



State of Washington  
Department of Health

June 23, 2015

Certified Mail 7009 0960 0000 5564 6935

Ms. Stella Ogiale, CEO  
Chesterfield Services, Inc.  
703 Columbia Street, Suite 200  
Seattle, Washington 98104

RE: CN App #14-30

Dear Ms. Ogiale:

We have completed the review of the Certificate of Need application submitted by Chesterfield Services, Inc. proposing to establish a Medicare and Medicaid certified home health agency in King County. Enclosed is a written evaluation of the application.

For the reasons stated in this evaluation, the department has concluded that the project is not consistent with the Certificate of Need review criteria identified below, and a Certificate of Need is denied.

Need	WAC <sup>1</sup> 246-310-210
Financial Feasibility	WAC 246-310-220
Cost Containment	WAC 246-310-240

This decision may be appealed. The two appeal options are listed below.

Appeal Option 1:

You or any interested or affected person may request a public hearing to reconsider this decision. The request must state the specific reasons for reconsideration in accordance with Washington Administrative Code 246-310-560. A reconsideration request must be received within 28 calendar days from the date of the decision at one of the following addresses:

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<sup>1</sup> Washington Administrative Code

Stella Ogiale, CEO  
Chesterfield Services, Inc.  
June 23, 2015  
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Mailing Address:  
Janis Sigman, Manager  
Certificate of Need Program  
Department of Health  
Mail Stop 47852  
Olympia, WA 98504-7852

Physical Address  
Janis Sigman, Manager  
Certificate of Need Program  
Department of Health  
111 Israel Road SE  
Tumwater, WA 98501

Appeal Option 2:

You or any affected person with standing may request an adjudicative proceeding to contest this decision within 28 calendar days from the date of this letter. The notice of appeal must be filed according to the provisions of Revised Code of Washington 34.05 and Washington Administrative Code 246-310-610. A request for an adjudicative proceeding must be received within the 28 days at one of the following addresses:

Mailing Address:  
Adjudicative Service Unit  
Mail Stop 47879  
Olympia, WA 98504-7879

Physical Address  
Adjudicative Clerk Office  
111 Israel Road SE  
Tumwater, WA 98501

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

Sincerely,



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

Enclosure

**EVALUATIONS DATED JUNE 23, 2015, FOR THE CERTIFICATE OF NEED  
APPLICATION SUBMITTED BY CHESTERFIELD SERVICES, INC., PROPOSING TO  
ESTABLISH A MEDICARE AND MEDICAID CERTIFIED HOME HEALTH AGENCY  
IN KING COUNTY.**

**APPLICANT DESCRIPTION**

Chesterfield Services, Inc. is an existing licensed only home health agency located in Kent within King County. In addition to its home health services, Chesterfield Services, Inc. operates Chesterfield Pharmacy located in Seattle within King County. Chesterfield's Home Health services will operate as part of Chesterfield Services, Inc. and its activities will be located at the applicant's existing location at 703 Columbia Street in Seattle. Chesterfield Services, Inc. is incorporated in Washington. [Source: Application Page 5, and Washington Secretary of State Website]

**PROJECT DESCRIPTION**

Chesterfield proposes to obtain Medicare and Medicaid certification for its existing licensed only home health services located in Kent within King County. Chesterfield Services, Inc. would offer specialized home health services targeted to linguistic and cultural minorities (particularly those from Africa and Asia cultures) and the residents of King County. [Source: Application, Page 5] Chesterfield Services, Inc. would provide skilled nursing care and certified home health aide. Chesterfield Services, Inc. anticipates it would provide physical therapy, occupational therapy, and speech therapy services as contracted services. The capital expenditure associated with the establishment of the home health agency is \$40,600, which is solely related to equipment, supplies and consulting fees.

Chesterfield anticipates that it would begin to provide certified Medicare and Medicaid services by the end of January 2015. Under this timeline, year-end 2016 would be the first full calendar year of operation and year 2018 would be year three. [Source: Application and Supplemental information received May 30, 2014]

For ease of reference, the department will refer to the applicant Chesterfield Services, Inc. as 'Chesterfield' and the proposed home health agency as 'Chesterfield Home Health'

**APPLICABILITY OF CERTIFICATE OF NEED LAW**

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

**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 does not contain service or facility standards for home health agencies. To obtain Certificate of Need approval, Chesterfield 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).<sup>1</sup> Consistent with WAC 246-310-200(2)(b), the home health agency projection methodology and standards found in the 1987 State Health Plan, Volume II, Section (4)(d) is used to assist in the evaluation of home health applications.

