STATE OF WASHINGTON
DEPARTMENT OF HEALTH

April 23, 2012

CERTIFIED MAIL # 7011 1570 0002 7802 6029

Greg Pang, Chief Executive Officer
Community Home Health and Hospice
1035 – 11th Avenue
Post Office Box 2067
Longview, Washington 98632

Re: CN #12-14

Dear Mr. Pang:

We have completed review of the Certificate of Need application submitted by Community Home Health and Hospice proposing to establish a 15-bed hospice care center in Clark County. For the reasons stated in this evaluation, the application submitted is consistent with applicable criteria of the Certificate of Need Program, provided Community Home Health and Hospice agrees to the following in its entirety.

Project Description:

This project approves phase one of the two-phase hospice care center project. Phase one is the establishment of a 10-bed hospice care center at 3100 Northeast 136th Circle in Vancouver, within Clark County.

Conditions:

1. Community Home Health and Hospice agrees with the project description stated above.
2. Before providing hospice care center services at the new facility, Community Home Health and Hospice must provide the name and professional license number of the key staff identified below for the department's review and approval:
   - two people, who may be either personnel, contractor or volunteers, available 24/7;
   - RN available 24/7 for consultation and direct participation in nursing care;
   - RN available 24/7 for direct nursing services; and
   - pharmacist available 24/7 for services and consultation.

Approved Costs:

The approved capital expenditure for this project is $2,174,675, which represents phase one of the project submitted by Community Home Health and Hospice.

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

Mailing Address:	Other Than By Mail:
Department of Health	Department of Health
Certificate of Need Program	Certificate of Need Program
Mail Stop 47852	111 Israel Road SE
Olympia, WA 98504-7852	Tumwater, WA 98501

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

Sincerely,

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

Enclosure

EVALUATION DATED APRIL 23, 2012, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY COMMUNITY HOME HEALTH AND HOSPICE PROPOSING TO ESTABLLISH A HOSPICE CARE CENTER IN CLARK COUNTY

APPLICANT DESCRIPTION

Community Home Health and Hospice (CHHH) is a not-for-profit entity that has been providing home health and hospice services to the residents of Clark, Cowlitz, and Wahkiakum counties in Washington State and Columbia County in Oregon State. CHHH is Medicare certified and Medicaid eligible. CHHH operates from the following two separate sites:

Address	City	County
1035 – 11th Avenue	Longview	Cowlitz
14508 Northeast 20th Avenue, #201	Vancouver	Clark

CHHH also operates a 12 bed inpatient hospice care center at the Cowlitz County site. [source: Application, p3]

PROJECT DESCRIPTION

CHHH submitted this application proposing to establish a second hospice care center at 3100 Northeast 136th Circle in Vancouver, within Clark County. The new facility is part of a larger project that involves construction of a 42,056 square foot facility that would house the Clark County home health and hospice agency, administrative offices, a 200-seat conference center, and a new 15-bed hospice care center. The hospice care center would occupy approximately 19,010 square feet of space in the building. [source: Application, p5-6]

CHHH proposes to establish the hospice care center in two phases. A description of each phase and the timing for completion is below. [source: Application, p6 & p16]

Phase One: Construction of the entire 42,056 square foot facility. Space for a 15 bed hospice care center would be built out, but only 10 of the beds would become operational in phase one. Since this project is part of a larger construction project, commencement of phase one occurred in January 2011 when CHHH awarded the construction contract. Completion of phase one is expected to be May 2013.

Phase Two: Equip and make operational the remaining 5 hospice care center beds. Phase two will begin once the 10 beds in phase one reach 80% occupancy. Completion of phase two is expected to be January 2016.

The capital expenditure associated with the larger project is $10,238,910; of that amount, $2,414,599 is associated with the both phases of the hospice care center project. [source: Application, p32]

APPLICABILITY OF CERTIFICATE OF NEED LAW

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

CRITERIA EVALUATION

WAC 246-310-200(1)(a)-(d) identifies the four determinations that the department must make for each application. WAC 246-310-200(2) provides additional direction in how the department is to make its determinations. It states:

"Criteria contained in this section and in WAC 246-310-210, 246-310-220, 246-310-230, and 246-310-240 shall be used by the department in making the required determinations.

(a) In the use of criteria for making the required determinations, the department shall consider:

(i) The consistency of the proposed project with service or facility standards contained in this chapter;

(ii) In the event the standards contained in this chapter do not address in sufficient detail for a required determination the services or facilities for health services proposed, the department may consider standards not in conflict with those standards in accordance with subsection (2)(b) of this section; and

(iii) The relationship of the proposed project to the long-range plan (if any) of the person proposing the project."

In the event the WAC 246-310 does not contain service or facility standards in sufficient detail to make the required determinations, WAC 246-310-200(2)(b) identifies the types of standards the department may consider in making its required determinations. Specifically WAC 246-310-200(2)(b) states:

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

(i) Nationally recognized standards from professional organizations;

(ii) Standards developed by professional organizations in Washington state;

(iii) Federal Medicare and Medicaid certification requirements;

(iv) State licensing requirements;

(v) Applicable standards developed by other individuals, groups, or organizations with recognized expertise related to a proposed undertaking; and

(vi) The written findings and recommendations of individuals, groups, or organizations with recognized expertise related to a proposed undertaking, with whom the department consults during the review of an application."

WAC 246-310-295 contains service and facility specific standards and criteria for hospice care center projects. 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); and 246-310-240 (cost containment), and WAC 246-310-295 (hospice care center standards).[1]

CONCURRENT REVIEW

This application was submitted during the year 2011 hospice care center concurrent review cycle outlined in WAC 246-310-295(3). The concurrent review process promotes the expressed public policy goal of RCW 70.38 that the development or expansion of health care services is accomplished in a planned, orderly fashion and without unnecessary duplication.

Since no other hospice care center applications were submitted for Clark County during this review cycle, as allowed under WAC 246-310-295(5), the department converted the application to a regular review timeline.

APPLICATION CHRONOLOGY

The timeline below represents the regular review timeline for the project.

