



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

March 20, 2017

CERTIFIED MAIL # 7016 0960 0000 5565 0307

Jordan Winters, Project Manager
Encore Home Health, LLC
1220 –20th Street SE, Suite 310
Salem, OR 97302

RE: CN 16-30

Dear Mr. Winters:

We have completed review of the Certificate of Need application submitted by Encore Home Health, LLC proposing to establish a Medicare certified and Medicaid eligible home health agency in Kitsap County. Enclosed is a written evaluation of the application.

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

Project Description

This Certificate of Need approves Encore Home Health, LLC to establish a Medicare/Medicaid certified home health agency in Silverdale to serve the residents of Kitsap County. Encore Home Health, LLC will provide physical therapy, skilled nursing care, and certified home health aide services. Occupational therapy, speech therapy, and medical social work services will be provided through contract services. Encore Home Health, LLC could provide occupational therapy, speech therapy, and medical social work services through the company.

Conditions

1. Encore Home Health, LLC agrees with the project description stated above. Encore Home Health, LLC further agrees that any changes to the project as described in the project description is a new project that requires a new Certificate of Need.

2. Prior to providing services, Encore Home Health, LLC will provide copies of the fiscal intermediary forms as stated on page 29 of the application for the department's review and approval. The fiscal intermediary forms must be consistent with the forms Encore Home Health, LLC provided to National Government Services.
3. Prior to providing services, Encore Home Health, LLC will provide a copy of the management agreement for the department's review and approval. Copy of the approved document must be consistent with the information provided in the application.
4. Prior to providing services, Encore Home Health, LLC will provide a copy of the medical director's independent contractor agreement for the department's review and approval. Copy of the approved document must be consistent with the draft document provided in the application.
5. Prior to providing services, Encore Home Health, LLC will provide the approved versions of the adopted policies listed below for the department's review and approval. Copies of the approved versions of the adopted policies must be consistent with the draft policies provided in the application.
 - Admission Information Provided to Patients
 - Admission Information Policy
 - Non Discrimination Policy
 - Charity Care Policy
 - In-Service Policy Procedure and Education
 - Home Health Care CAHPS Survey
 - Continuing Education Policy
6. Prior to providing services, Encore Home Health, LLC will provide an executed copy of the sublease agreement for the department's review and approval. The executed sublease agreement must be consistent with the information provided in the application.

Approved Capital Costs:

The approved capital expenditure associated with this project is \$78,250.

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

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

Jordan Winters, Project Manager
Encore Home Health, LLC
March 20, 2017
Page 3 of 3

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

Mailing Address:

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

Physical Address:

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

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

Sincerely,



Bart Eggen, Deputy Director
Community Health Systems

Enclosure

**EVALUATION DATED MARCH 20, 2017, FOR THE CERTIFICATE OF NEED
APPLICATION SUBMITTED BY ENCORE HOME HEALTH, LLC PROPOSING TO
ESTABLISH A MEDICARE AND MEDICAID CERTIFIED HOME HEALTH AGENCY
IN KITSAP COUNTY**

APPLICANT DESCRIPTION

Encore Home Health, LLC is a for profit limited liability Oregon corporation located at 1220 – 20th Street Southeast, #310, in the City of Salem, Oregon and it is owned by Santé Partners II, LLC. Santé Partners II, LLC affiliate Santé Operations, LLC would manage Encore Home Health, LLC. Santé Operations, LLC manages the two skilled nursing facilities listed in the table below.

Name	Address	County
Anderson House	17201 – 15 th Avenue Northeast Shoreline, 98155	King
Northwood Lodge	2321 Northwest Schold Place, Silverdale, 98383	Kitsap

Anderson House is Medicare certified, and does not have Medicaid contract. Northwood Lodge has both Medicare and Medicaid contracts. In Silverdale within Kitsap County, Santé Operations, LLC manages assisted living centers. The two facilities are the Ridge and Clear brook Inn. In Shoreline within King County Santé Operations, LLC manages two additional assisted living centers the two facilities are Anderson Plaza and Anderson Communities adult boarding homes.

PROJECT DESCRIPTION

Encore Home Health, LLC application proposes to establish a Medicare and Medicaid certified home health agency that would be located at 12169 Country Meadows Lane Northwest in Silverdale [98383] within Kitsap County. The home health agency would share office spaces with Encore Country Meadows Cottages an independent living facility. Santé Operations, LLC, would manage the new home health agency.

Encore Home Health, LLC will provide skilled nursing care and certified home health aide services and physical therapy directly to the residents. Encore Home Health, LLC will provide physical therapy, skilled nursing care, and certified home health aide services. Occupational therapy, speech therapy, and medical social work services will be provided through contract services. The total capital expenditure associated with the establishment of the Home Health agency is \$78,250. Of that amount is \$43,584 or 55.70% is related to movable equipment, \$24,666 or 31.52% is for fees and the remaining \$10, 000 or 12.78% is for construction. [Source: Application, page 27]

If this project is approve, Encore Home Health, LLC anticipates it would be providing home health services to Kitsap County residents by January 2017. Under this timeline, year 2019 would be the home health agency third full calendar year. [Source: July 11, 2016, Screening response, Page 2]

For ease of reference, the department will refer to Encore Home Health, LLC as ‘Encore’ and the management entity Santé Operations, LLC would be referred to as ‘Santé’.

APPLICABILITY OF CERTIFICATE OF NEED LAW

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

EVALUATION CRITERIA

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, an applicant must demonstrate compliance with the applicable criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment). 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

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

APPLICATION CHRONOLOGY

Action	Encore Home Health, LLC
Letter of Intent Submitted	February 17, 2016
Application Submitted	May 5, 2016
Department's Pre-review Activities including <ul style="list-style-type: none">• DOH 1st Screening Letter• Applicant's Responses Received• DOH 2nd Screening Letter• Applicant's Responses Received	May 27, 2016 July 11, 2016 August 1, 2016 September 7, 2016 ¹
Beginning of Review	September 15, 2016
End of Public Comment <ul style="list-style-type: none">• Public comments accepted through the end of public comment• Public hearing conducted• Rebuttal Comments Received	October 19, 2016 Not requested or conducted November 14, 2016 ²
Department's Anticipated Decision Date	January 3, 2017
Department's Actual Decision Date	March 20, 2017

AFFECTED PERSONS

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

"...an "interested person" who:

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

WAC 246-310-010(2) requires an affected person to first meet the definition of an "interested person."