### **TYPE OF REVIEW**

There is no published concurrent review cycle for home health agencies. On March 27, 2014, Chesterfield submitted its application. Before the department began formal review of the application, ADMA Healthcare, Inc. submitted an application. Since both applications proposed to establish Medicare certified home health agencies in King County, the department initially reviewed these projects concurrently. During the course of the review, several issues were raised about information contained in the ADMA application. These issues could impact the ADMA application, but are not relevant to the review of the Chesterfield application. Since these applications were not subject to a published concurrent review, the department using its discretion separated the review of the two applications on May 13, 2015.

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<sup>1</sup> 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) and WAC 246-310-240(2),(3)

A chronologic summary of the department’s review timelines for Chesterfield’s application is shown below:

**APPLICATION CHRONOLOGY**

<b>Action</b>	<b>Chesterfield Services, Inc.</b>
Letter of Intent Submitted	October 10, 2013
Applications Submitted <sup>2</sup>	March 27, 2014
Department’s Pre-review Activities including <ul style="list-style-type: none"> <li>• DOH 1st Screening Letter</li> <li>• Applicant’s 1st Screening Responses Received</li> <li>• DOH 2nd Screening Letter</li> <li>• Applicant’s 2nd Screening Responses Received</li> </ul>	April 17, 2014 May 30, 2014 August 11, 2014 September 23, 2014
Beginning of Review	October 2, 2014
Public Comment <sup>3</sup> <ul style="list-style-type: none"> <li>• Public comments accepted through</li> <li>• Public hearing conducted</li> <li>• Rebuttal Comments Received</li> </ul>	November 20, 2014 None December 08, 2014
Department’s Anticipated Decision Date	January 22, 2015
Department’s Decision to Separate the Review of Chesterfield and ADMA Applications	May 13, 2015
Department’s Actual Decision Date	June 23, 2015

**AFFECTED PERSONS**

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

“...an “*interested person*” who:

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

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

Providence Health and Services

Providence Health and Services provides home health services in King County. Providence requested in writing to be informed of the department’s decision. However, Providence did not submit any comments as required under WAC 246-310-010(2)(b). Therefore, under WAC 246-310-010(2) Providence Health and Services did not qualify as an affected person.

<sup>2</sup> Chesterfield Health Services, Inc. submitted its application on March 27, 2014 and ADMA Healthcare, Inc. application was submitted on May 15, 2014, because the department received two applications proposing to provide similar type services from the same planning within two months of each other, the department decided to review the two applications comparatively. In deciding to review both applications comparatively, the department withheld Chesterfield Health Services, Inc. 1<sup>st</sup> screening responses until such a time when ADMA Healthcare, Inc. 1<sup>st</sup> screening responses were received. Upon receiving ADMA Healthcare, Inc. 1<sup>st</sup> screening responses, both applications then assumed the same time line and were screened again.

<sup>3</sup> The department publish an incorrect end of public comment date so this was changed

### **SOURCE INFORMATION REVIEWED**

- Chesterfield Services, Inc. Certificate of Need application received March 27, 2014
- Chesterfield Services, Inc. 1st and 2nd supplemental information received May 30, 2014 and September 23, 2014
- Letters of support received during the review
- Completed provider utilization surveys received from existing King County home health providers for calendar year 2014
- Population data obtained from the Office of Financial Management based on year 2010 census and published May 2012.
- 1987 Washington State Health Plan Performance Standards (SHP) for Health Facilities and Services, Home Health methodology and standards
- Licensing and survey data provided by the Department of Health's Investigations and Inspections Office
- Licensing and compliance history data provided by the Department of Health's Medical Quality Assurance Commission
- Licensing and/or survey data provided by out of state health care survey programs
- Data obtain from the Washington Secretary of State. <http://www.sos.wa.gov>
- Medicare Home Health Care reimbursement information obtained from the Centers for Medicare & Medicaid Services. <http://www.medicare.gov>

## **CONCLUSIONS**

For the reasons stated in this evaluation, the application submitted by Chesterfield Services, Inc. proposing to establish a Medicare and Medicaid certified home health agency to serve the residents of King County is not consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is denied.

## **CRITERIA DETERMINATIONS**

### **A. Need (WAC 246-310-210) and Home Health Need Methodology**

Based on the source information reviewed, the department concludes Chesterfield Services, Inc. project has not met the need criteria in WAC 246-310-210(1) and (2) and the home health agency methodology and standards outlined in the 1987 State Health Plan, Volume II, Section (4)(d).

- (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.*

### **Home Health Numeric Methodology**

WAC 246-310 does not contain specific criteria. WAC 246-310-210(1) need criteria as identified in WAC 246-310-200(2)(a)(i).

To assist with the determination of numeric need for home health agencies, the department uses the numeric methodology contained in the 1987 Washington State Health Plan (SHP).

