



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

November 9, 2015

CERTIFIED MAIL # 7015 0640 0000 6441 5669

Diane Patterson, VP/CCO
Yakima Valley Memorial Hospital
2811 Tieton Dr
Yakima, Washington 98902

RE: Certificate of Need Application #16-01

Dear Ms. Patterson:

We have completed review of the Certificate of Need (CN) application submitted by Memorial Home Care Services requesting to amend CN #1350E for cost overrun and removal of a condition. 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 Memorial Home Care Services agrees to the following in its entirety.

Project Description

Memorial Home Care Services is approved to add 8 beds to the existing 12-bed Medicare and Medicaid certified hospice care center, Cottage in the Meadow. The existing 12-bed hospice care center has been in operation since 2012 and is located at 1208 South 48th Avenue in the city of Yakima, within Yakima County. The 8 beds associated with this amendment application shall be licensed by September 30, 2017.

Conditions

- (1) Yakima Valley Memorial Hospital Association dba Memorial Home Care Services agrees with the project description as stated above. Memorial Home Care Services further agrees that any change to the project as described in the project description is a new project and requires a new Certificate of Need.
- (2) To ensure the project is not delayed for lack of funds raised through charitable donations:
 - a. If 50% of the funds have not been raised by October 31, 2016 – identified as the construction contract award date – Yakima Valley Memorial Hospital Association shall provide the bridge loan to Memorial Home Care Services for the remaining funds to complete the project. OR,

b. If 50% of the funds have been raised by the October 31 deadline, but 100% of the project funds have not been raised by December 31, 2016 – the date represented in the amendment application – Yakima Valley Memorial Hospital Association shall provide the bridge loan to Memorial Home Care Services for the remaining funds to complete the project.

(3) Any remaining bed authorization not licensed by September 30, 2017 shall be forfeited.

Approved Capital Costs:

The approved capital expenditure for this project is \$8,835,407, which includes all construction, equipment, and associated fees and taxes for both phase one and two of the project. The department acknowledges that \$6,613,579 has already been expended by Memorial Home Care Services under phase one. Phase two costs are expected to be \$2,221,828.

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.

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 with the Certificate of Need Program at (360) 236-2955.

Sincerely,



Steven M. Saxe, FACHE
Director, Community Health Systems

Enclosure

EVALUATION DATED NOVEMBER 9, 2015, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY MEMORIAL HOME CARE SERVICES AMENDING CERTIFICATE OF NEED #1350E FOR AN INCREASE IN COST AND REMOVAL OF A CONDITION.

APPLICANT DESCRIPTION

Yakima Valley Memorial Hospital Association dba Memorial Home Care Services is a non-profit licensed hospice agency that has provided hospice services the residents of Yakima County since 1995. Memorial Home Care Services is Medicare and Medicaid certified and located at 302 South 10th Avenue in the city of Yakima, within Yakima County.

[source: amendment application p. 1]

The Yakima Valley Memorial Hospital Association is currently registered with both the Washington State Secretary of State office and the Department of Revenue. [source: Washington State Secretary of State and Washington State Department of Revenue websites]

BACKGROUND INFORMATION AND INITIAL APPROVAL

On July 24, 2007, Certificate of Need (CN) #1350 was issued to Memorial Home Care Services approving the establishment of a 20-bed hospice care center in two phases. The first phase included the build out and operation of 12 of the 20 hospice care center beds. Phase two included the build out and operation of the remaining 8 beds.

On June 12, 2009, CN #1350E was issued to Memorial Home Care Services. CN #1350E authorized a one-time six-month extension for the commencement of phase one from July 25, 2009 to January 24, 2010. As of the writing of this evaluation, Memorial Home Care Services has completed phase one of the project and the 12-bed hospice care center has been in operation since September 2012. The hospice care center – “Cottage in the Meadow” – is located at 1208 South 48th Avenue in Yakima.

[source: amendment application p. 1; CN #1350E]

AMENDMENT PROJECT DESCRIPTION

This amendment application is specific to phase two of the project authorized under CNs #1350 and #1350E. Memorial Home Care Services was required to submit this amendment application for two reasons. The first related to the capital costs of the project. The second related to the condition attached to CN #1350E, which states:

Memorial Home Care Services anticipates that by April 30, 2010 it will commence hospice care services using 12 beds in phase one. Under this timeline, April 2011 would be the hospice care center’s first full year of operation. The second phase of the project is expected to be completed by 2014. Therefore, if the project is not completed by December 31, 2015, the remaining 8-beds authorized for phase two not meeting licensing requirements shall be forfeited.

Cost Increase:

CN #1350E identified an estimated capital expenditure of \$6,883,353 – phase one at \$5,316,084 and phase two at \$1,567,270. The department allows an increase in capital costs before requiring an amendment under WAC 246-310-570(1)(e). The increase must be within 12% or \$50,000, whichever is greater, when compared to the approved costs. As a result, the costs associated with CN #1350E could increase to \$7,709,355¹ without requiring an amended CN. The actual capital expenditure for phase one was \$6,613,579, and the projected capital expenditure for phase two is \$2,221,828. These costs total to \$8,835,407, which is more than 28% above the initial projected capital costs and more than 14% above the increase allowed under WAC 246-310-570(1)(e).

[source: amendment application, p. 9]

Removal of Condition:

Given the extensive delays related to fundraising and construction, phase one did not become operational by April 2010 as expected; rather, Cottage in the Meadow began operations as a 12-bed facility in September 2012. In the initial approval, phase two was projected to be complete and Cottage in the Meadow would be providing hospice care center services in all 20 beds by the end of April 2014. To date, neither formal fundraising² nor construction has commenced for phase two. Documentation in this amendment application projects that phase two will become operational by July 2017. This application requests to amend the above condition by extending the completion date from December 31, 2015, to July 2017. Memorial Home Care Services provided the information contained in Table 1 below, outlining the original and amended timelines for phases one and two.