Action	Community Home Health and Hospice
Letter of Intent Submitted	October 14, 2011
Application Submitted	November 22, 2011
Department's Pre-review Activities including Screening and Responses	November 23, 2011 through January 16, 2012
Beginning of Review	January 17, 2012
Public Hearing and End of Public Comment	February 21, 2012
Rebuttal Comments Received	March 7, 2012
Department's Anticipated Decision Date	April 23, 2012
Department's Actual Decision Date	April 23, 2012

AFFECTED PERSONS

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

"…an interested person who:

(a) Is located or resides in the applicant's health service area;

(b) Testified at a public hearing or submitted written evidence; and

(c) Requested in writing to be informed of the department's decision."

For this project, one entity sought and received affected person status under WAC 246-310-010.

PeaceHealth Southwest Medical Center [source: CN historical files]

PeaceHealth Southwest Medical Center is an acute care hospital located in Clark County. It provides healthcare services to the county and surrounding areas through its acute care hospital, Medicare certified and Medicaid eligible home health and hospice agency, and its 20-bed hospice care center located in Clark County.

[1] Each criterion contains certain sub-criteria. The following sub-criteria are not discussed in this evaluation because they are not relevant to this project: WAC 246-310-210(3), (4), (5), and (6).

SOURCE INFORMATION REVIEWED

- Community Home Health and Hospice's Certificate of Need application received November 22, 2011
- Community Home Health and Hospice's supplemental information received January 9, 2012
- Public comment received during the course of the review
- Public hearing documents submitted at the February 21, 2012, public hearing
- Community Home Health and Hospice's rebuttal documents received March 7, 2012
- PeaceHealth Southwest Medical Center's rebuttal documents received March 7, 2012
- Licensing and/or survey data provided by the Department of Health's Investigations and Inspections Office
- Profession compliance data provided by the Medical Quality Assurance Commission
- Data obtained from Community Home Health and Hospice's website [www.chhh.org]
- Certificate of Need historical files

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Community Home Health and Hospice proposing to establish a hospice care center in Clark County is consistent with the applicable criteria of the Certificate of Need Program, provided Community Home Health and Hospice agrees to the following in its entirety.

Project Description:

This project approves phase one of the two-phase hospice care center project. Phase one is the establishment of a 10-bed hospice care center at 3100 Northeast 136th Circle in Vancouver, within Clark County.

Conditions:

1. Community Home Health and Hospice agrees with the project description stated above.
2. Before providing hospice care center services at the new facility, Community Home Health and Hospice must provide the name and professional license number of the key staff identified below for the department's review and approval:
   - two people, who may be either personnel, contractor or volunteers, available 24/7;
   - RN available 24/7 for consultation and direct participation in nursing care;
   - RN available 24/7 for direct nursing services; and
   - pharmacist available 24/7 for services and consultation.

Approved Costs:

The approved capital expenditure for this project is $2,174,675, which represents phase one of the project submitted by Community Home Health and Hospice.

A. Need (WAC 246-310-210) and Hospice Care Center Standards (WAC 246-310-295)

Based on the source information reviewed and provided that the applicant agrees to the conditions identified in the 'conclusion' section of this evaluation, the department concludes that Community Home Health and Hospice's project has met the need criteria in WAC 246-310-210(1) and (2) and the Hospice Care Center methodology and standards outlined in WAC 246-310-295.

(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.

The department uses the methodology outlined in WAC 236-310-295(6) to determine need for a hospice care center within a planning area. The six-step methodology is used to demonstrate that an existing hospice agency's patient base is sufficient to support a hospice care center. The method uses the existing use rates for the hospice services, average number of resident deaths by planning area (county) for the most recent three years, and the projected population of the planning area to project the number of hospice care center beds.

Community Home Health and Hospice Methodology

Using the numeric methodology outlined in WAC 246-310-295, CHHH provided three separate numeric methodologies. The three methodologies are summarized below.

- **Methodology #1** [source: Application pp27-29]
  This methodology was submitted in the initial application and is based on historical data from years 2009, 2010, and 2011. Since this application was submitted in November 2011, year 2011 data was 10 months annualized. The results of this methodology projected a need for 15.5 hospice care center beds in Clark County. CHHH rounded the need to 16 beds.
- **Methodology #2** [source: January 9, 2012, supplemental information, Attachment 2]
  This methodology was submitted in response to the department's December 7, 2011, request for supplemental information. This methodology is also based on historical data from years 2009, 2010, and 2011; however, since the responses were submitted in early 2012, full year 2011 data was available and used in this methodology. The results of this methodology projected a need for 17.5 hospice care center beds in Clark County. CHHH rounded the need to 18.
- **Methodology #3** [source: January 9, 2012, supplemental information, Attachment 2]
  This methodology was also submitted in response to the department's December 7, 2011, request for supplemental information. This methodology is based on historical data from years 2008, 2009, and 2010. The results of this methodology projected a need for 13.8 hospice care center beds in Clark County. CHHH rounded the need to 14.

Department's Review of CHHH's Methodologies

Step one of the numeric methodology requires the applicant to '*determine the average total days of care provided in the applicant's preceding three years of operation*.' [emphasis added] Methodology #1 above uses 10 months of 2011 data annualized. Methodology #2 uses full year 2011. Since the rule requires data from the preceding three years and the numeric methodology must be submitted in the initial application, the department reads this

step to mean three full years before the application is submitted. Since the application was submitted in November 2011, data from 2011 should not be used. Therefore, for this project, the '*three years preceding*' statement in rule is full years 2008, 2009, and 2010, which was submitted in Methodology #3. For these reasons, the remainder of this evaluation will focus on CHHH's Methodology #3 referenced above. Below is a summary of the assumptions used by CHHH in its Methodology #3.

Table 1
CHHH Hospice Care Center Methodology #3 Assumptions

Assumption	**Data Used/Result**
Planning Area	Clark County
Historical Data Used	Full years 2008, 2009, & 2010
Three Year Average Total Patient Days	11,734
Three Year Average Percentage of Patients Requiring Care Other Than In Private Homes	27.9%...rounded to 28%
Estimated Patient Days	3,286
Number of Beds Supported based on Patient Days	9.0 beds
Number of Beds Supported based on 65% Occupancy	13.8…rounded to 14

Using the assumptions outlined above, CHHH projected a need for 14 hospice care center beds for its Clark County patients.