- projected population of the planning area, broken down by age groups [0-64; 65-70; & 80+].
- estimated home health use rates per age group; and
- the number of visits per age group.

The total projected number of visits is then divided by 10,000, which is considered the 'target minimum operating volume' for a home health agency. The resulting number represents the maximum projected number of agencies needed in a planning area. The SHP states fractions are rounded down to the nearest whole number. [Source: SHP, pB-35] The final step in the numeric methodology is to subtract the existing number of home health agencies in a planning area from the projected number of agencies needed. This results in the net number of agencies needed for the planning area.

### **Chesterfield's methodology and assumptions**

Using the SHP methodology, Chesterfield determined the projected number of patient visits in King County in 2017 would be 470,448. Dividing the projected number of visits by 10,000 resulted in 47.04 agencies that would be needed in King County in 2017. Chesterfield identified 37 existing home health agencies that are currently providing services to the residents of King County. To show net need, Chesterfield subtracted the existing 37 agencies from the 47 projected agencies resulting in a net need of 10 new agencies. [Source Application, pages 11-13] A summary of Chesterfield methodology is presented in Table 1.



**Table 1**  
**Summary of Chesterfield 2017 Need Projections**

<b>Estimated Home Health Agency Need</b>	
Total Population	2,051,111
# Total Patient Visits	470,448
#Total Projected Visits/ 10,000 minimum visits	47
Existing Medicare Certified/Medicaid Eligible Agencies	37
Net Need	10

Based on the summary shown in the table above, the applicant concluded there is a need for additional home health agencies in King County.

**Department's Numeric Methodology**

The department used the SHP methodology to assist in determining need for home health agencies in King County. There are 37 home health agencies providing services to the residents of King County. On April 10, 2014, the department approved Envision Home Health of Washington, LLC's application to provide Medicare and Medicaid home health services in King County. Of the 37 home health agencies, 16<sup>4</sup> are Medicare certified providers and the remaining 21 are licensed only providers. A summary of the department's methodology is presented in the table below. The complete methodology is Appendix A attached to this evaluation.

**Table 2**  
**Summary of Department of Health**  
**King County Home Health Need Projection**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
# Total Patient Visits	450,516	452,527	461,491	470,458	479,426	488,393
#Total Projected Visits/ 10,000 minimum visits	45.05	45.25	46.15	47.05	47.94	48.94
Net Need Rounded Down	45	45	46	47	47	48
Existing Home Health Agencies	37	37	37	37	37	37
Net Need per SHP	8	8	9	10	10	11

As shown in Table 2 above, need for eight additional Medicare certified agency agencies is projected in 2014, which increases to 11 in 2019. Based solely on the numeric methodology, need for additional home health agencies in King County are demonstrated.

In addition to the numeric methodology, an applicant must also demonstrate that existing providers would not sufficiently be available and accessible to meet the projected need.

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<sup>4</sup> Amenity HH, Brookdale Senior Living, Careage HH, Evergreen HH & Hospice, Franciscan HH, Gentiva Health Services, Group Health Home and Hospice, Harvard Partners, Highline Home Care Services, MultiCare Good Samaritan Home Health, Sea Mar Community Health Centers, Signature Home Health, Votto Health Care, Providence Home Services, Wesley Homes at Home, LLC and Envision Home Health of Washington, LLC.

To demonstrate that an unmet need exists, Chesterfield stated, “...In addition, granting a certificate to Chesterfield Services does not change actually the number of available agencies, since Chesterfield is already included in the list of current HHAs; however, it does positively affect the available service capacity by allowing us to move towards providing the 10,000 visits per year that were already represented in the DOH calculations”. [Source: Application, Page 14]

**The Department’s Evaluation**

To assist in its evaluation of the availability of the existing providers, the department reviewed the capacity and patient volumes for home health providers located within the planning area. Within the planning area, the department identified 37 home health agencies. Of the 37 agencies, 21 are “licensed only” and 16 are Medicare certified agencies. The applicant is one of the 21 “licensed only” agencies.

On April 22, 2014, the department sent utilization survey to the 37<sup>5</sup> agencies providing services within the planning area requesting 2013 home health utilization data, average daily census, and maximum capacity. Of the 37 agencies surveyed, three “licensed only” agencies<sup>6</sup> and seven Medicare certified agencies provided responses to the department’s survey. The Medicare certified agencies providing responses to the surveys were Brookdale, Careage, Harvard Partners, Highline Home Health and Hospice Services, Providence Home Health Services, Kline Galland Home Health and Wesley Home Community Health Services.<sup>7</sup> The table below is a summary of the survey responses received by the department.