¹ \$6,883,353 * 1.12 = \$7,709,355

² Memorial Home Care Services has elected not to commence a formal capital campaign without CN approval. However, they have still received generous financial support, with a total of \$108,068 received and an additional \$160,000 pledged for a total of \$260,068 – approximately 11% of the total goal. [sources: September 8, 2015 supplemental information, p. 21; September 25, 2015 supplemental information, p. 1)

**Table 1
Cottage in the Meadow Original and Amended Timelines**

		Original		Amended	
		Phase I	Phase II	Phase I	Phase II
Financing					
a.	Date for obtaining construction financing	n/a		n/a	December 2016
b.	Date for obtaining permanent financing	April 2007	n/a	November 2009	December 2016
c.	Date for obtaining funds necessary to undertake project	June 2008	June 2012	n/a	June 2016
Design					
a.	Date for completion and submittal to Consultation and Construction Review Section of preliminary drawings	April 2008	April 2012	May 2009	June 2016
b.	Date for completion and submittal to Consultation and Construction Review Section of final drawings and specifications	December 2008	December 2012	November 2009/April 2010	October 2016
Construction					
a.	Date for construction contract award	February 2009	February 2013	April 2010	October 2016
b.	Date for 25 percent completion of construction	June 2009	June 2013	September 2011	January 2017
c.	Date for 50 percent completion of construction	August 2009	August 2013	January 2012	February 2017
d.	Date for 75 percent completion of construction	November 2009	November 2013	May 2012	April 2017
e.	Date for completion of construction	January 2010	January 2014	June 2012	May 2017
f.	Date for obtaining licensure approval	February 2010	February 2014	September 2012	June 2017
g.	Date for occupancy/offering of services	April 2010	April 2014	September 2012	July 2017

[source: amendment application p. 18; September 8, 2015 supplemental information, p. 46]

Although the costs of the project have increased beyond the allowable amount, the scope of the project, services to be provided, and the location of the hospice care center have not changed. Memorial Home Care Services continues to proceed with the project as approved.

[source: amendment application p. 18]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to review under Washington Administrative Code 246-310-570 because the costs of the project have increased beyond the amount allowable under WAC 246-310-570(1)(e). This project is also subject to review under WAC 246-310-570(1)(d) because the applicant has requested to modify a condition attached to CN #1350E.

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.”*

The review for an amendment project is limited to only those criteria that would be affected by the amendment, provided that the amendment does not significantly alter the project. While Memorial Home Care Services’ costs have increased and the timeline has been delayed, a significant portion of the approved project has not changed. The services to be provided at Cottage in the Meadow and number of beds to be added in phase two have not changed. As a result, the department’s review will focus on applicable portions of financial feasibility (WAC 246-310-220), structure and process of care (WAC 246-310-230), and cost containment (WAC 246-310-240).³

³ Each criterion contains certain sub-criteria. The following criterion and sub-criteria are not discussed in this evaluation because they are not relevant to this amendment project: WAC 246-310-210; and WAC 246-310-240 (3).

TYPE OF REVIEW

As allowed under WAC 246-310-570, the department accepted this project as an amendment to an existing Certificate of Need. This application was reviewed under an expedited review timeline as outlined in WAC 246-310-150.

APPLICATION CHRONOLOGY

Action	Memorial Home Care Services
Letter of Intent Submitted	April 6, 2015
Application Submitted	July 1, 2015
Department's pre-review activities <ul style="list-style-type: none">• DOH 1st Screening Letter• Applicant's Responses Received• DOR 2nd Screening Letter• Applicant's Responses Received	July 23, 2015 September 8, 2015 September 11 & 15, 2015 September 25, 2015
Beginning of Review	September 15, 2015
Public comments accepted through the end of public comment	October 5, 2015
Public Hearing Conducted	None ⁴
Rebuttal Comments Submitted	October 20, 2015
Department's Anticipated Decision Date	November 9, 2015
Department's Actual Decision Date	November 9, 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."*

As noted above, 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;*

⁴ No public hearing is conducted for projects reviewed under an expedited review, per WAC 24-310-180(2)(a).

- (f) *Any person residing within the geographic area to be served by the applicant; and*
- (g) *Any person regularly using health care facilities within the geographic area to be served by the applicant.*

For this application two entities sought interested person status and requested that copies of all information regarding the application be provided to them throughout the course of review. The two entities are Providence Senior and Community Services and Kadlec Regional Medical Center. Below is a summary of each and a determination of their respective status regarding this application.

Providence Senior and Community Services

Providence Senior and Community Services is a subsidiary of Providence Health & Services that provides senior care in communities across Alaska, California, Oregon and Washington. They provide home health services, hospice and palliative care, adult day programs, assisted living, skilled nursing, supportive housing, as well as other related services. Providence Health & Services is a not-for-profit Catholic health care ministry. Neither Providence Health & Services nor Providence Senior and Community Services provided comments on this project.

Kadlec Regional Medical Center

Kadlec Regional Medical Center is a 270-bed acute care hospital located in Benton County that affiliated with Providence Health & Services in 2014. Kadlec Regional Medical Center provides healthcare services to Benton County and surrounding areas through its acute care hospital and 38 local clinics. Kadlec Regional Medical Center provides home health in Benton and Franklin counties under Tri Cities Home Health⁵, but does not provide any home care or hospice services in Yakima County. Neither Kadlec Regional Medical Center nor Tri Cities Home Health provided comments on this project.

Neither Providence Senior and Community Services nor Kadlec Regional Medical Center qualified for interested person status under WAC 246-310-010(34) (a), (b), (c), (d), (e), (f), or (g). Lack of interested or affected person standing would not preclude either entity from submitting comments on Yakima Valley Memorial Hospital dba Memorial Home Care Services' application, however neither entity provided comment.