WAC 246-310-010(34) defines "interested person" as:

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

¹ The applicant requested the department to conduct another screening.

² The applicant requested an extension to the due date in order to submit rebuttal comments. Initially rebuttal comments were due on November 3, 2016. The extension allowed rebuttal comments to be submitted by 5:00pm on November 16, 2016.

(g) Any person regularly using health care facilities within the geographic area to be served by the applicant

During the review of this project, only MultiCare Health System sought affected person status.

MultiCare Health System

MultiCare Health System requested interested person status and to be informed of the department's decision. MultiCare Health System owns and operates a hospice agency in Kitsap County, but it does not own or operate a home health agency in the county. MultiCare Health System did not provide comments about Encore's application. MultiCare Health System did not meet the definition of an "affected person" under WAC 246-310-010(2) because it did not provide any comments and under WAC 246-310-010(34) it does not provide home health services in Kitsap County.

SOURCE INFORMATION REVIEWED

- Encore Home Health, LLC application received May 5, 2016
- Encore Home Health, LLC first screening responses received July 11, 2016, and September 7, 2016
- Completed provider utilization surveys received from existing Kitsap County home health providers for calendar year 2016
- Rebuttal comments from Encore Home Health, LLC received November 14, 2016
- 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
- Data obtained from the Washington Secretary of State website

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Encore Home Health, LLC proposing to establish a Medicare and Medicaid certified home health agency in Silverdale to serve the residents of Kitsap County is consistent with applicable criteria of the Certificate of Need Program, provided Encore Home Health, LLC agrees to the following in its entirety.

Project Description

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 - Continuing Education Policy
6. Prior to providing services, Encore Home Health, LLC will provide an executed copy of the sublease agreement for the department's review and approval. The executed sublease agreement must be consistent with the information provided in the application.

Approved Capital Costs:

The approved capital expenditure associated with this project is \$78,250.

CRITERIA DETERMINATIONS

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

Based on the source information reviewed and provided the applicant agrees to the conditions stated in the 'conclusion' section of this evaluation, the department determines Encore Home Health, LLC 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.*

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).

Home Health Numeric Methodology-1987 SHP

The SHP methodology is a multiple step process that projects the number of home health visits in a planning area. The method uses the following elements:

- Projected population of the planning area, broken down by age groups [0-64; 65-79; & 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, Page B-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.

Encore Application of the Numeric Methodology

- *"The Home Health Agency numeric need approach used by the Department of Health is contained in the 1987 Washington State Health Plan. It is a population based formula utilized for nearly 30 years. The Department of Health ("Department") has used this same methodology to project home health agency need in each county. This methodology projects need for at least two additional agencies in Kitsap County".*
- *The methodology determines the projected number of home health visits in a given planning area (e.g., County) using the following factors:*
- *Identify projected population for the County, broken down by age groups (0-64; 65-70; & 80 and older);*
- *Applying estimated home health use for each age group;*
- *Applying an estimate of number of visits per age group; and*
- *Dividing the number of projected visits by an assumed average of 10,000 visits per agency*

- *Encore Home Health, LLC has restated below the four-step methodology used by the Department in Past CN decisions by breaking out six step. “Per these past CN decisions “WAC 246-310 does not contain a home health forecasting methodology. The determination of numeric need for home health agencies is performed using the numeric methodology contained in the 1987 Washington State Health Plan (SHP)”. In addition to presenting the six-step methodology, Encore has continued the analysis to identify the number of additional home health agencies required to meet the initial assessment”. [Source: Application page 9]*

Step 1:

- *Kitsap County population for years 2015 through 2020, by specific age cohorts, is shown in Table 2:*

Table 2 (Reproduced)
Step 3: Population by Age Cohort for Kitsap County

	2015	2016	2017	2018	2019	2020
<i>Ages 0 -64</i>	219,582	220,011	220,440	220,870	221,299	221,728
<i>Ages 65- 79</i>	33,106	35,111	37,115	39,120	41,124	43,129
<i>Ages 80 & Older</i>	9,344	9,613	9,882	10,151	10,420	10,689

Step 2:

- *Table 3 depicts the results of multiplying the specific use rate by group from the State Health Plan to the county population identified in Table 3. The resulting number is the total number of planning area residents projected to need home health services. [Source: Application page 9]*

Table 3 (Reproduced)
Step 2: Patient Projection by Age Cohort for Kitsap County

	2015	2016	2017	2018	2019	2020
<i>Ages 0 -64 X .005</i>	1,098	1,100	1,102	1,104	1,106	1,109
<i>Ages 65- 79 X .004</i>	1,457	1,545	1,633	1,721	1,809	1,898
<i>Ages 80 & Older X .183</i>	1,710	1,759	1,808	1,858	1,907	1,956

Step 3:

- *The projected number of patients from Table 4 above is multiplied by the projected number of visits by age group. The sub-totals, by age group, are then added together resulting in the total number of visits in the planning area. Table 5 illustrates the number of visits per year by age group and shows the total number of visits for the planning area. [Source: Application page 10]*

Table 4 (Reproduced)
Step 3: Patient Visits Projection by Age Cohort for Kitsap County

