit, we coordinated with both Astria Sunnyside Hospital and MultiCare Yakima Memorial Hospital, the two closest providers to assure they understood and could support additional volume. We also informed and supported local primary and specialty clinic providers to assure that they were privileged at the other hospitals, so that they could continue to provide care to their patients. YVFWC made the decision to move their obstetrical and newborn care services to MultiCare Yakima Memorial Hospital, so they experienced minimal impact, and MultiCare Yakima Memorial Hospital offered emergency privileges for two physicians to ensure continuity of care."

The department also provided transfer agreements with several general acute care and tertiary care hospitals, as identified in the discussion of sub-criterion (2), above.

Public Comment

No public comment was received for this sub-criterion

Department Evaluation

The cessation of childbirth services at a community hospital necessarily implies increased fragmentation of services, in that patients who would have otherwise used Toppenish for those services will now be forced to see that care somewhere else. This is one of the reasons the department places similar conditions on certificates issued for hospital sales. The department also recognizes that if no providers can be recruited to staff an obstetrics program, such cessation is inevitable. As identified in the review of sub-criterion (2), above, the applicant has provided executed transfer agreements with other hospitals in Yakima County, as well as tertiary care hospitals in Spokane and Seattle to facilitate continuity of care. While any fragmentation of care is regrettable, in this instance, that fragmentation is not unwarranted.

For these reasons, the department concludes that approval of this project would not result in unwarranted fragmentation of services in the planning area. **This sub-criterion is met.**

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

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criterion above was met based on the review of sub-section (3) above.

. [source: Initial evaluation of CN application #17-25, p72]

Department Evaluation

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 the Astria application meets the applicable need 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 through 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.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criterion above was met based on the review of the alternatives presented by the applicant or identified by the department.

[source: Initial evaluation of CN application #17-25, pp81-82]

Astria Health

Astria provided the following statement and tables under this sub-criterion. [source: Application, p29; October 5, 2023, screening responses, p10]

“The was no other option, as retaining the OB service would have jeopardized the viability of the entire hospital. We did speak with CN staff in December of 2022, and were advised to submit this amendment application. We used the time from closure of unit to now to secure additional Medicaid reimbursement and to stabilize the remaining hospital

Please see our response to Q15, and please understand that the decision to close the unit was the culmination of a number of cascading issues that were made by other organizations, not Astria Toppenish Hospital. Once these decisions were made, we did continue to operate the service for months and looked to all partners that could support continuation of the birthing service. Also, please remember that pre- and post-natal services and pediatric services are still provided by YVFWC in Toppenish. As explained earlier, this is due to the fact that YVFWC couldn't or would no longer provide the required pediatric and OB coverage for the unit. Astria Toppenish Hospital attempted to continue the service, but the cost of locum medical providers was prohibitive, and the subsidy required jeopardized the financial viability of the entire hospital.”

Public Comment

No public comment was received for this sub-criterion

Department Evaluation

Astria demonstrated that it attempted to continue this service, however, the inability to staff for obstetrics services and the continuing financial losses associated with that cost center made it untenable and would jeopardize the continued existence of the hospital as a whole. Considering the hospital's role as a provider of other acute care services in Toppenish and surrounding communities, the department concludes that removing this condition is reasonable and the best available option for the planning area and surrounding communities. **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;
- (b) The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that this sub-criterion was not applicable.

[source: Initial evaluation of CN application #17-25, p83]

Department Evaluation

There is no construction associated with this application, therefore this sub-criterion is not applicable.

(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.

Initial Evaluation Summary

In its August 22, 2017, initial evaluation supporting the issuance of CN #1612, the department concluded that the sub-criterion above was met based on a review of the applicant's proposed staffing and projected financial statements

[source: Initial evaluation of CN application #17-25, p83]

Astria Health

The applicant provided the following statements under this sub-criterion. [source: Application, pp29-30]
"Staff efficiency is related to how effectively employees are able to perform their jobs, and how well they are able to organize their time and effort, without overusing or wasting resources. A hospital that is stressed by financials is challenged to support the effectiveness of staff. As we have begun to stabilize, we are already seeing staff efficiency increasing, because we are able to provide a better patient care environment and a more stable work environment.

We are not contemplating the elimination of any additional service. This project, removal of Condition 9, supports system efficiency because Astria Toppenish would no longer be constrained by a condition that no other hospital in the state is limited by. Given the socioeconomics of our community, and their need for access, Astria needs the flexibility that will allow us to realize efficiencies as market conditions, payer reimbursement, temporary workforce, etc. mandate."

Public Comment

No public comment was received for this sub-criterion

Department Evaluation

As stated in this evaluation, the documentation provided in the application, including public comments, demonstrates that the hospital is an integral part of the existing healthcare system for Yakima County and surrounding areas. Because the removal of condition 9 and cessation of obstetrics services at Toppenish eliminates a cost center that cannot be reasonably staffed and constitutes a significant financial loss to the hospital, the department concludes that it is appropriate to remove this condition and allow Toppenish to make more efficient use of its limited financial and staffing resources. For these reasons, the department concludes **this sub-criterion is met.**