SOURCE INFORMATION REVIEWED

- Memorial Home Care Services' Certificate of Need amendment application submitted July 1, 2015
- Memorial Home Care Services' supplemental information received September 8, 2015
- Memorial Home Care Services' supplemental information received September 25, 2015
- Public comment received during the course of the review
- Memorial Home Care Services' rebuttal documents received October 20, 2015
- Memorial Home Care Services' 2014 hospice survey response to the department received July 8, 2015
- Licensing data provided by the Department of Health's internal database, Integrated Licensing & Regulatory System, "ILRS"

⁵ <http://www.kadlec.org/our-services/home-health-care>

- Licensing and/or survey data provide by the Department of Health’s Investigations and Inspections Office
- Profession compliance data provided by the Nursing Quality Assurance Commission, Medical Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service.
- Data obtained from the Memorial Home Care Services and Yakima Valley Memorial Hospital Association websites
- Data obtained from the Washington State Employment Security Department website
- Information obtained from the Center for Medicare and Medicaid Services website (<http://www.medicare.gov>)
- Washington State Secretary of State website at www.sos.wa.gov
- Washington State Department of Revenue website at www.dor.wa.gov
- Certificate of Need historical files

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Memorial Home Care Services proposing to amend Certificate of Need #1350E for increase in costs and removal of the condition that phase two must be completed by December 31, 2015 is consistent with applicable criteria of the Certificate of Need Program, provided that Memorial Home Care Services agrees to the following in its entirety.

Project Description

Memorial Home Care Services is approved to add 8 beds to the existing 12-bed Medicare and Medicaid certified hospice care center, Cottage in the Meadow. The existing 12-bed hospice care center has been in operation since 2012 and is located at 1208 South 48th Avenue in the city of Yakima, within Yakima County. The 8 beds associated with this amendment application shall be licensed by September 30, 2017.

Conditions

- (1) Yakima Valley Memorial Hospital Association dba Memorial Home Care Services agrees with the project description as stated above. Memorial Home Care Services further agrees that any change to the project as described in the project description is a new project and requires a new Certificate of Need.
- (2) To ensure the project is not delayed for lack of funds raised through charitable donations:
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 - b. If 50% of the funds have been raised by the October 31 deadline, but 100% of the project funds have not been raised by December 31, 2016 – the date represented in the amendment application – Yakima Valley Memorial Hospital Association shall provide the bridge loan to Memorial Home Care Services for the remaining funds to complete the project.
- (3) Any remaining bed authorization not licensed by September 30, 2017 shall be forfeited.

Approved Capital Costs:

The approved capital expenditure for this project is \$8,835,407, which includes all construction, equipment, and associated fees and taxes for both phase one and two of the project. The department acknowledges that \$6,613,579 has already been expended by Memorial Home Care Services under phase one. Phase two costs are expected to be \$2,221,828.

CRITERIA DETERMINATIONS

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department determines that Memorial Home Care Services has **met** the financial feasibility criteria in WAC 246-310-220.

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

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

Initial Evaluation Summary

In its July 3, 2007 evaluation supporting the issuance of CN #1350, the department concluded that this sub-criterion was met based on the following factors:

- (1) A review of Memorial Home Care Services' historical audited financial reports; and
- (2) A review of Memorial Home Care Services' projected patient utilization as a 12-bed and 20-bed hospice care center. This review included proposed revenue, expenses, and net profit for the new hospice care center through phases one and two, totaling 7 years.

[source: CN historical files – initial evaluation CN #1350 pp. 5-7]

Within the initial application, the hospice care center's revenues were projected to cover expenses by the end of year three (2012) and operating with 12 beds. The hospice care center was projected to maintain financial feasibility throughout the completion of phase two in mid-year 2014.

Amendment Application

Within the amendment application, Memorial Home Care Services provided updated financial documents to demonstrate that the 20-bed hospice care center will still achieve financial feasibility with an increase in anticipated operating costs. They also documented the assumptions they used to support these updated figures, including projected utilization over time, an updated staffing model to support increased utilization, and a demonstration of expenses by patient day decreasing over time.

Long-Term Operational Viability:

The initial application that led to the issuance of CN #1350 projected financial feasibility by the end of the third year of operation. In the amendment application, Memorial Home Care Services acknowledged unforeseen operating expenses that impacted the original projections. These expenses are largely related to the staffing changes that arose due to the increased acuity of the typical hospice patient. With these changes in mind, Memorial Home Care Services provided updated pro forma financial statements that demonstrate the financial

position of Cottage in the Meadow both with and without the implementation of phase two. The pro forma financial statements are summarized below in Tables 2 and 3.

Table 2
Cottage in the Meadow – Without Phase Two

	12 beds					
	2015	2016	2017	2018	2019	2020
Average Daily Census	8.5	11	11	11	11	11
Net Revenue	\$1,816,638	\$2,351,375	\$2,351,375	\$2,351,375	\$2,351,375	\$2,351,375
Total Expenses	\$2,415,925	\$2,679,954	\$2,679,954	\$2,679,954	\$2,679,954	\$2,679,954
Net (loss) Income	(\$599,287)	(\$328,579)	(\$328,579)	(\$328,579)	(\$328,579)	(\$328,579)

[source: September 25, 2015 supplemental information, p. 9]

Table 3
Cottage in the Meadow – With Phase Two

	12 beds		20 beds			
	2015	2016	2017	2018	2019	2020
Average Daily Census	8.5	11	12.5	15	17	18
Net Revenue	\$1,816,638	\$2,351,375	\$2,815,866	\$3,524,322	\$4,189,800	\$4,553,301
Total Expenses	\$2,415,925	\$2,679,954	\$3,256,758	\$3,417,374	\$3,563,370	\$3,680,327
Net (loss) Income	(\$599,287)	(\$328,579)	(\$440,892)	\$106,948	\$626,430	\$872,974

[source: September 8, 2015 supplemental information, p. 30]

As shown in Table 2 Memorial Home Care Services concluded that without an influx of new patients brought on by increasing their bed count, they can reasonably expect that revenues and expenses will remain consistent with the 2016 projections. This produces a consistent net loss for years to come. They asserted that Cottage in the Meadow can only become a financially feasible cost center of Memorial Home Care Services if they can add to their bed count. As shown in Table 3, Cottage in the Meadow will become a profitable cost center by 2018 (year 2) by adding the 8 beds associated with phase two.