	2015	2016	2017	2018	2019	2020
<i>Ages 0 -64 Patients</i>	1,098	1,100	1,102	1,104	1,106	1,109
<i>Visit Multiplier</i>	10	10	10	10	10	10
Subtotal: 0-64 Visits	10,979	11,001	11,022	11,043	11,065	11,086
<i>Ages 65- 79 Patients</i>	1,457	1,545	1,633	1,721	1,809	1,898
<i>Visit Multiplier</i>	14	14	14	14	14	14
Subtotal: 65-79 Visits	20,393	21,628	22,863	24,098	25,333	26,567
<i>Ages 80 & Older patients</i>	1,710	1,759	1,808	1,858	1,907	1,956
<i>Visit Multiplier</i>	20	20	20	20	20	20
Subtotal: 80 and older Visits	34,199	35,184	36,168	37,153	38,137	39,122

Step 4:

- *The next step divides the total projected number of visits calculated in Step 3 (Table 5) by 10,000 (the minimum required volumes per home health agency). The results of this calculation is shown in Table 5. [Source: Application page 10]*

Table 5 (Reproduced)
Step 4: Kitsap County Unadjusted Agency Need

	2015	2016	2017	2018	2019	2020
<i>Total Estimated Visits</i>	65,571	67,812	70,053	72,294	74,535	76,776
<i>Gross Agency Need @ 10,000 Visits per Agency</i>	6.56	6.78	7.01	7.23	7.45	7.68

Step 5:

- *In order to determine the ‘net need’ for a new home health provider, Encore Home Health, LLC calculated “supply”. The foot note below details the list that Encore Home Health, LLC obtained of the in-home service providers from the Department³*

³ Karen Nidermayer, Department of Health communication. Nov. 17, 2015. “I had a bit of time to research, here’s what I found for home health agencies serving Kitsap County. There are a total of **five agencies**.

1. Two Medicare/Medicaid certified agencies are: Group Health Corporative, Signature Home Health
2. Two Licensed only agencies are: Care Plus Home Health, Inc., Martha & Mary at Home.
3. One agency—Harrison Home Health—I am not certain it’s whether it’s Medicare/Medicaid or licensed only. There is conflicting information in our database. Regardless, though, they are an existing provider of home health in Kitsap.

- “Our information indicated that there a total of five home health agencies in Kitsap County with three agencies being Medicare and Medicaid certified. Our list of five agencies is different from the list provided by the Department. To resolve this dichotomy and upon advice of the Department, we reviewed the Department’s list of agencies using past certificate of need applications and following up with area agencies. Meredythe Behal with Martha and Mary at Home (Kitsap County) indicated that the agency is predominately a home care agency. They report that overall volume of this agency is approximately 100 patients with about 2% of the services being devoted to licensed, home health agency services. For this reason, we excluded Martha and Mary at Home from the list.” [Source: Application Page 11]
- “We added Gentiva which was identified in a prior department certificate of need application by the Franciscan Health System (CN11-33). Our information also indicates that the Franciscan Harrison home health agency is Medicare and Medicaid certified. The utilization data was gathered through Department survey in conjunction with CN application 11-33”. [Source: Application Page 11]
- Table 6 below summarizes our results with the latest available data.

Table 6 (Reproduced)		
Step5 : Kitsap County Current Agencies 2010 Utilization		
	<i>Average Daily Census</i>	<i>Total Home Health Visits</i>
<i>Care Plus Home health</i>	<i>N.A</i>	<i>N.A</i>
<i>Gentiva Health Services Bremerton</i>	<i>N.A</i>	<i>N.A</i>
<i>Group Health Home Health</i>	<i>65</i>	<i>9,576</i>
<i>Harrison Home Health*</i>	<i>179</i>	<i>21,864</i>
<i>Signature Home Health</i>	<i>N.A</i>	<i>N.A</i>
<i>Total</i>	<i>244</i>	<i>31,440</i>

*Harrison Hospital reports 13, 036 homes care visits for 2015.

Step 6:

- The pre-survey analysis of the agency net need falls between 2 and 3 additional agencies as shown in Table 7 with net need increasing from 1 additional home health agency in 2015, to 2 additional home health agencies in 2017. 2019 is the third full year of operation. .” [Source: Application Pages 11 and 12]

Table 7 (Reproduced)
Step 4: Kitsap County Net Agency Need

	2015	2016	2017	2018	2019	2020
<i>Total Estimated Visits</i>	65,571	67,812	70,053	72,294	74,535	76,776
<i>Gross Agency Need @ 10,000 Visits per Agency</i>	6.56	6.78	7.01	7.23	7.45	7.68
<i>Existing Agency @ 10,000 Theoretical Visits per Agency</i>	5.00	5.00	5.00	5.00	5.00	5.00
<i>Net Agency Need</i>	1.56	1.78	2.01	2.23	2.45	2.68

Public Comment

- None

Rebuttal Comment

- None

Department’s Evaluation of Encore’s Methodology

In previous home health projects decisions, the CN Program has determined that while a licensed only provider may not be available to all residents of a service area, those agencies however do serve residents. Since the numeric methodology is service area population-based, all agencies that provide home health services, including licensed only agencies and those dedicated to members only, such as Group Health Cooperative, should be counted in the numeric methodology. Encore asserted that a staff at Martha and Mary at Home informed the applicant that about 2% of the agency services are devoted to home health services in the planning area.

The department review of the services provided by Martha and Mary at Home listed on its website⁴ shows it be may be possible the agency only provided limited home health services within the planning area, but the review shows the agency provide home health services in Kitsap County however limited it may be. Therefore, the department would count this agency as available and accessible to Kitsap County residents. The department notes that Martha and Mary at Home did not respond to the provider survey mailed to Kitsap County providers. Based solely on Encore’s numeric methodology, the department notes that need for 1.78 additional Medicare certified agency was projected in year 2016.

Department’s Methodology

The department used the SHP methodology to assist in determining need for home health agencies in Kitsap County. For the home health agencies operational in Kitsap County, the department would count all the Medicare/Medicaid certified home health and the licensed in-home care agencies providing services to the residents of Kitsap County. In Kitsap County, the department identified the following home health agencies listed in the table below.