During the review of this application, PeaceHealth Southwest Medical Center (PSMC) provided comments related to CHHH's numeric methodology. Specifically, PSMC asserted that CHHH's need methodology uses flawed utilization statistics that results in a significant overestimation of the need for hospice care center beds in Clark County. [source: PSMC February 21, 2012, public comments]

Below is a restatement of the four-step numeric need methodology in WAC 246-310-295(7), CHHH's application of each step, and PSMC's assertions related to each step.

Step 1
Determine the average total days of care provided in the applicant's preceding three years of operation. If the applicant has been in operation for less than three years, assume an ADC of thirty-five to calculate potential days of care
CHHH has been in operation for more than three years. Methodology #3 relied on years 2008, 2009, and 2010 data. Using the historical data, CHHH calculated 11,734 average total days of care.

PSMC expressed no concerns with this step.

Step 2
Multiply the above average days of care by the applicant's annual percentage of patients requiring care in settings other than their private home to estimate the number of potential patient days. If the applicant has been in operation for less than three years, multiply the

potential days of care by the statewide percentage of hospice patients requiring care in settings other than their private home

For this step, CHHH determined an average of 28% of its patients obtained hospice care in a setting other than their private home. Multiplying 11,734 [step 1] by 0.28, resulted in 3,285.5, which CHHH rounded to 3,286. This number represents the estimated number of days in a hospice care center.

PSMC states that there are four types of hospice care: routine home care, general inpatient care, continuous home care, and inpatient respite care. Of these four types, PSMC asserts that only two types—general inpatient and inpatient respite—are appropriate for a hospice care center setting. PSMC states that only these two types should be used in this step of the numeric methodology. Since these two types of patients represent a small percentage of the total hospice days in the county, using 28% in this step is an over-estimation.

Step 3

Divide the estimated number of patient days by three hundred sixty-five (days per year) to estimate the average daily census for the applicant

CHHH divided 3,286 [step 2] by 365, resulting in 9.0. This number represents the average daily census or the number of hospice care center beds based on the number of patient days.

PSMC asserts that CHHH's step 2 above is flawed which results in the projections calculated in the remaining steps to be inaccurate.

Step 4

Assume a minimum occupancy of sixty-five percent to determine the number of beds the applicant could request in their application.

Dividing 9.0 average daily census from step 4 by 65%, results in 13.8. This number represents the number of beds the applicant could request based on 65% occupancy. CHHH rounded this to 14.

For the reasons stated in step 3 above, PSMC asserts the calculations in this step are also inaccurate.

Department's Review of CHHH's Numeric Methodology and PSMC's Comments

In Certificate of Need applications that contain a numeric methodology, the department also applies the methodology, then compares the results of both methodologies and discusses the differences. For hospice care center projects, the numeric methodology requires use of data that is not reported to a third party and, therefore, is only available to the applicant.[2] As a result, for the numeric methodology, other than recalculating the mathematical computations in the methodology, the department relies on the data used by the applicant. In its review of CHHH's methodology, the mathematical computations are accurate.

[2] For example, historical data for acute care hospitals are reported to a data collection program within the Department of Health. For dialysis centers, the facility reports historical data to the Northwest Renal Network. In these examples, the department and the applicant can obtain the same data and apply it in the numeric methodology.

PSMC asserts that CHHH should not follow the numeric methodology as stated in rule. Instead, for step 2, CHHH should break out specific types of hospice patients, and rely on only those numbers to determine its percentage of patients receiving care in a setting other than their private home.

The hospice care center methodology was adopted in rule on April 19, 2003. Since that time, the department has reviewed 11 hospice care center applications. Two of the applications resulted in approval of a PeaceHealth hospice care center.[3] A review of all 11 applications reveals that the four-step methodology was applied in each application consistent with CHHH's application of the methodology above. A review of the percentages used in step 2, shows that the applicants applied a percentage ranging from 9.6% to 63%. None of the applicants, including PeaceHealth, relied on only general inpatient and inpatient respite patients to determine the percentage to be used in step 2.[4]

The suggestion by PSMC that CHHH abandon the plain read of the four-step methodology is not supported by the 11 applications submitted and reviewed by the department from 2002 to 2008, including two PeaceHealth applications. Additionally, PSMC's suggested revisions in step 2 are not supported by the rule itself. As a result, the department concludes that CHHH's application of the numeric methodology is consistent with the rule and the resulting projections for a need of 14 hospice care center beds for its Clark County patients is reliable.

During the review of this project, PSMC also asserted that in addition to the numeric methodology above, CHHH must provide an evaluation of the existing hospice care center services in Clark County. CHHH's evaluation must demonstrate that the existing hospice care centers are not currently available and will not be sufficiently available in the future. [source: February 21, 2012, public comments**]** PSMC operates the only hospice care center in the county—Ray Hickey Hospice House. The facility has 20 beds and operates with an average daily census of 13 patients or 65% occupancy. [source: Leslie Quintana, RN at Ray Hickey Hospice House, public hearing statement]

To assess PSMC's assertion above, the department reviewed the recommendations of the Hospice Advisory Committee that was established in early year 2000. The Advisory Committee was created to assist the department in the development of two separate rules—hospice agency and hospice care center.[5] A review of the November 11, 2001, working draft specific to hospice care centers provides the following statements related to the need criteria for a hospice care center.

> *"As discussed earlier, the committee determined that the community hospice methodology will accurately determine the need for hospice services. Hospice care*

[3] Southwest Washington Medical Center submitted its hospice care center application on April 30, 2002. At that time, the hospital was not affiliated with PeaceHealth. Whatcom Hospice submitted its application on November 30, 2007, and has been a PeaceHealth affiliate for many years.

[4] Southwest Washington Medical Center used 24% in step 2 and Whatcom Hospice used 31% in step 2.