Utilization Increase Over Time

Memorial Home Care Services asserts that an increase in patient volumes is not possible without also increasing the bed count at the facility. They also state that actual utilization patterns observed from 2012 to present will support a modest increase over time, meeting and sustaining 90% occupancy by 2020. The applicant shows that patient revenues will increase in conjunction with this anticipated growth in utilization. In addition to the revenue and expense summary shown in Table 3 above, Memorial Home Care services also provided the hospice care center’s average daily census (ADC) and occupancy through year 2020. This data is summarized in Table 4 below.

**Table 4
Cottage in the Meadow Utilization**

Year	Patient Days	ADC	Beds	Occupancy	Patients Served	Percent Change
2012 ⁶	351	0.96	12	8.0%	71	--
2013	1,698	4.65	12	38.8%	293	384%
2014	2,249	6.16	12	51.3%	366	32%
2015	3,110	8.52	12	71.0%	670	38%
2016	4,015	11.00	12	91.7%	730	29%
2017	4,563	12.50	12/20	62.5%	830	14%
2018	5,475	15.00	20	75.0%	995	20%
2019	6,205	17.00	20	85.0%	1128	13%
2020	6,570	18.00	20	90.0%	1195	6%

[source: September 8, 2015 supplemental information, p. 25]

As shown in Table 4 above, Cottage in the Meadow experienced more than 30% increase in utilization over years one through three of operation. They expect growth to continue, but at a slower rate. They attribute this growth to several factors, including the growth and aging of the population, addition of new programs (24 hour admitting and Medicare Care Choices Model⁷), and new contractual relationships with other hospice agencies in the service area. [source: September 8, 2015 supplemental information, p. 20]

Staffing Efficiencies:

Memorial Home Care Services stated that by concentrating their inpatient hospice services in one location, fewer FTEs – regardless of job description – are necessary to provide the same level of service. Specifically, case management staff, chaplains, and the Medical Director are able to see several patients in Cottage in the Meadow in a much shorter time frame, saving travel time and expense. [source: amendment application, p. 40]

With the implementation of the 12 beds in phase one, Cottage in the Meadow already recruited the majority of necessary staff. Table 5 (below) summarizes staffing numbers provided by the applicant. They demonstrate that nursing staff will increase roughly at the same rate as ADC, whereas all other staff will remain fairly constant, only adding 0.6 non-nursing FTEs with phase two.

⁶ Cottage in the Meadow first offered services in September 2012, (source: amendment application p. 8).

⁷ The Medicare Care Choices Model is a Medicare pilot project in which hospice and palliative care services will be offered concurrently. The goal of this project is to introduce terminal patients to the hospice concept earlier in the course of their illness and to provide improved patient centered care at decreased cost for all parties. Memorial Home Care Services will be providing case management, and as a result will see more referrals for hospice care as a whole, which includes inpatient hospice care at Cottage in the Meadow. This pilot project is expected to last 5 years beginning in 2016. (source: September 8, 2015 supplemental information, pp. 11-12)

**Table 5
Cottage in the Meadow Staffing**

	2015	2016	2017	2018	2019	2020	Change 2015- 2020
ADC	8.5	11	12.5	15	17	18	
RN	9.20	11.60	12.60	12.60	15.40	16.00	6.80
Aides	9.20	9.20	10.90	12.60	12.60	14.30	5.10
RN Manager	1.00	1.00	1.00	1.00	1.00	1.00	0
Pharmacist	0.20	0.20	0.20	0.40	0.40	0.40	0.20
MSW	1.00	1.40	1.40	1.40	1.40	1.40	0.40
Other: dietary, housekeeping, etc.	1.90	1.90	1.90	1.90	1.90	1.90	0
Total FTEs	22.50	25.30	28.00	29.90	32.70	35.00	12.50

[source: September 8, 2015 supplemental information, p. 19]

Expenses Per Patient Day

Memorial Home Care Services identified that with the addition of 8 beds in phase two, patient day expenses will decrease by 26% between 2015 and 2020. This is a direct result of concentrating staff time dedicated to inpatient care at Cottage in the Meadow, and is demonstrated below in Table 6.

**Table 6
Expenses Per Patient Day**

	2015	2020	change
Total Expenses (including depreciation)	\$2,366,748	\$3,680,328	
Patient Days	3,110	6,570	
Expenses/Patient day	\$761.01	\$560.17	-26.4%

[source: September 8, 2015 supplemental information, pp. 20-21]

Department's Review

A review of the original and amended revenue and expense summaries for Cottage in the Meadow shows a substantial change between the original and amendment applications. The majority of this section will focus on an analysis of the reasonableness of the assumptions that Memorial Home Care Services provided to support their pro forma financial statements. The four major categories of assumptions are consistent with those listed above: long-term operational viability, utilization increase over time, staffing efficiencies, and expenses per patient day.

In the pro forma financial statements, Memorial Home Care Services demonstrated that Cottage in the Meadow cannot be a financially feasible cost center of Memorial Home Care Services as a 12 bed facility. Even at 90% occupancy with 12 beds in 2016 (see Table 4), Cottage in the Meadow still operates at a net loss, and would continue to do so over time. They go on to show that Cottage in the Meadow will not meet and sustain profitability until

they maintain an average daily census of 15. Based on historical growth in patient population, this average daily census should be attainable by the second year of operation of phase two, resulting in a net profit by 2018. The department concurs with the assumption made in the amendment application, that the facility must operate at an average daily census of 15 in order to achieve profitability.