⁴ <http://www.marthaandmary.org/services>

Name	City	Facility Type
Care Plus Home Health, Inc.	Port Orchard	License In home Services Agency
Gentiva Health Services/Kindred at Home	Bremerton	Medicare/Medicaid certified
Group Health Home Health and Hospice	Federal Way	Medicare/Medicaid certified
Harrison Home Health	Bremerton	Medicare/Medicaid certified
Martha and Mary at Home	Port Orchard	License In home Services Agency

As Shown in the table above, there are three Medicare/Medicaid certified home health agencies and two licensed in home service agencies. Kaiser Permanente/Group Health Home Health and Hospice operates as a Health Maintenance Organization (HMO), and it provides services to members only, but its members who reside in Kitsap County are receiving services. Therefore, the department would include Kaiser Permanente/Group Health Home Health and Hospice in its count of home health agencies in Kitsap County.

A summary of the department’s methodology is presented in Table 1 below. The department’s methodology is included in this evaluation as Attachment A.

Table 1
Summary of Department of Health
Kitsap County Home Health Need Projection

	2016	2017	2018	2019	2020
# Total Projected Visits	69,571.69	71,861.37	74,151.71	76,441.39	78,731.69
#Total Projected Visits/ 10,000 minimum visits	6.96	7.19	7.42	7.64	7.87
Net Need Rounded Down	6	7	7	7	7
Existing Home Health Agencies	5	5	5	5	5
Net Need per SHP	1	2	2	2	2

As shown in Table 1, need for two additional Medicare/Medicaid certified agency is projected in year 2017 through 2020. Therefore, based solely on the numeric methodology need for two additional home health agency in Kitsap County is demonstrated. In addition to the numeric methodology, an applicant must also demonstrate that existing providers would not be available and accessible to meet the projected need.

Department’s Evaluation

To assist in its evaluation of the availability of existing providers in the planning area, the department reviewed the capacity and patient volumes for the home health providers located within the planning area. On May 13, 2016, the department mailed a home health utilization survey to agencies providing services in Kitsap County. The survey requested year 2015 utilization data, average daily census, and maximum capacity for each agency. Of the agencies surveyed, the department received one survey response from Harrison Home Health. The other agencies did not provide a response. The table below is a summary of the survey responses received by the only responding agency.

Table 2
Summary Kitsap County Home Health Patient Visits Year 2015

Name	Total Visits	ADC	Maximum Capacity of Patients
Harrison Home Health	12,190	100	130-150
Totals	12,190		

The information in the table above shows that Harrison Home Health provided 12,190 patient visits. In its application, Encore projected it would provide the number of visits summarized in the table below. [Source: Supplemental information received July 11, 2016, Attachment 15]

Year 1--2017	Year 2--2018	Year 3--2019
9,010	15,402	15,552

The department assumed that Harrison Home Health the only agency to provide utilization survey response in Kitsap County would continue to provide at least the same number of visits in 2017, 2018 and 2019 as it did in 2016. To this number the department added Encore's years 2017 through 2019 projected number of visits. These two numbers was then subtracted from the SHP projected visits for the same corresponding years. The remaining number of visits represents the potential unmet number of visits in Kitsap County for that year as shown in the table below.

Table 3
Summary-Additional Patients to Reach Maximum Capacity and Estimated Number of Visits

Year	Reported Agency Visits	Encore Projected Visits	Total Visits	Minus Projected Visits	Un-Served Visits
2017	12,190	9,010	21,200	71,861	50,661
2018	12,190	15,402	27,592	74,151	46,559
2019	12,190	15,552	27,742	76,441	48,699

As shown in Table 3 above, the number of projected visits within the planning area is sufficient to accommodate another provider.

Public Comment

- None

Rebuttal Comment

- None

Department's Evaluation

The summary of the department's methodology in Table 1 shows need for two additional agencies in Kitsap County in year 2017 through 2020. The information in Table 3 shows that the number of unserved visits can sustain a new agency in Kitsap County. The utilization survey received from Harrison Home Health shows the agency would need to serve between 130-150 home health patients in order to reach capacity. As shown in Table 3, with both Encore and Harrison Home Health operating at capacity, there is enough number of unserved projected visits left over to sustain an additional agency in year 2021. Based on the information, 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.

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

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

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

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

A facility's charity care should show a willingness of a provider to provide services to patients who do not have private insurance, do not qualify for Medicare, do not qualify for Medicaid or are under insured. With the passage of the Affordable Care Act (ACA), the amount of charity care is expected to decrease, but not disappear.

Encore

- *Our admission and charity care policy and commitment to obtaining a Medicaid contract document that we will accept all patients in need who we are qualified to treat, regardless of race, religion, disability, sex or income. Encore Home Health LLC, has submitted draft admission, and charity care and non-discrimination policies that will be reviewed and approved by the Department.* [Source: Application, page 25 & Attachments 8a, 8a2 and 8b]
- *Copies of the draft admission policy and charity care for the proposed home health were included in the application Attachment 8B. The proposed sources of revenue for Encore Home Health are.* [Source: Application, page 30]

Table 15 (Reproduced)
Encore Home Health Source of Revenue

	2017	2018	2019
Medicare	\$1,508,595	\$2,582,745	\$2,613,600
Medicaid	\$84,800	\$144,000	\$144,000
Private Insurance	\$42,400	\$72,000	\$72,000

Public Comment

- None

Rebuttal Comment

- None

Department Evaluation

If Encore application is approved, the department would attach conditions requiring Encore to provide copies of its finalized Admission, Non-discrimination and Charity Care Policies for department review and approval. Information presented within the application stated Encore would seek Medicaid certification and it expects revenues from Medicare, Medicaid and private insurance for years 2017 through 2019. Based on the information reviewed, the department concludes **this sub-criterion is met.**

(3) The applicant has substantiated any of the following special needs and circumstances the proposed project is to serve.

(a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both, to individuals not residing in the health service areas in which the entities are located or in adjacent health service areas.

Department Evaluation

This criterion is not applicable to this application.