[5] Prior to year 2000, hospice care centers required prior Certificate of Need review. Once approved, a hospice care center would obtain a hospital license for the hospice care center. In 2000, hospice care centers required an In-Home Services license through the Department of Health. As a result, Certificate of Need rules were adopted to include hospice care center staffing and structure standards, as well as a numeric methodology used to determine need for a hospice care center in a given planning area (county).

centers will be utilized for temporary inpatient services or as a residential option for existing community hospice users. These centers will not serve a different 'pool' of patients, but instead will provide an additional option for providers to appropriately care for their patients. Providers applying for a hospice care center CON [Certificate of Need] do not need to show additional need for hospice services, but instead document that the proposed center will be financially feasible. Licensure rules will address the quality of the care centers and other requirements."

[source: Washington State Department of Health, Certificate of Need—Hospice, Recommendations of the Advisory Committee, pp24-25]

It is clear from the recommendation restated above, and the plain read of the hospice care center rules in WAC 246-310-295, that PSMC's assertion is incorrect. CHHH is not required to provide an evaluation of the utilization of the existing hospice care center in Clark County. This is also supported by the plain read of the hospice care center rules, which requires hospice care center applications to be submitted by a hospice agency. Further, the numeric methodology requires the hospice agency to use only the applying agency's historical patients to determine need. As a result, CHHH's numeric methodology demonstrates a need for 14 hospice care center beds in the Clark County planning area.

CHHH's application requests a 15-bed hospice care center—10 beds in phase one and 5 beds in phase two. The five beds in phase two are stated to be added when the hospice care center reaches 80% occupancy. CHHH expects this to occur in year 2016; however, it is uncertain when the hospice care center would reach 80% occupancy.

WAC 246-310-295(8)

WAC 246-310-295(8)(a)-(c) identify certain occupancy standards that all hospice care centers must meet. Sub-section (a) requires the hospice care center to operate at a minimum of 50% occupancy for the first three years following completion of the project. CHHH's project meets this requirement at the end of phase one and at the end of phase two.

Subsection (b) requires the applicant to maintain 65% occupancy after the first three years of operation. CHHH's project meets this requirement at the end of phase one. However, once the five additional beds become operational in phase two, the occupancy percentage is projected to drop below 65%. This requirement is not met in year one of phase two.

Subsection (c) applies to projects where the applicant is requesting to add beds to an existing, operational hospice care center. It states that an existing hospice care center must document that its average occupancy of the hospice care center was at least 80% for the nine months immediately preceding submission of the application. This occupancy standard does not apply to this project because CHHH proposes a two-phase project.

In conclusion, only 14 of the 15 requested beds are supported by CHHH's methodology at this time. Since the project would not meet the standard under WAC 246-310-295(8)(b) with both phases, the department concludes that only phase one of CHHH's project is approvable. Provided CHHH agrees to the reduction in the number of approved hospice care center beds**, 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.*

CHHH currently provides healthcare services to residents of Clark, Cowlitz, and Wahkiakum counties through its home health and hospice agency, and its existing hospice care center located in Cowlitz County. To determine whether all residents of the service area would have access to the proposed home health services, the department requires applicants to provide a copy of its current or proposed admission policy. The admission policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and any assurances regarding access to treatment.

CHHH provided a copy of its current Admission Policy used for the hospice agency and its existing hospice care center located in Cowlitz County. This is the same policy that would be used for the proposed hospice care center in Clark County. The policy includes the necessary language to demonstrate that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to CHHH's hospice care center. The policy also provides CHHH's hospice admission criteria and outlines the process to be used for admission of patients appropriate for hospice care. [source: Application, Exhibit 7]

To determine whether the elderly would have access or continue to have access to the proposed services, the department uses Medicare certification as the measure to make that determination. CHHH currently provides services to Medicare eligible patients through its home health and hospice agency, and its existing hospice care center located in Cowlitz County. For this project, a review of the policies and data provided in the application identifies the facility's financial pro forma includes Medicare revenues. Additionally, CHHH provided the expected sources of revenue for the hospice care center, which includes approximately 81.6% Medicare. [source: Application, p38 and January 9, 2012, supplemental information, Attachment 3]

To determine whether low-income residents would have access to the proposed services, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination.

CHHH currently provides services to Medicaid eligible patients through its home health and hospice agency, and its existing hospice care center located in Cowlitz County. For this project, a review of the policies and data provided in the application identifies the facility's financial pro forma includes Medicaid revenues. Additionally, CHHH provided the expected sources of revenue for the hospice care center, which includes approximately 9.4% Medicaid. [source: Application, p38 and January 9, 2012, supplemental information, Attachment 3]

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

CHHH provided a copy of its current Charity Care policy used for the home health and hospice agency, and its existing hospice care center located in Cowlitz County. The policy includes the necessary language to demonstrate that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to CHHH's charity care. The policy outlines the process a patient must use to access charity care. Additionally, CHHH included charity care as a deduction from revenue within its pro forma financial statements. [source: Application, Exhibit 7 and January 9, 2012, supplemental information, Attachment 3]

There were no public comments submitted related to this sub-criterion.

Department's Evaluation

CHHH provided both a current Admission Policy and Charity Care Policy, and demonstrated that the new hospice care center would serve both Medicare and Medicaid eligible patients. Based on the information above, the department concludes that all residents of the service area would have access to the proposed hospice services. **This sub-criterion is met**.

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

Based on the source information reviewed and provided that the applicant agrees to the conditions identified in the 'conclusion' section of this evaluation, the department concludes that Community Home Health and Hospice's project has met the financial feasibility criteria in WAC 246-310-220.

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

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

The numeric methodology is used to determine the number of hospice care center beds needed by a hospice agency based on the agency's own patient base. For this sub-criterion, an applicant applies this data to the number of patients it expects would use the hospice care center. To determine if CHHH's hospice care center would meet its immediate and long range operating costs, the department first reviewed the assumptions used by CHHH to determine the projected number of patients and patient days it would serve. The assumptions used by CHHH are below. [source: Application, p20 and January 9, 2012, supplemental information, p2]

- CHHH is committed to providing the same access to high quality services to our Clark County patients as we do for our Cowlitz County patients. Our hospice care center in Longview averages 72% occupancy of 12 beds.