**Table 3  
Summary King County Home Health Patient Visits Year 2013**

<b>Name</b>	<b>Total Visits</b>	<b>ADC</b>	<b>Maximum Capacity of Patients</b>
Highline Home Health and Hospice Services	19,090	230	258
Providence Home Health Services	46,774	377	3,598
Careage Home Health	18,121	180	250
Brookdale Home Health Seattle	516	25	25
Wesley Home Community Health Services	7,580	140	180
Harvard Partners	6,248	75	1,500
Kline Galland Home Health	121	32	85
<b>Totals</b>	<b>98,450</b>		

Information in Table 3 above shows four Medicare home health agencies located in the planning area provided 98,450 patient visits with Providence Home Health Services providing a significant portion of those visits. In its application, Chesterfield projected it

<sup>5</sup> Provider surveys were originally sent to King County providers when Envision of Washington Home Health, LLC submitted its application in 2014. For ADMA and Chesterfield applications, the department followed up with providers who did not initially provide responses.

<sup>6</sup> Amicable Health Care, Ashley House, Helping Hands for the Disable Visions and Children’s County Home are licensed only agencies.

<sup>7</sup> When an agency does not return a utilization survey, the department concludes that agency has made the determination that either the proposed project will not affect them or any impact the proposed new agency will have is not significant.

would provide the number of visits stated in Table 4 below. [Source: Application, Page 10 and Supplemental information May 30, 2014, page 6 and attached 3]

**Table 4  
Chesterfield Projected Utilization**

<b>Year 1--2015</b>	<b>Year 2--2016</b>	<b>Year 3--2017</b>
2,800	3,136	3,512

Given Chesterfield projections, the department subtracted the applicant’s projected visits from the department’s projected visits for each year to arrive at a remaining potential number of visits for year 2015-2017. Assuming that the four agencies number of visits would remain constant, the department subtracted its projected visits from the existing agencies reported number of visits and the balance of projected visits represents the potential unmet numbers of visits in King County for that year as shown in Table 5 below.

**Table 5  
Summary-Additional Patients to Reach Maximum Capacity  
and Estimated Number of Visits**

<b>Year</b>	<b>Department’s Projected Visits</b>	<b>Chesterfield Projected Visits</b>	<b>Reported Agency Visits</b>	<b>Balance of Projected Visits</b>
2015	452,527	2,800	98,450	354,077
2016	461,491	3,136	98,450	363,041
2017	470,458	3,512	98,450	372,008

As shown in Table 5, the number of projected visits within the planning area is sufficient to accommodate another provider. The department did not receive any public comments related to Chesterfield’s application to provide home health services in King County.

Chesterfield’s application demonstrated that numeric need exists in King County. Within the application, Chesterfield stated approval of this project does not change the number of available agencies in King County because the applicant is already included in the list of currently available home health providers in the planning area. Base on the evaluation the department concludes that existing providers at their current capacity may not be sufficiently available to meet the projected need. **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.

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

To demonstrate compliance with this sub-criterion, Chesterfield provided its Acceptance Policy that would be used for patient's admissions at the home health agency. The document states any patient needing treatment will be accepted for treatment without regard to race, creed, color, age, sex, or national origin. [Source: Supplemental information received May 30, 2014, Appendix G] Additionally, the document references Chesterfield's policies and procedures manual, but the applicant did not provide a copy of the manual or relevant portions of the document. Further, the acceptance policy provided was not signed by Chesterfield. For this reasons, the acceptance policy is considered a draft. If this project is approved, the department would attached a condition requiring the applicant provide an adopted copy of its acceptance policy with all the sections inclusive for the department review and approval.

The department uses the facility's Medicaid certification or contracting with Medicaid to determine whether low-income residents would have access to the proposed services. Chesterfield currently provides services in Washington. Information presented within the application stated Chesterfield would seek Medicaid certification. In the application, Chesterfield expects to receive 97% of its revenue from Medicaid from year 2015 through 2017 and states, "*Based on their projection, the applicant does not believe that the percentage are likely to change until at least the fourth year of operation*". [Application: Page 19]

These applicant statements are not consistent with its projected revenue financial statement. The department's review of Chesterfield's revenue financial statement shows the applicant expects 100% of its revenue from Medicare. [Source: Application, Page 19 and Supplemental information received September 23, 2014] This information is not consistent with Chesterfield's stated intent to provide services to Medicaid patients in King County. Based on the information, the department cannot conclude that home health services provided by Chesterfield would be available to Medicaid patients in King County.

The department uses Medicare certification to determine whether the elderly would have access or continue to have access to the proposed services. Information within Chesterfield's application indicates it would provide services to Medicare patients. The department review of Chesterfield's projected financial statement shows that it expects to receive 100% of its revenue from Medicare. [Source: Application, Page 19 and Supplemental information received September 23, 2014] Based on the information, the department concludes that Chesterfield would provide services to Medicare patients in King County.