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

Department Evaluation

This criterion is not applicable to this application.

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

Department Evaluation

This criterion is not applicable to this application.

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

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

Department Evaluation

This criterion is not applicable to this application.

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

Department Evaluation

This criterion is not applicable to this application.

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

Department Evaluation

This criterion is not applicable to this application.

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the department "Conclusion" section of this evaluation, the department concludes that Encore Home Health, LLC 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 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.

Department of Health staff summary of operating revenues and expenses based on Attachment 1, 2nd screening responses.

	Year 1 2017	Year 2 2018	Year 3 2019
Total Revenue	\$1,616,937	\$2,764,758	\$2,795,304
Total Expenses	\$1,561,155	\$2,450,054	\$2,471,218
Net Income	\$55,782	\$314,704	\$324,086

- *A draft subleases agreement between Santé ILF Op Co, LLC (“the Landlord”) and Encore Home Health, LLC (“Tenant”) was provided. [Source: Application page 7, Attachment 6a and 6b]*
- *A draft medical director independent contractor agreement stated medical director services would be provided through contract. [Source: Application Attachment 4]*
- *Table 15 provides the expected sources of revenue by payer are as follows:*

**Table 15 (Reproduced)
Encore Home Health Source of Revenue**

	2017	2018	2019
<i>Medicare</i>	<i>\$1,508,595</i>	<i>\$2,582,745</i>	<i>\$2,613,600</i>
<i>Medicaid</i>	<i>\$84,800</i>	<i>\$144,000</i>	<i>\$144,000</i>
<i>Private Insurance</i>	<i>\$42,400</i>	<i>\$72,000</i>	<i>\$72,000</i>

Public Comment

- None

Rebuttal Comment

- None

Department Evaluation

If this project is approve, Encore anticipates it would be providing home health services to Kitsap County residents by January 2017. Under this timeline, year 2019 would be the home health agency third full calendar year.

**Table 4
Projected Patients, Visits, and Revenue & Expenses**

	Full Year -1 2017	Full Year - 2 2018	Full Year-3 2019
# of Unduplicated Patients	700	1,147	1,152
# of Visits Per Patient	13	13	14
# of Home Health Visits Per Year	9,009	15,402	15,553
Net Revenue	\$1,616,937	\$2,764,758	\$2,795,304
Total Operating Expenses	\$1,561,155	\$2,450,054	\$2,471,218
Net Profit /(Loss)	\$55,782	\$314,704	\$324,086

The 'Net Revenue' line item is gross revenue and any deductions for charity care and bad debt. The 'Total Operating Expenses' line item includes salaries and wages, medical director costs, management fees and sublease costs. Encore projected the home health agency would be profitable starting in year 2017 through 2019.

The draft medical director agreement identified the initial term of the agreement as one year with annual automatic renewal. Compensation for the medical director position was also identified in the proforma. Sublease costs for the proposed Encore Home Health to be located at 12169 Country Meadows Lane Northwest in Silverdale were identified in the draft sublease agreement and the proforma. Revenue sources identified by Encore are comparable with home health applications the department has reviewed and approved. If a project is approved, the department attaches conditions requiring the applicant to provide the final executed sublease and the medical director agreements consistent with the draft sublease and the medical director agreements. If Encore project is proved, the department would attach similar conditions.

In addition to the proforma, Encore provided a projected balance sheet for calendar years 2017 through 2019. Department of Health staff summary of Encore's balance sheets based on the application Attachment B, information summarized in Tables 5A and 5B below.

Table 5A
Encore forecasted Balance Sheets
Year One - 2017

Current Assets		Current Liabilities and Member Equity	
Total Current Assets	\$302,795	Total Current Liabilities	\$150,456
Total Property Plant & Equipment	\$7,500	Total Long Time Liabilities	\$105,000
Other Assets	-	Net Income	\$54,839
Total Other Assets	\$310,295	Total Current Asserts	\$310,295

Table 5B
Third Year of Operation Year 2019

Current Assets		Current Liabilities and Member Equity	
Total Current Assets	\$578,568	Total Current Liabilities	\$176,702
Total Property Plant & Equipment	\$5,000	Total Long Time Liability	\$52,500
Other Assets	-	Net Income	\$354,366
Total Other Assets	\$583,568	Total Current Asserts	\$583,568

As shown above, Encore projected a positive equity from year 2017 continuing to year 2019 the third of operation.

Public Comment

- None

Rebuttal Comment

- None

Department’s Evaluation

Based on the information reviewed with Encore’s agreement to the condition identified above, the department concludes **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.

Encore

- *“This capital expenditure for this project is limited small equipment purchases and minor remodeling expenses for existing space. These costs were based upon Encore’s sister company, Santé Home Health, experience in establishing a home health agency in Arizona as well as our experience in construction related projects in the Silverdale area”.* [Source: Application page 27]
- *The proposed capital expenditure is limited to small equipment purchase and minor remodeling expenses for existing space.*
- *The costs were based upon Encore’s sister company, Santé Home Health, experience in establishing a home health agency in Arizona as well as our construction related projects in the Silverdale area.*

**Table 13 (Reproduced)
Project Capital Expenditure Estimates**

Encore Home Health Agency Project Costs	
a. Construction	\$10,000
b. Moveable Equipment	\$43,000
c. Fixed Equipment	(Included above a)
d. Architect and Engineering, Permits and Fees	(Included above a)
e. Sales Tax (@9.5%)	(Included in a & b)
f. Other (Certificate of Need Review Fees)	\$24,666
Total Cost	\$78,250

- *The capital costs for the project are small and limited to equipment and minor remodeling. In terms of operating costs, home health is cost effective adjunct for implementing the Affordable Care Act (ACA). The ACA is focused on improving quality while lowering costs. To do this, there is increasing emphasis on providing services that 1) reduce hospital readmission and emergency department use and 2) provide coordinated care delivery.*

Public Comment

- None

Rebuttal Comment

- None

Department's Evaluation

Encore identified the location of the new home health agency as 12169 Country Meadows Lane Northwest in Silverdale and provided a draft copy of the sublease agreement between Santé ILF Op Co, LLC ("the Landlord") and Encore Home Health, LLC ("Tenant"). The draft sublease agreement identified the floor space, costs, terms, and certain requirements for use of the facility by tenant. If a project is approved, the department attaches a condition requiring the applicant to provide the final executed agreement consistent with the draft sublease agreement. If Encore project is approved, the department would attached a similar condition.