- Kaiser Permanente Hospice has expressed interest in having access to a CHHH hospice care center for their Clark County patients. While our projections do not 'quantify' or include Kaiser patients, the reality is Kaiser's Clark County hospices average daily census is approximately 100.
- The overall bed need at 65% occupancy was calculated using the 4-step methodology in rule. Application of this methodology to CHHH's actual days in 2009-2011 demonstrates that if we had a hospice house in Clark County, we would have averaged a census of 10.3 during that period. Based on this, our projections are very conservative in that we do not project having a census of 10 until 2017.
- An average daily census of 6 for the first year of operation is a realistic expectation. As the elderly population grows and the community becomes more familiar with end-of-life choices, the census will grow steadily in the subsequent years.

As previously stated, CHHH submitted this application as a two phase project. Phase one is the establishment of 10 beds and would be completed in May 2013; phase two added the remaining 5 beds and would be complete in January 2016. In the need section of this evaluation, the department approved only phase one of this project. As a result, only phase one will be reviewed under this sub-criterion.

CHHH's projected its patients and patient days, revenue, expenses, and net income using calendar years. The table below shows the projections for years 2013 through 2015. [source: January 9, 2012, supplemental information, p2 and Attachment 3]

Table 2
Years 2013 through 2015 Projected Patients and Patient Days

	CY 2013	CY 2014	CY 2015
# of Beds	10	10	10
# of Admissions	730	852	973
# of Days	2,190	2,555	2,920
Average Daily Census	6	7	8
Average Occupancy	60%	70%	80%

As shown in the table above, CHHH expects the average occupancy of the hospice care center would reach 80%—or 8 of 10 new beds—by the end of year three. Based on the information provided in the application, these projections appear to be reasonable. Additionally, the department compared CHHH's projected average daily census and occupancy percentages with other hospice care centers and determined they are comparable and reasonable.

CHHH used its projected admissions and days shown in the table above to prepare its pro-forma income statements for the hospice care center. Below is a summary of the statements. [source: January 9, 2012, supplemental information, Attachment 3]

Table 3
Calendar Years 2013 through 2015
Projected Revenue and Expense Statements

	CY 2013	CY 2014	CY 2015
Net Revenue	$1,374,333	$1,603,388	$1,832,443
Total Expenses	$1,468,297	$1,566,105	$1,763,829
Net Profit /(Loss)	($93,964)	$37,283	$68,614

The 'Net Revenue' line item is gross revenue minus any deductions for charity care, bad debt, and contractual allowances. The 'Total Expenses' line item includes salaries and wages, depreciation, and allocated costs for hospice care center. Expenses also include $77,169 in interim interest that is identified in the capital expenditure.[6]

As shown in the table above, CHHH projected it would operate at a loss in 2013 and a profit years 2014 and 2015.

CHHH's hospice care center is to be located in a soon-to-be constructed building at 3100 Northeast 136th Circle in Vancouver. CHHH provided a copy of the Purchase and Sales Agreement and the Statutory Warranty Deed for the site. The land was purchased in September 2010 and the warranty deed was recorded that same month and year. On October 19, 2011, CHHH completed the land use process and received approval from the Office of the Clark County Land Use Hearing Examiner for the larger project, which includes the hospice care center, at the site. [source: Application, Exhibits 1, 5, and 6] As a result, no lease agreement for the site was established.

CHHH has three physicians on its active medical staff, and identified one of them—Tanya Steward, MD—as the medical director for the Clark County hospice care center. CHHH provided a signed and executed medical director agreement for the services. The term for the agreement is for one year, with automatic one-year renewals each year. The agreement identifies all roles and responsibilities of both CHHH and the medical director. All costs associated with the medical director are identified in the agreement and substantiated in the pro forma Revenue and Expense Statements provided in the application. [source: January 9, 2012, supplemental information, Attachment3 and 5]

In addition to the projected Revenue and Expense Statements, CHHH provided the projected Balance Sheets for CHHH as a whole, which includes the home health and hospice agency, the hospice care center in Cowlitz County, and this proposed hospice care center in Clark County. Since CHHH reports on a fiscal year ending in September, year 2014 shown below is a full 12 months of operation for the 10 bed hospice care center (phase one) and year 2018, which would have been year three with 15 beds. [source: Application, Exhibit 11]

[6] For Certificate of Need purposes, interim interest is required to be included in the capital expenditure, even if it is not going to be capitalized.

Tables 4
Community Home Health and Hospice
Forecasted Balance Sheets
Year 2014

Assets		Liabilities	
Current Assets	$6,291,282	Current Liabilities	$ 2,000,838
Fixed Assets	$15,643,599	Long Term Debt	$11,313,725
Board Designated Assets	$1,141,861	**Equity**	**$9,762,179**
Total Assets	**$23,076,742**	**Total Liabilities and Equity**	**$23,076,742**

Year 2018

Assets		Liabilities	
Current Assets	$7,809,729	Current Liabilities	$2,059,617
Fixed Assets	$13,443,470	Long Term Debt	$10,210,775
Board Designated Assets	$1,141,861	**Equity**	**$10,124,668**
Total Assets	**$22,395,060**	**Total Liabilities and Equity**	**$22,395,060**

As shown in the balance sheets above, the larger project will have a financial impact on CHHH, however it is clear that CHHH would be financially stable through full calendar year 2018.

There were no public comments submitted related to this sub-criterion.

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

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

CHHH states that the establishment of the hospice care center in Clark County is part of a larger project. The cost of the entire project is $10,238,910, and of that amount, $2,414,599 is attributed to the Clark County hospice care center. [source: Application, p32]

CHHH determined its expected sources of revenues based on its long-time experience with hospice and hospice care center services in Cowlitz County. The majority of its revenue would come from Medicare. Medicare pays for hospice care on a perspective payment

system (PPS) basis. The table below shows the expected payer mix for the proposed hospice care center. [source: Application, p38]

Table 5
Community Home Health and Hospice
Clark County Hospice Care Center Payer Mix

Payer Source	Percentage
Medicare	81.6%
Medicaid	9.4%
Commercial Insurance/All Other	9.0%
Total	100.0%

Since the applicant expects that majority of its payer source would be from Medicare, the proposed project is not expected to have any impact on the operating costs and charges for hospice services in the planning area, because Medicare payments are prospective payments.