While reviewing the amendment application, the department requested more information regarding discrepancies noted between the original and amended staffing models, because more than 80% of the increase in operating expenses resulted from added staff.⁸ Memorial Home Care Services asserted that while the staffing of the facility changed, the intended clinical function of the facility and the intended patient population did not. After reviewing the original staffing model and information provided through screening, the department determined that the changes in anticipated staff ratios are reasonable.
[source: September 8, 2015 supplemental information, p. 3]

Memorial Home Care Services has the ability to provide services at Cottage in the Meadow at decreased cost compared to other inpatient settings. This point can be demonstrated by reviewing Medicare beneficiaries who receive hospice care at Cottage in the Meadow – 88% of the current payer mix. Once an individual elects hospice care under Medicare, all hospice services are included, including general inpatient care.⁹ The reimbursement rate for inpatient care does not change based on the location of inpatient care.¹⁰ Memorial Home Care Services has the ability to control costs for staffing, facility, pharmaceutical, dietary, and numerous other costs by providing care at Cottage in the Meadow. If unable to provide these services at their own hospice care center, many of these costs would be determined by an outside inpatient setting at a higher cost. By expanding Memorial Home Care Services' beds at Cottage in the Meadow, increased efficiencies will allow services to be provided at lower cost over time.
[source: September 8, 2015 supplemental information, p. 5]

Based on the above information, the department concludes that Memorial Home Care Services' projected revenues and expenses are reasonable and can be substantiated for this amendment application. The department concludes that the immediate and long-range operating costs of the project can be met. **This sub-criterion is met.**

(2) The costs of the project, including any construction costs, will probably not result in an unreasonable impact on the costs and charges for health services.

WAC 246-310 does not contain specific WAC 246-310-220(2) financial feasibility criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what an unreasonable impact on costs and charges would be for a project of this type and size. Therefore, using its experience

⁸The difference in numbers and allocation of nursing staff is discussed in greater detail under Structure and Process of Care WAC 246-310-230(1).

⁹ <https://www.medicare.gov/Pubs/pdf/02154.pdf>

¹⁰ https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/downloads/hospice_pay_sys_fs.pdf

and expertise the department compared the proposed project's costs with those previously considered by the department.

Initial Evaluation Summary

In its July 3, 2007 evaluation supporting the issuance of CN #1350, the department concluded that this sub-criterion was met based on the following factors:

- 1) A review of Memorial Home Care Services' capital expenditure breakdown associated with phases one and two; and
- 2) A review of Memorial Home Care Services' anticipated funding sources
[source: initial evaluation p. 7]

Amendment Application

Within the amended application, Memorial Home Care Services provided an updated breakdown of the capital expenditure to explain the cost overrun, and a breakdown of associated costs per bed.

Capital Expenditures:

The original application identified a capital expenditure of \$6,883,354 (phase one: \$5,316,084; phase two: \$1,567,270). In the amendment application, the identified capital expenditure exceeded these values by more than 12%. The total expected capital expenditure is \$8,835,407 (phase one: \$6,613,579¹¹; phase two: \$2,221,828). The breakdown of the original and amended capital expenditures is shown in Table 7 below. A selection of cost discrepancies are discussed following the table.

¹¹ Actual cost [source: September 8, 2015 supplemental information, p. 3)

**Table 7
Cottage in the Meadow Original and Revised Capital Expenditures**

	Original			Revised		
	Phase I	Phase II	Total	Phase I Actual	Phase II Estimated	Total
Land Purchase	\$1,090,045	\$0	\$1,090,045	\$545,022	\$0	\$545,022^a
Land Improvements				\$353,772	\$130,000	\$483,772
Building Construction	\$2,891,728	\$1,052,005	\$3,943,733	\$4,243,609	\$1,525,880	\$5,769,489^b
Moveable Equipment	\$245,703	\$81,190	\$326,893	\$252,077	\$120,000	\$372,077
Fixed Equipment	\$28,464	\$11,536	\$40,000			
Architect/Engineer Fees	\$308,000	\$132,000	\$440,000	\$631,367	\$244,823	\$876,190^c
Consulting Fees	\$26,282	\$7,500	\$33,782	\$0	\$23,500	\$23,500
Site Preparation	\$318,270	\$128,990	\$447,260	\$141,299		\$141,299
Supervision and Inspection	\$29,011	\$12,071	\$41,082	\$47,789		\$47,789
Sales Tax						
Equipment Building Construction	\$21,622	\$7,145	\$28,767	\$20,696	\$9,840	\$30,536
Building Construction	\$263,220	\$96,842	\$360,062	\$357,479	\$157,785	\$515,264
Other Contingency	\$93,739	\$37,991	\$131,730			\$0
Donor Recognition				\$20,469	\$10,000	\$30,469^d
Total Project Costs	\$5,316,084	\$1,567,270	\$6,883,354	\$6,613,579	\$2,221,828	\$8,835,407

[sources: February 12, 2007 supplemental information, Appendix 5; September 8, 2015 supplemental information, p. 26]

a) Land Purchase:

As shown in Table 7, this cost decreased. The land purchase price was split between Yakima Valley Memorial Hospital and Memorial Home Care Services – rather than Memorial Home Care Services purchasing the entire plot, they instead only paid for the value of the land used for Cottage in the Meadow.

[source: September 8, 2015 supplemental information, p. 6]

b) Building Construction:

Building construction costs increased as a result of several factors. This included redesign to accommodate a 700 square foot space for a generator, addition of a commercial kitchen, as well as change in scope for landscaping. Costs further increased due to construction delays (inflation).

[sources: amendment application p. 8; September 8, 2015 supplemental information p. 2]

c) Architect/Engineer Fees:

The applicant asserted that these fees increased for two reasons. First, the increase in square footage as a result of the added construction listed above. Architect and engineering fees are based on a percentage of the construction cost. Secondly, the addition of the generator required the services of a mechanical engineer. This cost was not included in the original estimate.

[source: September 8, 2015 supplemental information p. 12]

d) Donor Recognition:

Donor recognition was not accounted for in the original capital expenditure breakdown. Samples of what is included under this line item include custom stained donor boards, custom artistic design, artistic panels, donor books, and book shelf plates.