CMS has implemented a Home Health Prospective Payment System (PPS). Under this home health PPS, Medicare pays providers a bundled rate per episode. The rate is not the same for each provider. Each provider within a given geographic area may receive the same base rate. However, there are number of adjustments both at the provider and at patient-specific level that affects the final reimbursement rate, each provider would receive. What a home health provider receives from its commercial payers will also vary. Even if two different home health providers billed the same commercial payer the same amount, the actual payment to each provider will depend on the negotiated discount rate obtained by the commercial payer from each individual provider

Encore expects that majority of its payer source would come from Medicare, the proposed project is not expected to have any impact on the operating costs and charges for home health services in the planning area because Medicare payments are prospective payments. Based on the information reviewed with Encore's agreement to the condition identified above, the department concludes **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.

Encore

- *Encore Home Health, LLC will use operating revenues and an existing line of credit for the funding start up, equipment and remodeling". [Source: Application page 30]*
- *A letter from Santé Partners II, LLC committing to the funding of this is included in Attachment 9.*
- *There are no other capital expenditure, beyond those identified in this application, anticipated for the first three years.*

Public Comment

- None

Rebuttal Comment

- None

Department Evaluation

The department concludes Encore Home Health 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 and provided the applicant agrees to the conditions identified in the ‘conclusion’ section of this evaluation, the department concludes Encore Home Health, LLC 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.

Encore

“Encore Home Health, LLC reviewed several recent home health applications approved by the department as well as relying on its affiliate Arizona based Medicare-certified home health agency to develop a comparison of staffing ratios to Encore Home Health, LLC projected ratios and found that its ratios were consistent with the previously approved applications”. [Source: Application page 33]

- *Table 18 provide the projected FTE’s for 2017 through 2019 (the third full year of agency operation)*
- *Staff –to-visit ratios is detailed in Table 18 below. [Source: Application, page 33]*

**Table 18 (Reproduced)
Staff Visit Ratio by Discipline**

	2017			2018			2019		
	Visits	FTEs	Staff to Visits Ratio	Visits	FTEs	Staff to Visits Ratio	Visits	FTEs	Staff to Visits Ratio
Skilled Nursing	3,064	2.62	1170	5,237	4.48	1170	5,287	4.52	1170
Physical Therapy	3,514	3.00	1170	6,007	5.13	1170	6,065	5.18	1170
Speech Therapy	270	0.26	1040	462	0.44	1040	467	0.45	1040
Occupational Therapy	1,532	1.31	1170	2,618	2.24	1170	2,644	2.26	1170
Social Work	180	0.20	910	308	0.34	910	311	0.34	910

<i>Home Health Aide</i>	<u>450</u>	<u>0.29</u>	<u>1560</u>	<u>770</u>	<u>0.49</u>	<u>1560</u>	<u>778</u>	<u>0.50</u>	<u>1560</u>
Total	9,010	7.68		15,402	13.12		15,552	13.25	

- *Encore Home Health, LLC reviewed several recent home health applications approved by the Department as well as relying on its affiliate Arizona based Medicare-certified home health agency to develop a comparison of staffing ratios to Encore Home Health, LLC projected ratios and found that its ratios were consistent with the previously approved applications. [Source: Application Page 33]*
- *Encore operates a 47 bed skilled nursing home in Silverdale as well as a memory care unit, assisted living and independent living facilities in Kitsap County. As a result, it has qualified manpower and management personnel to draw on as well as contracts in the various discipline areas. [Source: Application page 33]*

Public Comment

- None

Rebuttal Comment

- None

Department Evaluation

The majority of FTE's are expected to be in the categories of skilled nursing and physical therapy. When the home health agency starts operations in year 2017, Encore anticipates it would have 13.25 FTE's by the end of the third year of operation. Encore expects to contract for medical director services and occupational therapy, and speech therapy services, and medical social work. Encore provided a draft medical director independent contractor agreement. The draft agreement identified the roles and responsibilities of the position. If this application is approved, the department would attached a condition that prior to providing services Encore must submit to the department for review and approval the executed medical director agreement that is consistent with the draft provided in the application.

Information provided by Encore stated it would hire a management entity to oversee the day-to-day operations of the proposed home health agency. The information indicates that Santé would offer managerial oversight through a management agreement between Santé Operations, LLC and Encore Home Health, LLC the applicant provided a draft management agreement. The cost of the management services was included in the proforma statement.

If a project is approved, the department attaches a condition requiring the applicant to provide the final executed agreement consistent with the draft management agreement. If Encore project is approved, the department would attach a similar condition. Based on the information reviewed with Encore's agreement to the condition identified above, the department concludes **this sub-criterion is met.**

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

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

Encore

- “Encore operates a 47 bed skilled nursing home in Silverdale as well as a memory care unit, assisted living and independent living facilities in Kitsap County. As a result, it has qualified manpower and management personnel to draw on as well contracts in the various discipline areas. Encore will build upon these existing relationships to meet the demand for ancillary and support services for the new agency”. [Source: Application page 34]

Public Comment

- None

Rebuttal Comment

- None

Department Evaluation

Information provided by the applicant for this project stated, Santé Operations, LLC will offer managerial oversight and support via a management agreement between Santé Operations, LLC and Encore Home Health, LLC. [Source: Supplemental information received July 11, 2016, Page 8 September 7, 2016 Attachment 19] If this project is approved, the department would attach a condition requiring Encore to provide an executed management agreement. If Encore agrees with the condition, the department would conclude that adequate ancillary and support services are available for Encore Home Health. **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. 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.