There were no public comments submitted related to this sub-criterion.

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

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

CHHH states that the establishment of the hospice care center is Clark County is part of a larger project. The cost of the entire project is $10,238,910, and of that amount, $2,414,599 is attributed to both phases of the hospice care center. In the need section of this evaluation, the department approved only the 10 beds in phase one. On the following page is a capital expenditure breakdown for the larger project and only phase one of the hospice care center project. [source: Application, p32]

Table 6
Community Home Health and Hospice Projected Capital Cost

Item	Larger Project	HCC Phase 1
Land Purchase	$1,510,000	$439,292
Construction Costs[7]	$7,975,693	$1,496,912
Moveable Equipment	$390,160	$132,850
Costs Associated w/ Financing	$97,800	$28,452
Interim Interest	$265,256	$77,169
Total Project Cost	**$ 10,238,909**	**$2,174,675**

The hospice care center is approximately 21% of the total project. CHHH also provided a copy of the contractor's estimate of the construction costs, including fixed equipment for both phases. The letter confirms the cost of $1,672,912, which represents the construction costs for both phases of the project. [source: Application, Exhibit 8]

CHHH intends to finance the project through a combination of tax exempt bonds, donations, and reserves. Below is a breakdown of the funding sources for the larger project and both phases of the hospice care center. [source: Application, p34]

Table 7
Community Home Health and Hospice Funding Sources

Item	Larger Project	% of Total	HCC-Both Phases	% of Total
Tax-Exempt Bonds	$7,480,240	73.1%	$1,753,074	72.6%
Bequests/Donations	$175,000	1.7%	$50,911	2.1%
Reserves	$2,318,413	22.6%	$533,446	22.1%
Interim Interest	$265,256	2.6%	$77,169	3.2%
Total Project Cost	**$ 10,238,909**	**100.0%**	**$2,414,600**	**100.0%**

As shown above, when combined, tax exempt bonds and reserves make up approximately 95% of the funding for both the larger project and the hospice care center alone. CHHH provided the following statements regarding these two funding sources. [source: Application, p37]

> *"The combination of existing agency reserves coupled with the low interest rate loan available through the Washington Healthcare Facilities Authority is a very cost effective financing method. …current economic conditions have made this a very good time for CHHH to pursue the project, including building capacity for future community needs. The current low real estate and construction costs and low financing rates, coupled with the fee holiday recently approved by Clark County which will in and of itself save CHHH up to $200,000 provide significant efficiencies. CHHH also intends to refinance our two existing mortgages in Longview (currently at 6% and 6.25%) as part of the financing package with the [Washington Healthcare*

[7] Construction costs include fixed equipment, architect/engineering fees, consulting fees, site preparation, supervision and inspection of the site, and state sales tax related to construction.

Facilities] Authority, significantly reducing our interest rate and saving over $10,00 per month in interest expenses."

CHHH also provided a copy of its three most recent audited financial statements (2008, 2009, and 2010) demonstrating the financial capability to fund the project. [source: Application, Appendix 1]

During the review of this project, PSMC voiced concerns regarding the construction costs for the hospice care center. Specifically, PSMC asserts that the construction costs for CHHH's 15-bed hospice care center are too low. PSMC compared construction costs of CHHH's project with the following three hospice care center projects.[8]

- Peace Health's 12-bed hospice care center project in Whatcom County, associated with St. Joseph Hospital in Bellingham;
- Hospice of Spokane's 20-bed hospice care center in Spokane; and
- Yakima Memorial Home Care Services 20-bed hospice care center in Yakima.

To compare the construction costs of the projects, PSMC divided the total capital expenditure by the proposed number of beds and also divided only the construction costs by the proposed number of beds. The comparison is shown in the table below. [source: PSMC public hearing documents, pp27-28 and Appendix 3]

Table 8
PeaceHealth Southwest Medical Center Comparison Table

Name	# of Beds	Project Cost	Construction Cost	Construction Cost Per Bed
PeaceHealth St. Joseph Hospital	12 beds	$3,165,000	$1,274,000	$106,167
Hospice of Spokane	20 beds	$6,566,000	$4,576,800	$228,840
Yakima Memorial Home Care	20 beds	$6,883,353	$3,943,733	$197,187
Community HHH	**15 beds**	**$ 2,414,600**	**$1,496,112**	**$99,794**

CHHH provided the following statements in response to PSMC's cost comparison summarized above. [source: March 7, 2012, Rebuttal documents, p16]

"Comparing our capital cost figures to any other applicant is not an 'apples to apples' comparison. CHHH's project is unique in that the HCC is part of a much larger construction project that includes space for our existing agency clinical staff, a grief support center, 200-seat conference center, administrative offices, and a memorial garden."

Department's Evaluation

According to PSMC's calculations, CHHH's construction costs are too low and, therefore, not credible. Since PSMC only used the construction costs in phase one of the project, the table is an accurate comparison. However, a portion or percentage of the CHHH's construction costs is allocated to other portions of the larger project. This approach is

[8] PSMC also compared CHHH's costs per bed with six separate facilities in Florida. However, without detailed information of the line items that make up the construction costs for the Florida facilities, the department concludes that this may not be a fair comparison.

appropriate when determining costs for shared space, conference rooms, etc. The department concludes that the costs for the 10-bed hospice care center are reasonable. Based on the information, the department concludes the costs for the project are reasonable and the funding for this project is available. **This sub-criterion is met**.

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

Based on the source information reviewed and the applicant's agreement with the conditions identified in the 'conclusion' section of this evaluation, the department concludes that Community Home Health and Hospice's project has met the structure and process of care criteria in WAC 246-310-230.

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

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs that should be employed for projects of this type or size.

