



STATE OF WASHINGTON
DEPARTMENT OF HEALTH

January 3, 2011

CERTIFIED MAIL # 7008 1300 0000 7202 9720

Karen Ssebanakitta, R.N
Director of Oncology and Palliative Care
PeaceHealth dba Whatcom Hospice
2800 Douglas Avenue
Bellingham, Washington 98225

Dear Ms. Ssebanakitta:

We have completed review of the Certificate of Need (CN) application submitted by PeaceHealth Whatcom Hospice proposing to amend CN #1372 because of increase in the capital expenditure beyond the 12% allowable. Enclosed is a written evaluation of the application and amended CN #1372A.

For the reasons stated in this evaluation, the department has concluded that the project is consistent with the Certificate of Need review criteria. Additionally, all of the terms identified in the department's initial approval have been met.

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:

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

Other Than By Mail
Department of Health
Certificate of Need Program
310 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:

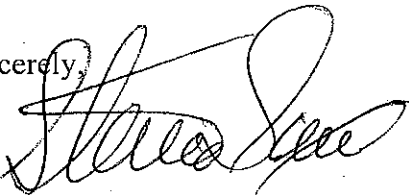
Adjudicative Service Unit
Mail Stop 47879
Olympia, WA 98504-7879

Other Than By Mail

Adjudicative Clerk Office
310 Israel Road SE, Building 6
Tumwater, WA 98501

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

Sincerely,



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

Enclosure

cc: Linda Foss, Department of Health, Investigations and Inspections Office
Karen Stricklett, Department of Health, Office of Customer Service



This Certificate is granted under the authority of RCW 70.38. Issuance of this Certificate does not constitute approval under any other local, federal or state statute, implementing rules and regulations. Examples where additional approval may be necessary include, but are not limited to, construction plan approval through the Construction Review Unit of the Department of Health, facility licensing/certification through the Department of Social and Health Services or Department of Health, and other federal or local jurisdiction permits.

Certificate of Need #1372A is issued to:

Legal Name of Applicant: PeaceHealth dba Whatcom Hospice
Address of Applicant: 2800 Douglas Avenue, Bellingham, Washington 98225
Type of Service: Hospice Care Center
Facility Name: Whatcom Hospice House
Facility Address: 2806 Douglas Avenue, Bellingham, Washington 98225

PROJECT APPROVAL IS BASED ON THE DEPARTMENT'S RECORDS AND EVALUATIONS OF DECEMBER 9, 2005, AND MARCH 12, 2007. THE RECORDS AND FINDINGS FOR BOTH ARE INCORPORATED. ISSUANCE OF THIS AMENDED CERTIFICATE OF NEED IS BASED ON THE DEPARTMENT'S RECORDS AND EVALUATIONS OF MAY 20, 2008 AND JANUARY 3, 2012.

Project Description:

This amended certificate approves the establishment of a 12-bed hospice care center at 2806 Douglas Avenue within the city of Bellingham in Whatcom County. On June 11, 2008, PeaceHealth dba Whatcom Hospice accepted the terms below.

Service Area
Whatcom County

Terms

1. Prior to commencing this project, PeaceHealth dba Whatcom Hospice must provide to the department for review and approval a copy of the executed lease agreement to the proposed site located at 2806 Douglas Avenue, Bellingham, WA 98225. The executed agreement must be consistent with the draft provided in the application. **Term met August 20, 2009**
2. Prior to commencing this project, PeaceHealth dba Whatcom Hospice must provide to the department for review the proposed project site conditional land use permit stating that the site can be used for hospice center services. **Term met July 9, 2009**
3. Prior to providing hospice center services, PeaceHealth dba Whatcom Hospice must provide to the department for review a list of all contracted ancillary and support services. **Term met July 9, 2009**
4. Prior to providing services, PeaceHealth dba Whatcom Hospice must provide to the department for review and approval a copy of the executed medical director agreement for the hospice care center. The executed medical director agreement shall be consistent with the agreement provided with supplemental information. **Term met July 29, 2009**

Approved Capital Expenditure

The approved capital expenditure for this project is \$4,125,440.

An amended Certificate of Need does not extend the validity of the initial Certificate of Need. The department acknowledges that the project was complete in August 2010. The validity period for Certificate of Need #1372 is from June 11, 2008 to June 11, 2010.

Date Amended Certificate Issued: January 3, 2012

A handwritten signature in black ink, appearing to read "Steven Saxe".

Steven Saxe

Director, Health Professions and Facilities

This Certificate is not transferable.

EVALUATION DATED JANUARY 3, 2012 FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY PEACEHEALTH dba WHATCOM HOSPICE PROPOSING TO AMEND CERTIFICATE OF NEED #1372 DUE TO INCREASE IN APPROVED CAPITAL EXPENDITURE

APPLICANT DESCRIPTION

The Sisters of St. Joseph of Peace have been providing healthcare in small communities throughout the Pacific Northwest since 1891. In 1976 they decided to consolidate the healthcare ministries of their Western Province by forming a not-for-profit system, Health and Hospital Services, which was renamed PeaceHealth in 1994. PeaceHealth now operates eight hospitals, medical office complexes, chemical-dependency services, home-health services, medical laboratories, and other services in three states—Alaska, Oregon, and Washington. Below is a listing of the hospitals by state. [source: PeaceHealth website]

Alaska

Ketchikan General Hospital, Ketchikan

Oregon

Sacred Heart Medical Center, Riverbend

Sacred Heart Medical Center, Eugene

Cottage Grove Community Hospital, Cottage Grove

Peace Harbor Hospital, Florence

Washington

St. Joseph Hospital, Bellingham

St. John Medical Center, Longview

PeaceIsland Medical Center, Friday Harbor¹

Southwest Washington Medical Center²

BACKGROUND INFORMATION AND PROJECT DESCRIPTION

In 2007, PeaceHealth dba Whatcom Hospice (Whatcom Hospice) submitted a Certificate of Need application proposing to establish a 12-bed hospice care center in the city of Bellingham within Whatcom County. On May 20, 2008, the department approved Whatcom Hospice's Certificate of Need application to build the hospice care center with an estimated capital expenditure of \$3,165,000. On June 11, 2008, the department issued CN#1372 to Whatcom Hospice with four terms attached to the certificate. [source: Department Evaluation dated May 20, 2008]

On June 30, 2008, the Program provided Whatcom Hospice with a progress report as required under WAC 246-310-590. The progress report incorrectly identified the approved capital cost for the project. The correct cost was \$3,165,000; the progress report identified \$6,888,354. Neither the department nor Whatcom Hospice noticed the error. When the costs of the project increased, Whatcom Hospice assumed the incorrect capital expenditure on its progress reports was more than enough to cover the cost overrun.

When the department discovered its error on the progress report, it contacted Whatcom Hospice to advise them that an amended application was required under CN Program rules. For this project, the costs could increase to \$3,544,880. Within the amended application, Whatcom

¹ On August 1, 2011, PeaceHealth was issued an Certificate of Need #1447 approving the establishment of PeaceIsland Medical Center in Friday Harbor, within San Juan County. The new hospital is expected to be become operational in 2012.

² On December 8, 2010, PeaceHealth and Southwest Washington Medical Center entered into an affiliation agreement. [DOR 11-06]