Encore

- “Neither Encore Home Health, LLC nor Santé Partners II, LLC have an adverse history with respect to the referenced actions”. [Source: Application page 36]

Public Comment

- None

Rebuttal Comment

- None

Department Evaluation

Encore Home Health is not currently operational in Washington, but Santé Partners II, LLC, Encore’s affiliate owns or manages Northwoods Lodge and Anderson House two skilled nursing facilities in Washington. Santé also owns or manages Clearbrook Inn Living Center an assisted living facility and Anderson Communities adult family homes in Washington. In Arizona, Santé owns or operate four nursing home and a home health agency.

To accomplish this task, the department reviewed the quality of care compliance history for licensed healthcare facilities owned, operated, or managed by Encore’s affiliated companies. The review included quality of care information reported by the Centers for Medicare and Medicaid Services (CMS) and state licensing survey results. CMS assigns a one to five ‘star rating’ in three separate categories to grade the performance of the facility: health inspection, staffing, and quality.

Health Inspection

This is a measure of the facility’s ability to care for patients in a safe environment and provide appropriate nutrition and dietary services to each patient. This category also includes any pharmacy services, administration, and fire safety inspections.

Staffing

For the staffing category, CMS measures staff hours for RNs, LPNs, licensed vocational nurses, and certified nursing assistants. CMS also measures the amount of time registered nurses spend with residents.

Quality

This is a review of the quality of care provided for both long-term residents and short stay residents. This category collects the number of patients with reoccurring health issues, such as Urinary tract Infections, pressure ulcers, moderate to severe pain, and falls.

Based on the star rating in each of the three categories, CMS compiles an ‘overall rating’ for the facility the more stars, the better the rating. Below is the overview of the CMS star rating of the facilities operated or owned by Santé in Arizona and Washington.

Table 6
Medicare and Medicaid Star Ratings for Nursing homes and home health facilities
Owned or operated by Santé in Arizona and Washington

Facility	City	Star Rating
Santé Chandler, LLC	Chandler, AZ	3
Santé Mesa	Mesa, AZ	4

Facility	City	Star Rating
Santé North Scottsdale	Scottsdale, AZ	5
Santé of Surprise	Surprise, AZ	5
Anderson House	Seattle, WA	5
Northwoods Lodge	Silverdale, WA	5
Santé Home Health and Rehabilitation Services	Scottsdale, AZ	4

In Washington Santé own or operate Clearbrook Inn Living Center an assisted living facility, Country Meadows an independent living facility and two adult family homes Anderson Communities. These facilities are licensed through the Department of Social and Health Services (DSHS). Between January 2015 and December 2015, one of the two homes was cited⁵ for quality of care issues and other facilities did not have any deficiencies cited. The table below identifies the facilities, date cited, the care issues cited or action taken. [Source: DSHS boarding home website]

Facility/ Assisted Living Centers	Care Issues	DSHS Action Taken
Anderson Plaza	No Report	Deficiencies found
Clearbrook Inn Living Center	No Report	Deficiencies found
Country Meadows Cottages	No Report	Deficiencies found
The Ridge an Encore Community	No Report	
Facility / Adult Family Homes		
Anderson Community Home I	No report	Deficiencies found
Anderson Adult Family Home II		
12/7/2015	Failed to conduct resident assessment, caregiver background check and emergency evacuation drills.	Deficiencies found
02/03/2016	Follow-up inspection	No Deficiencies found

⁵ This facility received three citations since December 2014, but none of the citations was at harm level and none involved any type of enforcement. The facility submitted plan of corrections, which were accepted. Email correspondence received from DSHS May 24, 2016

According to enforcement staff at the Resident Care Services of the Department of Social and Health Services, the majority of the state assisted living facilities never have fines imposed. The department concludes there is reasonable assurance that Encore would be operated in conformance with applicable state and federal licensing and certification requirements. **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.

Encore

- *Encore provides a range of living alternatives in Kitsap County for the aging adult population including independent living alternatives and assisted living facility. Encore also operates a memory care facility and skilled nursing facility designed to help our residents return to the highest attainable level of independent living. A Medicare-Medicaid certified home health agency is an important addition to our continuum of care supporting our commitment to our resident's independent and assisted living as well as the community at large.*
- *As noted in table 10, we anticipates that 46% to 65% of the total patient referrals will be generated from our existing Kitsap facilities giving our residents the choice and opportunity to continue to being served by therapists and aides who they have known for months of years. These relationships can reduce hospitalization and extend independent living for our community". [Source: Application page 35]*

Public Comment

- None

Rebuttal Comment

- None

Department Evaluation

The department notes that Encore's parent entity currently provides healthcare services in Kitsap County and has relationships that would benefit Encore. Based on the source information reviewed, 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 **is met**.

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

Based on the source information reviewed and provided the applicant agree to the conditions identified in the ‘conclusion’ section of this evaluation, the department concludes Encore Home Health, LLC 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 including any project type specific criteria. 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 has met the applicable criteria in WAC 246-310-210 through 230 criteria including any project type specific criteria, the department then assesses the other options considered by the applicant. If the department determines the proposed project is better or equal to other options considered by the applicant and the department has not identified any other better options this criterion is determined to be met unless there are multiple applications.

If there are multiple applications, the department’s assessment is to apply any service or facility superiority criteria contained throughout WAC 246-310 related to the specific project type in Step three. The superiority criteria are objective measures used to compare competing projects and make the determination between two or more approvable projects, which is the best alternative. If WAC 246-310 does not contain any service or facility type superiority criteria as directed by WAC 246-310-200(2) (a)(i), then the department would use 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.

Department Evaluation

Step One

The department determined Encore met the applicable review criteria under WAC 246-310-210, including the home health agency methodology and standards outlined in the 1987 State Health Plan, Volume II, Section (4)(d); and WAC 246-310-220, and 230. Therefore, the department moves to step two.