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. The department defined "Charity care" as necessary healthcare services rendered to indigent persons, to the extent that the persons are unable to pay for the care or to pay deductibles or co-insurance amounts required by a third-party payer.

Chesterfield demonstrated its intent to provide charity care to home health patients in King County by listing 'charity care' as an expense within its projected revenue financial statement. [Source: Supplemental information received November 23, 2014, Attachment 3 and Supplemental information received May 30, 2014, Attachment 5]

Further Chesterfield also provided a Charity Care Policy within its application. The charity care policy outlines the process one would use to access services, however it was not signed by Chesterfield. Therefore, the department considered the charity care policy a draft. If this project is approved, the department would attach a condition requiring Chesterfield to provide an adopted copy of its charity care policy for the department's review and approval. The adopted charity care policy must be consistent with the draft provided in the application.

Based on the source information reviewed, the department concludes access to Medicaid patients cannot be substantiated, **this sub-criterion is not met.**

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

Based on the source information reviewed the department concludes that Chesterfield Services, Inc. has not 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.

To evaluate this sub-criterion, the department reviewed the assumptions used by Chesterfield to determine the projected number of patients it would serve and the average number of patient's days. [Source: Application, Page 10 and Supplemental information received May 30, 2014, Page 10] Summarized below are the assumptions.

- 100 non-duplicated patients in the first year
- Each patient requires two 60-days Medicare episodes
- Each episode requires 14 visits or 28 visits per patient per year
- 75% of the visits were for skilled nursing, 23% for home health aides, and the remaining 2% Medical Social Worker visits.
- Chesterfield assumes a growth rate of 12% per year.

Using the assumptions summarized above, Chesterfield projected the number of visits summarized in the table below.

**Table 6  
Chesterfield Projected Patients and Patient Visits**

	<b>Full Year -1 2015</b>	<b>Full Year -2 2016</b>	<b>Full Year-3 2017</b>
# of Unduplicated Patients	100	112	126
# of Visits Per Patient	28	28	28
# of Home Health Visits Per Year	2,800	3,136	3,512

Using the projected number of patients by Chesterfield in the table above, the applicant prepared its projected revenue and expense statement for the home health agency. Summarized in table below is that information. [Source: Supplemental information, received September 23, 2014, Attachment 3]

**Table 7  
Chesterfield Home Health Projected Revenue and Expense Statements**

	<b>Full Year 2015</b>	<b>Full Year 2016</b>	<b>Full Year 2017</b>
Net Revenue	\$437,800	\$490,336	\$551,628
Total Operating Expenses	\$451,069	\$494,942	\$543,434
Net Profit /(Loss)	(\$13,269)	(\$4,606)	\$17,194
Net Revenue Patient Per Visit	\$156.36	\$156.36	\$157.07
Operating Expenses Per Patient Visit	\$161.10	\$157.83	\$152.17
Net Profit (Loss) Per Patient Visit	(\$4.74)	(\$1.47)	\$4.90

The 'Net Revenue' line item is gross revenue and deduction for bad debt, and contractual allowances. The 'Total Operating Expenses' line item includes charity care, salaries and wages for the proposed home health agency. As shown in the table above, Chesterfield projected the proposed home health agency would incur losses during the first two year of operation and it would profit in the third full year of operation. Within the application, Chesterfield stated it intends to lease office space and provided an executed lease agreement. [Source: Supplemental information, received September 23, 2014, Attachment 2]

Chesterfield stated it would hire a registered nurse to provide clinical oversight for patients at the home health agency. With the application the applicant stated, "*42CFR Part 484.14 (d) specifies that skilled nursing for a home health agency shall be under the supervision of "a physician or a registered nurse" ...Therefore, Chesterfield has determined that the Medical Director will be a Registered Nurse*". [Source: Application, Pages 3-4 and Appendix D]

The cost associated with the medical director position is substantiated in the revised pro forma revenue and expense statement under the 'Medical Director' line item. [Source: Supplemental information, received September 23, 2014, Attachment 2]

In addition to the projected revenue and expense statements, Chesterfield provided a projected balance sheets using calendar years 2015 through 2017. [Source: Supplemental information, received September 23, 2014, Attachment 3]

**Table 8  
Chesterfield Forecasted Balance Sheet Years 2015 through 2017**

<b>Assets</b>		<b>Liabilities</b>	
Total Current Assets	\$37,667	Total Liabilities	\$83,228
Property Plant & Equipment	\$32,292	<b>Equity</b>	<b>(\$13,269)</b>
<b>Total Assets</b>	<b>\$69,959</b>	<b>Total Liabilities and Equity</b>	<b>\$69,959</b>

**Third Year of Operation (2017)**

<b>Assets</b>		<b>Liabilities</b>	
Total Current Assets	\$47,200	Total Liabilities	\$63,999
Property Plant & Equipment	\$16,116	<b>Equity</b>	<b>(\$682)</b>
<b>Total Assets</b>	<b>\$63,316</b>	<b>Total Liabilities and Equity</b>	<b>\$63,316</b>

As shown in the balance sheet information above, Chesterfield would be financially stable starting from the first year through the project third year of operation. A review of the balance sheet did not show any long-term debt.