[sources: September 8, 2015 supplemental information, p. 52; September 25, 2015 supplemental information, p. 1]

Capital Cost Per Bed

With regard to capital cost per bed, Memorial Home Care Services' application showed that phase two beds can be added at significantly decreased cost when compared to phase one. According to the applicant, there are areas of the current 12-bed facility that were designed to support the combined beds of phase one and two, including the commercial kitchen, mechanical room, oxygen storage, and generator. The applicant provided a floor plan that supports these statements. The cost is demonstrated in Table 8 below:

**Table 8
Cost per Bed**

Construction Cost Center	Total GSF	Total Cost/SF	Cost/Bed
Phase I	16,049	\$291.90	\$390,398
Phase II	4,513	\$369.90	\$208,673

[source: September 8, 2015 supplemental information pp. 13, 105]

Department's Review

As stated in the project description section of this evaluation, Memorial Home Care Services submitted this application due to cost overrun beyond the allowable amount. Memorial Home Care Services demonstrated that the increased construction costs are reasonable and a direct result of timing delays and due to alterations to the design of the facility for greater efficiency and patient safety. They also demonstrate that the addition of 8 beds will result in more effective use of resources over time. Additionally, the capital cost of adding 8 beds in phase two can be achieved at less cost than the original cost of phase one beds.

Based on the information provided above, the department concludes that the cost of this project will not result in an unreasonable impact on the costs and charges for health services within the service area. **This sub-criterion is met.**

(3) *The project can be appropriately financed.*

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

Initial Evaluation Summary

In its July 3, 2007 evaluation supporting the issuance of CN #1350, the department concluded that this sub-criterion was met based on the following factors:

- 1) A review of Memorial Home Care Services' historical financial health; and
- 2) A review of Yakima Valley Memorial Hospital Association's historical efforts in fundraising through a capital campaign
- 3) A review of Memorial Home Care Services' intended funding sources, including fundraising through a capital campaign along with debt-financing for the land purchase.

[source: initial evaluation pp. 7-8]

Amendment Application

Memorial Home Care Services asserted that the entire project will be financed through fundraising rather than through debt financing. Memorial Home Care Services has already secured a number of pledges dedicated to the 8 beds in phase two, totaling \$268,068.

[source: September 25, 2015 supplemental information, p. 1]

Within this amendment application, Memorial Home Care Services provided a contingency plan for funding phase two. The Yakima Valley Memorial Hospital Association has agreed to provide a bridge loan of up to \$2.2 million to allow Memorial Home Care Services to complete phase two. This bridge loan is intended to ensure that phase two will be complete within the timeline identified in the amendment application.

[source: September 8, 2015 supplemental information, p. 56]

Department's Review

Through the screening process of this application, the department reviewed the original approval of CN #1350 and #1350E, all progress reports received by the department since 2007, as well as information provided in this amendment application. As stated throughout this evaluation, Memorial Home Care Services faced significant delays in fundraising for phase one. Therefore, the department requested that Memorial Home Care Services provide more information regarding the past delays with assurance that these delays would not reappear in phase two.

According to the Yakima County Profile published by the Employment Security Department of Washington State, Yakima County was impacted significantly by the economic downturn in 2008. Unemployment statistics are consistent with this statement, with unemployment rates as high as 13% between 2008 and 2010¹². This economic environment is reflected in the charitable donations received during this time period, with only \$4,464,996 received

¹² <https://fortress.wa.gov/esd/employmentdata/reports-publications/regional-reports/numbers-and-trends>

through 2010 (source: September 25, 2015 supplemental information, p. 6). Before the economic downturn, Memorial Home Care Services had projected that they would have all of the funds necessary to undertake the project by June 2008 (see Table 1). The department recognizes that Memorial Home Care Services could not anticipate the local long-range impacts of the economic downturn in phase one, and concludes that fundraising goals for phase two are reasonable.

While the fundraising goals are reasonable, the department requested that Memorial Home Care Services identify a contingency plan that will allow Cottage in the Meadow to be built and operational within the timelines represented in this amendment application, regardless of fundraising success. In response to this request, the Yakima Valley Memorial Hospital Association provided a letter of commitment to provide a bridge loan of up to \$2.2 million in the event that fundraising is not complete in the timeline represented in the amendment application. A bridge-loan contingency plan is acceptable. To ensure that financing for this project would not become a barrier to adding the 8 beds in phase two, if the project is approved, the Department would include a condition related to the timing for the bridge loan to be activated

Based on the information above and provided that Memorial Home Care Services agrees to the condition regarding the bridge loan, the department concludes Memorial Home Care Services' source of financing to be appropriate. **This sub-criterion is met.**

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department determines that Memorial Home Care Services has **met** the structure and process of care criteria in WAC 246-310-230(3), (4), and (5).

(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. Therefore, using its experience and expertise the department concludes that the planning would allow for the required coverage.

Initial Evaluation Summary

In its July 3, 2007 evaluation supporting the issuance of CN #1350, the department concluded that this sub-criterion was met based on the following factors:

- 1) A review of Memorial Home Care Services' comprehensive plan for staff recruitment; and
- 2) Memorial Home Care Services' presence in the community as an existing in-home hospice care provider.

[source: initial evaluation p. 8-9]

Amendment Application

With this amendment application, Memorial Home Care Services identified need for changes to the projected staffing ratios. This is partially due to greater than expected patient acuity and clinical needs. A number of the treatments for symptom-management that are used at Cottage in the Meadow can only be provided by an RN or higher. These include but are not limited to starting IVs, accessing chest ports, maintaining PICC lines, and frequent medication monitoring. Increased staffing has also been a result of 24-hour admitting, which began in July of 2014.

[sources: amendment application p. 12, September 8, 2015 supplemental information pp. 1-2, 19]

Table 9 compares the original staffing levels for Cottage in the Meadow as both a 12 and 20-bed facility, the current number of staff, as well as the incremental staffing increases anticipated for years 2016 through 2020 (when Memorial Home Care Services anticipates full occupancy).