CHHH intends to co-locate its proposed hospice care center with its Clark County home health and hospice agencies. To demonstrate compliance with this sub-criterion, CHHH submitted its projected number of FTEs [full time equivalents] for its hospice care center only. Since the department approved only the 10 beds requested in phase one, the FTE table below shows years 2013 through 2015, and the associated number of beds and average daily census. [source: Application, p40 and January 9, 2012, supplemental information, p2]

Table 9
Community Home Health and Hospice
Clark County Hospice Care Center Proposed FTEs Years 2013-2015

Staff	2013 Partial Yr	2014 Increases	2015 Increases	Total
# of Beds	**10**	**10**	**10**	
Average Daily Census	**6**	**7**	**8**	
Registered Nurse	6.80	1.10	1.20	9.10
Certified NA	6.90	1.10	1.20	9.20
LPN	2.20	0.30	0.40	2.90
Medical Director	0.20	0.10	0.00	0.30
MSW	0.30	0.10	0.10	0.50
Volunteer Coordinator	0.10	0.00	0.00	0.10
Pharmacy	0.10	0.00	0.00	0.10
Chaplin	0.20	0.00	0.00	0.20
Total FTE's	**16.80**	**2.70**	**2.90**	**22.4**

To further demonstrate compliance with this sub-criterion, CHHH provided the following statements. [source: Application, p41]

"As an employer of choice in the region, we are frequently inundated with applications when we have an opening. We expect that the opportunity to work in a brand new hospice care center in Clark County will result in similar high interest. In addition to direct recruiting, we already cross train field staff so that they can work in the hospice care center during times of peak census. We envision doing the same with our new Clark County operation. Finally, because this will be our second hospice house, and because we already have system infrastructure in place, we will not need to add administration, human resources, financing, billing, or other support staff to accommodate this facility."

Washington Administrative Code 246-335-155(14) requires specific key staff for hospice care centers. Since CHHH's hospice care center would not be operational until mid-year 2013, key staff has not been hired. These key staff includes:

- two people, who may be either personnel, contractor or volunteers, available 24/7;
- RN available 24/7 for consultation and direct participation in nursing care;
- RN available 24/7 for direct nursing services; and
- pharmacist available 24/7 for services and consultation.

CHHH identified Tanya Stewart, MD as the medical director for the proposed hospice care center in Clark County. Dr. Stewart is part of CHHH's active medical staff, along with Christopher Collins, MD and Kelly Thurmon, MD. CHHH provided a copy of the signed and executed medical director agreement with Dr. Stewart. The agreement identifies all roles and responsibilities of both CHHH and the medical director, and has annual renewal terms. [source: Application, p4 and January 9, 2012, supplemental information, Attachment 5]

There were no public comments submitted related to this sub-criterion.

Department's Evaluation

The majority of the staff for the hospice care center has yet to be recruited. If this project is approved, the department would attach a condition requiring CHHH to provide the name and professional license number for the key staff identified above. Provided CHHH agrees to the condition related to staffing, the department concludes that sufficient staffing is available or can be recruited. **This sub-criterion is met**.

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

WAC 246-310 does not contain specific WAC 246-310-230(2) as identified in WAC 246-310-200(2) (a) (i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what relationships, ancillary and support services should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials contained in the application.

CHHH is an existing provider of healthcare services in Clark, Cowlitz, and Wahkiakum counties. This project proposes to establish a hospice care center to be co-located with its home health and hospice agency in Clark County.

To address the sub-criterion, CHHH provided the following statements. [source: Application, p41]

> *"The addition of a hospice care center in Clark County will not result in any changes in the use of ancillary and support services. It will simply increase the volume and utilization of such services. CHHH currently provides administrative, maintenance, housekeeping, nutritional services, medical equipment, and laundry services for the hospice care center in Longview and we will extend these services to the hospice care center in Vancouver. These expenses have been allocated to the hospice care center."*

There were no public comments submitted related to this sub-criterion.

Department's Evaluation

CHHH has been providing both home health and hospice services in the three counties for many years. CHHH opened a hospice care center before the Department of Health established separate licensure for them. With the long history of providing both home health and hospice services in Clark County, and surrounding areas, the department expects that CHHH would establish appropriate ancillary and support relationships in Clark County for the hospice care center. Based on the information, the department concludes that there is reasonable assurance the proposed hospice care center would have appropriate ancillary and support services. **This sub-criterion is met**.

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

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2) (a) (i). There are known recognized standards as identified in WAC 246-310-200(2) (a) (ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. As part of its review, the department must conclude that the proposed service would be operated in a manner that ensures safe and adequate care to the public.[9] 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.

CHHH is a longtime provider of home health and hospice services in Clark, Cowlitz, and Wahkiakum counties. Currently, CHHH operates a home health and hospice agency, and a 12-bed hospice care center. The Department of Health's Investigations and Inspections Office (IIO) conducts quality of care and compliance surveys for in home services. Records indicate that IIO completed at least one compliance survey for CHHH since 2007.[10] The compliance survey found no significant deficiencies. [source: facility survey data provided by the Investigations and Inspections Office]

[9] Also WAC 246-310-230(5).
[10] Survey completed in August 2007.

CHHH identified Tanya Stewart, MD as the medical director for the proposed hospice care center in Clark County. Dr. Stewart is part of CHHH's active medical staff, along with Christopher Collins, MD and Kelly Thurmon, MD. A review of all three physicians' compliance histories did not show any current or past enforcement actions. [source: Compliance history provided by Medical Quality Assurance Commission]

CHHH also provided the following statements related to this sub-criterion.
"CHHH has a long history of operating all of its services in compliance with state and federal laws, rules, and regulations. The operation of the new hospice care center will comply with this same standard of care. Case in point, for four years in a row, CHHH has been named one of the nation's top-performing home health agencies. CHHH is also accredited by the Community Health Accreditation Program (CHAP).[11] *CHAP attests that CHHH delivers quality services through consistent measurement of, and compliance with, high standards of care."*

There were no public comments submitted related to this sub-criterion.