**Department's Evaluation**

A review of the assumptions used by Chesterfield to project its finances showed the average number of visits per patient anticipated is optimistic. Statements within a support document provided by Chesterfield stated that in year 2012, there were 18 total visits for all types of episodes. Chesterfield stated that since 6.2 of the total 18 visits are for services it would not provide during the first three years of operation, it deducted these visits. Therefore, it anticipates it would only provide 12.4 visits per patient.

However, the 12.4 visits per patient the applicant stated it anticipates to provide, is not consistent with the total visits per patient based on its total number of patients visits and the total number of unduplicated patients. Information reviewed by the department showed the Chesterfield expects to provide 28 visits per patient. [Source: Supplemental information, received September 23, 2014, Attachment 3]

To identify an applicant's sources of revenue the application guidelines asked the applicant for the expected sources of revenue for the total operations. In response to the question, Chesterfield provided its expected revenue sources and the percentages summarized in Table 9 below.

**Table 9  
Chesterfield Projected Sources of Revenue from Years 2015  
Thorough 2017**

Source	Full Year 2015	Full Year 2016	Full Year 2017
Medicaid	97%	97%	97%
Medicare	2%	2%	2%
Private Pay	1%	1%	1%

To support its projected revenue sources and the percentages, Chesterfield stated, “Based on their projection, the applicant does not believe that the percentages are likely to change until at least the fourth year of operation”. [Source: Application, Page 19]

Given the department’s understanding of how a home health patient may qualify for reimbursements, the department notes that the 28 visits per patient projected by Chesterfield could be achieved. However, the applicant’s responses to the application guideline appear to be an overstatement. As shown in Table 9, it seems the applicant expects that 97% of its projected patient’s revenue would be reimbursements from Medicaid. On September 23, 2014, in response to the department’s screening questions, Chesterfield provided a revised revenue statement and the applicant stated that home health services, it expects to receive starting from years 2015 through 2017, 100% reimbursements from Medicare. The applicant did not provide any other information regarding any other anticipated source of revenue. Based on the source information presented, the department cannot conclude that the immediate and long-range capital and operating costs of the project could be substantiated. **This sub-criterion is not 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.

The capital expenditure associated with Chesterfield Home Health is \$40,600, which is solely related to equipment, supplies and consulting fees. [Source: Application and Supplemental information received September 23, 2014] Chesterfield anticipated the majority of its revenue would come from Medicaid reimbursements and provided the payer mix for the proposed home health agency. [Source: Supplemental information received September 23, 2014]

**Table 10**  
**Chesterfield Home Health Revenue Source**

Payer	Payer Source Distribution
Medicare	2%
Medicaid	97%
Commercial Insurance	1%
Total	100%

As shown in the table above, Chesterfield expects the majority of its revenue reimbursements would be from Medicaid, but financial information within the applicant’s application show it only expects to receive Medicare revenue. Given the inconsistency related to Chesterfield’s expected source of reimbursements associated with this proposed project, the department cannot conclude that this project would not have an unreasonable impact on the costs and charges for home health services in the planning area. **This sub-criterion is not 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.

The capital expenditure associated with Chesterfield's proposed project is \$40,600, which is solely related to equipment, supplies and consulting fees. Chesterfield provided a letter of financial commitment signed by its board of directors to demonstrate that sufficient funds will be made available throughout its entire startup period. The letter further states funding will be provided from the continued operation of Chesterfield's existing home care services business. [Source: Application, Appendix K]

**Department's Evaluation**

Information within the application shows the applicant has access to finance needed for this project. Nothing in the documentation provided by the application reviewed by staff show that this project would lack funding. Based on the information above, the department concludes the project can be appropriately financed. **This sub-criterion is met.**

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

Based on the source information reviewed the department concludes Chesterfield Services, Inc. has met the structure and process of care criteria in WAC 246-310-230.

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

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs that should be employed for projects of this type or size. Therefore, using its experience and expertise the department concludes the planning would allow for the required coverage.