Step Two

Encore

- *“Encore has successfully directly operated a nursing home, assisted living facility, memory care facility and independent living alternatives in Kitsap County for four years. Encore evaluated three alternatives described next and chose to establish a Medicare and Medicaid certified home health agency.*

- *Alternative 1. Postpone Services Development: Encore has relied on existing healthcare providers for our patients and residents requiring home health services. This alternative is no longer in the best interest of our patients and residents. [Source: Application page 37]*
- *Alternative 2. Develop State Licensed Home Health Agency: Encore would face the same challenges as other state agencies. Most of our patients who are unable to be successfully referred to a Medicare and Medicaid certified nursing home would not be candidates for state licensed home health agency. [Source: Application page 38]*
- *Alternative 3. Develop a Medicare and Medicaid Certified Home Health Agency: Encore is mindful that existing agencies may experience a minor reduction in referral request upon our opening a new home health agency but as previously, noted current resources are unable to match our patients' requirement in about 12 referral attempts per month. Encore currently face placement difficulty for about 12 patients per month for a variety of reasons, which represents approximately 30% to 40% of our internal needs for home health services and increased demand for home health services as described in Alternative 2, should result in increased referrals for all Kitsap County home health agencies that can meet the increased demand.*
- *Encore selected Alternative 3. Encore is locating the proposed Medicare and Medicaid certified home health agency in the Silverdale area because that is where our other facilities are located and allows Encore to leverage our significant physical therapy capacity in our home health agency operation. [Source: Application page 38]*

Public Comment

- None

Rebuttal Comment

- None

Department Evaluation

Step Three

This step is applicable only when there are two or more approvable projects. Encore's application was the only application submitted to establish a Medicare/Medicaid certified home health agency in Kitsap County. Therefore, this step does not apply.

(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.

Department Evaluation

This criterion is not applicable to this application.

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

Encore

- “This question is not applicable. Home Health Agencies are no longer subject to Medicare Cost Caps” [Source Application page 39]

Public Comment

- None

Rebuttal Comment

- None

Department Evaluation

The information reviewed by the department is consistent with similar home health projects. Because there is a demonstrated need for additional home health agency in Kitsap County, the department does not anticipate an unreasonable impact on the costs and charges to the public for providing these type services. The department concludes **this sub-criterion is met.**

(3) The project will involve appropriate improvements or innovations in the financing and delivery of health services which foster cost containment and which promote quality assurance and cost effectiveness.

Encore

- This question is not applicable [Source: Application page 40]

Department Evaluation

This project will improve the delivery of health services by locating home health services in Kitsap County to serve the residents. The department concludes **this sub-criterion is met.**

APPENDIX A



Appendix A State Health Plan Home Health Methodology-Kitsap County

Kitsap County

Population by age group by year							
	2016	2017	2018	2019	2020	2021	2022
Total County Population	264,735	267,438	270,140	272,843	275,546	278,290	281,034
Population 0-64	220,011	220,440	220,870	221,299	221,728	222,273	222,817
Population 65-79							
65-69	16,199	16,700	17,200	17,701	18,201	18,419	18,636
70-74	11,692	12,572	13,451	14,330	15,209	15,702	16,196
75-79	7,219	7,844	8,469	9,093	9,719	10,510	11,302
Total Population 65-79	35,110	37,116	39,120	41,124	43,129	44,631	46,134
Population 80 +							
80-84	9,447	9,882	10,151	10,420	10,689	11,386	12,083
85+	4,534	4,737	4,941	5,146	5,350	5,868	6,385
Total Population 80+	9,614	9,882	10,150	10,420	10,689	11,386	12,083
Pop. Calc. test back	264,735	267,438	270,140	272,843	275,546	278,290	281,034



Appendix A State Health Plan Home Health Methodology-Kitsap County

Step 1-Population by Age Cohort		2016	2017	2018	2019	2020	2021	2022
0-64		220,011	220,440	220,870	221,299	221,728	222,273	222,817
65-79		35,111	37,115	39,120	41,124	43,129	44,631	46,134
80+		9,613	9,882	10,151	10,420	10,689	11,386	12,083
Step 2-Projected Home Health Patients by Age Cohort								
0-64 X 0.005		1,100.06	1,102.20	1,104.35	1,106.50	1,108.64	1,111.37	1,114.09
65-79 X 0.044		1,544.88	1,633.06	1,721.28	1,809.46	1,897.68	1,963.76	2,029.90
80+ X 0.183		1,759.18	1,808.41	1,857.63	1,906.86	1,956.09	2,083.64	2,211.19
Step 3-Projected Home Health visits by age cohort								
0-64		1,100.06	1,102.20	1,104.35	1,106.50	1,108.64	1,111.37	1,114.09
Multiplier		10	10	10	10	10	10	10
Subtotal 0-64		11,000.55	11,022.00	11,043.50	11,064.95	11,086.40	11,113.65	11,140.85
65-79		1,544.88	1,633.06	1,721.28	1,809.46	1,897.68	1,963.76	2,029.90
Multiplier		14	14	14	14	14	14	14
Subtotal 65-79		21,628.38	22,862.84	24,097.92	25,332.38	26,567.46	27,492.70	28,418.54
80+		1,759.18	1,808.41	1,857.63	1,906.86	1,956.09	2,083.64	2,211.19
Multiplier		21	21	21	21	21	21	21
Subtotal 80+		36,942.76	37,976.53	39,010.29	40,044.06	41,077.83	43,756.40	46,434.97
Total Projected Home Health Visits		69,571.69	71,861.37	74,151.71	76,441.39	78,731.69	82,362.74	85,994.36
Step 4-Gross Need (Step 3 Total Visits /10,000)								
		6.96	7.19	7.42	7.64	7.87	8.24	8.60
Step 5- No. of Home Health Agencies								
		5	5	5	5	5	5	5
Step 6 Net Need (Per Method, Fractions are rounded down)								
		1	2	2	2	2	3	3

A negative number means there is a surplus