**Table 9
Cottage in the Meadow – Original, Current, and Proposed Staffing**

	2010 Original	2014	2015 Current	2016	2017	2018	2020
	Projected						
Beds	12	20	12	12	20	20	20
RN	4.20	4.70	9.20	11.60	12.60	15.40	16.00
Aides	7.40	11.60	9.20	9.20	12.60	12.60	14.30
RN Manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Pharmacist	0.20	0.20	0.20	0.20	0.40	0.40	0.40
MSW	1.00	1.00	1.00	1.40	1.40	1.40	1.40
Other: dietary, housekeeping, etc.	1.40	1.40	1.90	1.90	1.90	1.90	1.90
Total FTEs:	15.20	19.90	22.50	25.30	29.90	32.70	35.00

[sources: initial evaluation p. 8; September 8, 2015 supplemental information, p. 19]

In this amendment application, Memorial Home Care Services asserts that even with more than double the expected nursing staff required (and nearly quadruple the RNs), they do not anticipate any difficulty in recruiting and retaining these additional staff. They cite their reputation as an employer and their relationships with local nursing schools to support this statement.

[source: amendment application p. 35]

Department’s Review

The staffing ratios proposed for the 20-bed hospice care center in the amendment application are significantly different than those projected in the initial application. However, the amendment application appropriately documents the factors that have contributed to this discrepancy. According to the Chapter 9 of the Medicare Benefit Policy Manual, general inpatient care for hospice patients is intended for patients whose symptoms **cannot** be

managed in any other setting.¹³ Therefore, the department agrees that the number and expected scope of practice for inpatient hospice caregivers should be higher than that of typical in-home hospice care. The acuity of patients as represented in the amendment application is consistent with this expectation. This resulted in a different ratio of RNs to Aides, weighing in favor of RNs.

As of the time of this application, Memorial Home Care Services has been able to recruit an adequate number of staff to compensate for this change. In order to meet their staffing needs for the full 20-bed hospice care center, they will need to recruit between 3 and 4 FTEs per year. The department concludes that Memorial Home Care Services' reputation as an existing provider in the community will allow them to continue to staff Cottage in the Meadow at a level appropriate for the anticipated acuity and volumes of patients. **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.

Initial Evaluation Summary

In its July 3, 2007 evaluation supporting the issuance of CN #1350, the department concluded that this sub-criterion was met based on the following factors:

- 1) A review of Memorial Home Care Services' existing contracted ancillary services
[source: initial evaluation p. 9]

Amendment Application

In the amendment application, Memorial Home Care Services stated that they do not anticipate any changes to ancillary and support services as a result of the project. Further, in response to screening they confirmed that the current contracts will continue to be adequate for phase two.

[source: amendment application p. 36; September 8, 2015 supplemental information, p. 19]

Department's Review

A term of CN #1350E stated:

Prior to providing hospice care center services, YVMHA-MHCS must provide to the department for review and approval, a list of all contracted ancillary services

[source: CN historical files – letter dated November 20, 2012 to Gail Weaver]

¹³ <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/bp102c09.pdf> Section 40.1.5 Short Term Inpatient Care

This term was met as of November 20, 2012. Given that no changes are anticipated as a result of phase two and that the contracts will be adequate to provide services for an additional 8 beds, the department concludes that there is reasonable assurance that Memorial Home Care Services' relationship with ancillary and support services is appropriate for phase two. **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.

Initial Evaluation Summary

In its July 3, 2007 evaluation supporting the issuance of CN #1350, the department concluded that this sub-criterion was met based on the following factors:

- 1) A review of Memorial Home Care Services' quality of care history over the previous 5 years; and
- 2) A review of Memorial Home Care Services' medical directors at Cottage in the Meadow, Patrick Waber, MD and Judith Page, DO.
[source: initial evaluation p. 10]

Amendment Application

In the amendment application Memorial Home Care Services identified Patrick Waber, MD as the medical director and Kirstin Larson, MD as the Hospice Physician. A review of the compliance history for Dr. Waber and Dr. Larson revealed no recorded sanctions.

[source: compliance history provided by the Medical Quality Assurance Commission]

Memorial Home Care Services also provided a list of current active nursing staff. A review of the compliance history for the 23 staff revealed no recorded sanctions.

[source: compliance history provided by the Nursing Quality Assurance Commission and the Health Systems Quality Assurance Office of Customer Service]

Department's Review

Memorial Home Care Services provides in-home hospice care in Yakima County. Cottage in the Meadow is the only facility operated by Memorial Home Care Services. The Department of Health's Investigations and Inspections Office completes certification and compliance surveys for all hospice care centers in Washington State. The most recent survey was conducted in July of 2015 and showed that Cottage in the Meadow is substantially in compliance with Medicare and Medicaid requirements. Furthermore, no founded complaints have been received by the department against Cottage in the Meadow.

[source: Department of Health Office of Investigation and Inspection]

Additionally, Cottage in the Meadow currently operates in compliance with the licensure requirement that no more than forty-nine percent of patient care days, in the aggregate on a biennial basis, may be provided in the hospice care center (RCW 70.127.280(d)). According to the most recent survey of hospice agencies, Memorial Home Care Services provided 24,576 days of patient care in 2014. This amendment application states that only 2,249 of these days were provided at Cottage in the Meadow – well below the 49% ceiling.
[source: 2015 Certificate of Need Hospice Survey for 2014 data]

Given the compliance history of Cottage in the Meadow since it first began offering services in 2012, and that of the current medical director and other staff, the department concludes that there is reasonable assurance that Memorial Home Care Services would continue to operate in compliance with state and federal regulations with the phase two expansion. **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.

Initial Evaluation Summary

In its July 3, 2007 evaluation supporting the issuance of CN #1350, the department concluded that this sub-criterion was met based on the following factors:

- 1) A review of observed patient care settings as reported by Memorial Home Care Services in the need methodology; and
- 2) A review of healthcare providers with whom Memorial Home Care Services maintains working relationships.