Chesterfield expects to hire 4.90 FTE's. Additionally, they expect to contract for physical, occupational, and speech therapy services. Table 11 below summarizes Chesterfield proposed FTE's for years 2015 to 2017. [Source: Application, Page 20]

**Table 11  
Chesterfield Home Health Proposed FTEs Years 2014-2017**

<b>Category</b>	<b>Year 1 2015</b>	<b>Year 2 2016</b>	<b>Year 3 2017</b>	<b>Total</b>
Physical, Occupational, and Speech Therapies	Professional Services Contracted/Allocated			
Registered Nurse	1.00	0.20	0.10	1.30
LPN	1.00	0.20	0.10	1.30
Home Health Aide	0.60	0.10	0.10	0.80
Administrator	0.50	0.00	0.00	0.50
Medical Director	0.50	0.00	0.00	0.50
Business Clerical	0.50	0.00	0.00	0.50
<b>Total FTE's</b>	<b>4.10</b>	<b>0.50</b>	<b>0.30</b>	<b>4.90</b>

To further demonstrate compliance with this sub-criterion, Chesterfield provided the following statements. [Source: Application, Page 21]

*“Chesterfield does not anticipate any difficulty in procuring the required staff. Most of our staffing requirements will be met by reassigning experienced staff from our existing home care operations, providing specialized training as needed and recruiting replacement into the home care openings. Historically there has never been a problem with procurement of qualified personnel, and the actual increase in staff is minimal”.*

Chesterfield stated it would hire a registered nurse to provide clinical oversight for patients at the home health agency and provided documentation identifying the responsibilities of the registered nurse position. With the application Chesterfield stated, “42CFR Part 484.14 (d) specifies that skilled nursing for a home health agency shall be under the supervision of “a physician or a registered nurse”...Therefore, Chesterfield has determined that the Medical Director will be a Registered Nurse”. [Source: Application, Pages 3-4 and Appendix D and Supplemental information received May 30, 2014, Attachment 1]

**Department’s Evaluation**

The department did not receive any comment related to Chesterfield’s project. The department attached a condition related to the applicant’s proposal to employ a clinical manager to provide clinical oversight. The applicant currently provides home health services in the King County. Therefore, the department finds that Chesterfield would have access to the staff needed for the proposed project. Based on the source information reviewed 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(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.

Chesterfield is currently operating a home care agency and a mail order pharmaceutical service that would provide support to the home health agency to obtain the personnel necessary to staff the home health operation. Chesterfield provided a listing of the ancillary and support services it anticipates to use. The applicant stated the role of ancillary and support services is minimal and well within the capabilities of its existing resources as a licensed home care agency. [Source: Application, Pages 22-23] Base on the source information reviewed, 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.

Chesterfield is currently licensed as home health agency in King County. Staff review of compliance enforcement records kept by the Department of Health's Investigations and Inspections Office (IIO), which surveys home health agencies within Washington State, did not show the applicant has any compliance issues. The Department of Health's Nursing Quality Assurance Commission credentials medical staff in Washington State and its licensing status of the provider is used to review the compliance history for all medical staff. The department was not able to review any Chesterfield's clinical staff compliance history because the applicant did not identify any clinical staff within its application.

Information presented with the application, stated, "42 CFR Part 484.14(d) specifies that skilled nursing for a home health agency shall be under the supervision of "a physician or registered nurse." Further, 42 CFR 484 .4 defines a home health agency administrator as a "person who: (a) is licensed physician; or (b) is a registered nurse..." Therefore, Chesterfield has determined that the Medical Director will be a Registered Nurse". [Source: Application, Page 3]

Chesterfield's proposed staffing pattern identified both registered nurse and medical director positions. [Source: Application, Page 20] Since Chesterfield anticipates it would hire a registered nurse to provide medical director services, if this project is approved, the department would attach a condition that prior to providing services, Chesterfield must provide an executed medical director agreement for the department's review and approval.

In conclusion, given the compliance history of Chesterfield's existing licensed home healthagency, the department concludes that there is reasonable assurance that if this project is approvable, Chesterfield Home Health would be operated in conformance with applicable state licensing requirements and with the applicable conditions of Medicare and Medicaid. **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.

In response to this sub-criterion, Chesterfield provided the following statements. [Source: Application, Page 23]

*"Chesterfield Services believes that one of the most important factors in ensuing continuity of care for patients is the availability of quality in-home care. Care in the home is particularly valuable for addressing the care needs of post-hospitalization and post-institutional patients while they transition to a normal lifestyle. ...Chesterfield will pursue the creation of memoranda of understanding with hospitals, senior care faculties and other healthcare resources throughout King County."*

Based on this 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 subsection is addressed in subsections (2) and (3). The department concludes that there is reasonable assurance that the services to be provided ensure safe and adequate care to the public and those applicable federal and state laws, rules, and regulations would be adhered to. **This sub-criterion is met.**

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

Based on the source information reviewed the department concludes Chesterfield Services, Inc. has not 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.