Department's Evaluation
Based on the compliance history of CHHH's healthcare facilities, its proposed medical director, and associated physicians, the department concludes there is reasonable assurance CHHH's hospice care center located in Clark county would be operated in conformance with state and federal regulations. **This sub-criterion is met.**

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

To demonstrate compliance with this sub-criterion, CHHH provided the following statements. [source: Application, p43]

> *"The establishment of the hospice care center will support CHHH in providing all levels of care for our patients. The benefit to the patient and family is immense; it assures that the comprehensive and appropriate care plan for patients and families that we started when the patient first enrolled can continue through any change in*

[11] CHAP is an independent, not-for-profit, accrediting body for community-based health care organizations. Created in 1965, CHAP was the first to recognize the need and value for accreditation in community-based care. CHAP is the oldest national, community-based accrediting body with more than 5,000 agencies currently accredited nationwide. Through "deeming authority" granted by the Centers for Medicare and Medicaid Services (CMS), CHAP has the regulatory authority to survey agencies providing home health, hospice, and home medical equipment services, to determine if they meet the Medicare Conditions of Participation and CMS Quality Standards. CHAP's purpose is to define and advance the highest standards of community-based care. [source: CHAP website]

care or setting. Care planning, including goals for discharge, is routine upon admission to any CHHH services."

Throughout its application, CHHH has indicated that if the project is approved, its hospice care center would work within the existing, established healthcare system. CHHH's statements above also support this concept.

There were no public comments submitted related to this sub-criterion.

Department's Evaluation

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

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

This sub-criterion is evaluated in sub-section (3) above, and no public comments were submitted for this sub-criterion for any of the three applications. Based on the above information, the department concludes that **this sub-criterion is met**.

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the 'conclusion' section of this evaluation, the department concludes that Community Home Health and Hospice's project has met the cost containment criteria in WAC 246-310-240.

(1) Superior alternatives, in terms of cost, efficiency, or effectiveness, are not available or practicable.

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

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

Step three of this assessment is to apply any service or facility specific criteria (tie-breaker) contained in WAC 246-310. The tiebreaker criteria are objective measures used to compare competing projects and make the determination between two or more approvable projects which is the best alternative. If WAC 246-310 does not contain any service or facility

criteria as directed by WAC 246-310-200(2)(a)(i), then the department would look to WAC 246-310-240(2)(a)(ii) and (b) for criteria to make the assessment of the competing proposals. If there are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b), then using its experience and expertise, the department would assess the competing projects and determine which project should be approved.

Community Home Health and Hospice

Step One

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

Step Two

Before submitting this application, CHHH considered and rejected the following three options. [source: Application, pp46-49; April 14, 2011, supplemental information, p11]

- Do nothing
  CHHH states this option was easily rejected because of the current Clark County patient need and the growth of the aging population.

- Expansion of the existing hospice care center in Cowlitz County
  CHHH's facility is located in Longview, which is adjacent to Clark County. It currently operates with 12 beds. Since the hospice care center rules limit the size of hospice care centers to 20 beds [WAC 246-310-295(9)(b)], only 8 more beds could be added. After much discussion with the community, CHHH determined that establishing a new facility in Clark County, rather than expansion in an adjacent county, would better serve the Clark County residents.

- Partnering with an existing provider in Clark County
  CHHH states that the existing 20-bed hospice care center has an average occupancy of 75%, which results in waits for admission when census is high. Without new hospice care center bed capacity in Cark County, CHHH's patients would not have adequate and timely access to much needed services. Even a one-day wait for an inpatient bed can be, in some cases, too late for the hospice patient.

Taking into account the results of its numeric need methodology and the letters of community support, the CHHH concluded that the establishment of a 15-bed hospice care center in two phases was the best available alternative for the community.

Step Three

This step is used to determine between two or more approvable projects which is the best alternative. Even though this project is submitted under a concurrent review timeline, there were no other hospice care center projects submitted for Clark County. This step does not apply.

PSMC submitted comments related to this sub-criterion. Specifically, PSMC asserted that CHHH's project does not meet the criteria under need and financial feasibility (WAC 246-

310-210 and 246-310-220, respectively). As a result, it is not the best alternative for the community and should be denied under this criterion.

This evaluation does not support PSMC's assertion above. As a result, this sub-criterion is evaluated below.

Department's Evaluation

Based on CHHH's numeric methodology for Clark County, only phase one—or the establishment of a 10-bed hospice care center—was demonstrated. Even with 10 hospice care center beds, CHHH's project could demonstrate financial viability.

During the review of this project, the department received over 150 letters of support or signed petitions in support of this project. One of the letters of support was submitted by Legacy Salmon Creek Hospital, one of two hospitals in Clark County. The letter stated that another hospice care center in the county would allow greater patient choice for hospice patients. Kaiser Permanente, a long-standing health maintenance organization (HMO) located in Portland, Oregon, serves a large number of patients in Clark County. While Kaiser Permanente provided a letter specifically stating that it 'remains neutral' regarding this project, it also acknowledged growth in the aging population and the necessity to plan ahead for healthcare services.

The department also received over 600 form letters created by PSMC and signed by residents of Clark County. The form letter simply supports PSMC's opposition of this project by stating, in part,

> *"I support PeaceHealth Southwest's position opposing the Certificate of Need application from Community Home Health and Hospice for a 15-bed inpatient hospice care center in Clark County. It is my opinion there is no unmet need now or in the foreseeable future."*

Since these letters did not provide any comments to supplement the opposition presented by PSMC, this type of form letter was not helpful in the review of this project. The PSMC comments have been addressed above.

Based on the source information reviewed and the applicant's agreement to the conditions identified in the 'conclusion' section of this evaluation, the department concludes that **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;

WAC 246-310 does not contain specific WAC 246-310-240(2)(a) criteria as identified in WAC 246-310-200(2)(a)(i). There are known minimum building and energy standards that healthcare facilities must meet to be licensed or certified to provide care. If built to only the minimum standards all construction projects could be determined to be reasonable. However, the department, through its experience knows that construction projects are usually built to exceed these minimum standards. Therefore, the department considered information

in the applications that addressed the reasonableness of their construction projects that exceeded the minimum standards.

As stated in the project description portion of this evaluation, this project involves construction. This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). **This sub-criterion is met.**

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

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