[source: initial evaluation p. 10]

Amendment Application

The amendment application does not vary from the original application with regard to Memorial Home Care Services' relationships with other providers in the service area. The applicant shows that phase two continues to promote continuity of care by centralizing inpatient hospice care. With the addition of phase two beds, Memorial Home Care Services asserts that they will continue to provide inpatient hospice care on-site with minimal fragmentation of inpatient care.

Department's Review

Given the long standing history Memorial Home Care Services has in the planning area and the fact that **inpatient hospice care** is an existing Medicare-covered health service provided

by this agency, the department continues to conclude that approval of this project will not result in an unwarranted fragmentation of services. **This sub-criterion is met.**

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

Initial Evaluation Summary

In its July 3, 2007 evaluation supporting the issuance of CN #1350, the department concluded that this sub-criterion was met based on the sub-criterion that was addressed in sub-section (3) above.

[source: initial evaluation p. 10]

Amendment Application Review

This sub-criterion is addressed in subsection (3) above and **is met.**

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department determines that Memorial Home Care Services has **met** the cost containment criteria in WAC 246-310-240.

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

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

If the project met WAC 246-310-210 through 230 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

Initial Evaluation Summary

In its July 3, 2007 evaluation supporting the issuance of CN #1350, the department concluded that this sub-criterion was met based on the applicant's ability to meet the review criteria in WAC 246-310-210, WAC 246-310-220; and WAC 246-310-230.

[source: initial evaluation, pp. 5-11]

Amendment Application

In this amendment evaluation review, the department concludes that Memorial Home Care Services continues to meet the review criteria in the applicable sections of WAC 246-310-220 and WAC 246-310-230. Therefore, the department moves to step two below.

Step Two

Initial Evaluation Summary

In its July 3, 2007 evaluation supporting the issuance of CN #1350, the department concluded that this sub-criterion was met based on a review of the two options considered and rejected before submitting the application. The options identified were "do nothing" and to lease existing real estate, but were both rejected. The department identified one additional alternative of leasing a building under a "build to suit" arrangement, but rejected this option.

[source: Initial evaluation, p. 11]

Amendment Application

WAC 246-310-580 (1) states "*one six-month extension may be made if the certificate holder can demonstrate that substantial and continuing progress towards commencement of the project has been made.*" Specific to CN #1350, one extension has already been granted, extending the validity period for commencing phase one from July 25, 2009 to January 25, 2010. On February 19, 2015, CN Program staff and representatives for Memorial Home Care Services held a telephone conference call to discuss options available to ensure completion of phase two. The department stated that no further extensions could be granted. Since Memorial Home Care Services has elected to continue pursuing the 8 beds in phase two, its only option was to submit an amendment application to remove the timeline condition attached to CN #1350E.

[source: CN progress report file for CN #1350E]

Memorial Home Care Services submitted their application on July 1, 2015 and identified one alternative in their amendment application. The only alternative identified was to surrender the 8 remaining beds under phase two and to resubmit for a new Certificate of Need. This option was rejected. Memorial Home Care Services anticipates that Cottage in the Meadow will operate at fully capacity as a 12-bed hospice care center by 2016 (see Table 4), and expressed concerns that hospice patients who would otherwise be served at Cottage in the Meadow would instead be served in higher cost, more restrictive setting. By adding the 8 beds associated with phase two, Memorial Home Care Services asserted that they will be better equipped to meet the Triple Aim, ensuring better care, higher patient satisfaction, and lower cost.

[sources: amendment application, p. 39; September 8, 2015 supplemental information, p. 9]

Department's Review of Alternatives

By submitting this application, Memorial Home Care Services intends to complete phase two under the timeline represented in the amendment application, with fundraising taking place throughout 2016, construction commencing in late 2016, and beginning to offer services in July 2017.

Through screening, the department expressed concerns regarding the proposed timelines referenced above. The department requested that Memorial Home Care Services thoroughly explore the alternatives of reducing the proposed bed count for phase two, and applying for a new CN. Memorial Home Care Services provided responses that addressed each of these alternatives.

Memorial Home Care Services rejected the option of reducing the scope of phase two. In the screening response dated September 8, 2015, Memorial Home Care Services demonstrated that an average daily census of 15 will be required to break even. Due to expected turnaround time between patients and inconsistency in admitting time, a 15 or 16 bed facility would be unlikely to maintain an average daily census of 15. Further, it was demonstrated that Cottage in the Meadow can maintain profitability with an average daily census of 17-18, requiring the full 20 beds, putting the hospice care center at 90% occupancy. While an incremental addition could put Cottage in the Meadow in a break-even financial position, it would be unnecessarily limiting to place a restriction on the facility that impedes their ability to maintain profitability. For this project, the department concurs that a reduction in scope is not the best available alternative.

[source: September 8, 2015 supplemental information, p. 21]

The option of applying for a new CN in 2016 was rejected, as this would result in a delay at least one year beyond what is proposed in this amendment application. Furthermore, the department recognizes that a new CN would result in a new two-year validity period and the potential for further delays. With the approval of this amendment application and attached conditions, Memorial Home Care Services is obligated to complete phase two by the end of September 2017 or forfeit any unlicensed beds. The department concurs that this amendment and the timelines listed therein is the best option,

[sources: September 8, 2015 supplemental information, p. 20; September 25, 2015 supplemental information, p. 4]

Step Three

This step is used to determine between two or more approvable projects which is the best alternative. This step did not apply to the initial project and does not apply to this amendment project.

Based on the information above, the department concludes that amending CN #1350E is the best available option. However, as stated above, this approval is conditioned. In the event that the project is not complete by September 31, 2017, any remaining bed authorization not licensed shall be forfeited. Provided that Memorial Home Care Services agrees to this condition, **this sub-criterion is met.**

(2) In the case of a project involving construction:

(a) The costs, scope, and methods of construction and energy conservation are reasonable; and

This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). Based on that evaluation, the department concludes that this sub-criterion is met.

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

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