#### **Step One**

For this project, Chesterfield's project met the review criteria under WAC 246-310-230 (Structure and process of care), but it **did not meet** WAC 246-310-210 (Need) and WAC 246-310-220 (Financial feasibility). Therefore, steps two and three are not necessary.

**State Health Plan Home Health Methodology-King County  
Chesterfield Services, Inc., (CN14-30)**

Population by age group by year							
	2014	2015	2016	2017	2018	2019	
<b>Total County Population</b>	1,996,475	2,012,782	2,031,988	2,051,195	2,070,402	2,089,608	
<b>Population 0-64</b>	<b>1,752,660</b>	<b>1,760,682</b>	<b>1,768,901</b>	<b>1,777,119</b>	<b>1,785,338</b>	<b>1,793,556</b>	
<b>Population 65-79</b>	179,407	187,272	197,706	208,140	218,575	229,009	
65-69	85,578	90,143	93,502	96,862	100,221	103,581	
70-74	55,648	58,203	62,903	67,603	72,304	77,004	
75-79	38,181	38,926	41,301	43,675	46,050	48,424	
<b>Total Population 65-79</b>	<b>179,407</b>	<b>187,272</b>	<b>197,706</b>	<b>208,140</b>	<b>218,575</b>	<b>229,009</b>	
<b>Population 80 +</b>	64,409	64,828	65,381	65,935	66,489	67,043	
80-84	28,671	28,602	29,093	29,585	30,076	30,568	
85+	35,738	36,226	36,288	36,350	36,413	36,475	
<b>Total Population 80+</b>	<b>64,409</b>	<b>64,828</b>	<b>65,381</b>	<b>65,935</b>	<b>66,489</b>	<b>67,043</b>	
<b>Pop. Calc. test back</b>	1,996,476	2,012,782	2,031,988	2,051,195	2,070,402	2,089,608	

**State Health Plan Home Health Methodology-King County  
Chesterfield Services, Inc., (CN14-30)**

<b>Step 1-Population by Age Cohort</b>		<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
0-64		1,752,660	1,760,682	1,768,901	1,777,119	1,785,338	1,793,556
65-79		179,407	187,272	197,706	208,140	218,575	229,009
80+		64,409	64,828	65,381	65,935	66,489	67,043
<b>Step 2-Projected Home Health Patients by Age Cohort</b>							
0-64 X 0.005		8,763.30	8,803.41	8,844.51	8,885.60	8,926.69	8,967.78
65-79 X 0.044		7,893.91	8,239.97	8,699.06	9,158.16	9,617.30	10,076.40
80+ X 0.183		11,786.85	11,863.52	11,964.72	12,066.11	12,167.49	12,268.87
<b>Step 3-Projected Home Health visits by age cohort</b>							
0-64		8,763.30	8,803.41	8,844.51	8,885.60	8,926.69	8,967.78
Multiplier		10	10	10	10	10	10
<b>Subtotal 0-64</b>		<b>87,633.00</b>	<b>88,034.10</b>	<b>88,445.05</b>	<b>88,855.95</b>	<b>89,266.90</b>	<b>89,677.80</b>
65-79		8,239.97	8,239.97	8,699.06	9,158.16	9,617.30	10,076.40
Multiplier		14	14	14	14	14	14
<b>Subtotal 65-79</b>		<b>115,359.55</b>	<b>115,359.55</b>	<b>121,786.90</b>	<b>128,214.24</b>	<b>134,642.20</b>	<b>141,069.54</b>
80+		11,786.85	11,863.52	11,964.72	12,066.11	12,167.49	12,268.87
Multiplier		21	21	21	21	21	21
<b>Subtotal 80+</b>		<b>247,523.79</b>	<b>249,134.00</b>	<b>251,259.18</b>	<b>253,388.21</b>	<b>255,517.23</b>	<b>257,646.25</b>
<b>Total Projected Home Health Visits</b>		<b>450,516.34</b>	<b>452,527.66</b>	<b>461,491.13</b>	<b>470,458.40</b>	<b>479,426.33</b>	<b>488,393.59</b>
<b>Step 4-Gross Need (Step 3 Total Visits /10,000)</b>		<b>45.05</b>	<b>45.25</b>	<b>46.15</b>	<b>47.05</b>	<b>47.94</b>	<b>48.84</b>
<b>Step 5- No. of Home Health Agencies</b>		<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>
<b>Step 6 Net Need (Per Method, Fractions are rounded down)</b>		<b>8</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>11</b>

A negative number means there is a surplus