



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

June 12, 2014

CERTIFIED MAIL #7011 1570 0002 7809 5629

David Henderson, VP and COO
Care Center (Edmonds), Inc.
7700 Northeast Parkway Drive, # 300
Vancouver, Washington 98662

RE: CN14-23

Dear Mr. Henderson:

We have completed review of the Certificate of Need (CN) application submitted by Care Center (Edmonds) Inc. proposing to establish an 80-bed Medicare and Medicaid certified nursing home in Snohomish County. For the reasons stated in the enclosed decision, the application is consistent with the applicable criteria of the Certificate of Need Program, provided Care Center (Edmonds) Inc. agrees to the following in its entirety.

Project Description:

Care Center (Edmonds) Inc. is approved to establish an 80-bed Medicare and Medicaid certified nursing home in Snohomish County by using 80 beds of the 89 beds banked under the full facility closure provisions of Revised Code of Washington 70.38.115(13)(b).

Conditions:

1. Care Center (Edmonds) Inc. agrees with the project description as stated above. Care Center (Edmonds) Inc. further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Care Center (Edmonds) Inc. will provide to the department an executed Medical Director Agreement for review and approval. The executed agreement must be consistent with the draft agreement provided in the application.
3. Care Center (Edmonds) Inc. will provide to the department an executed Lease Agreement for review and approval. The executed agreement must be consistent with the draft agreement provided in the application.
4. Care Center (Edmonds) Inc. is a subsidiary of Prestige Care Inc. who is committed to improving its quality of care history. Care Center (Edmonds) will provide to the department quality improvement processes implemented by Prestige Care Inc.'s QAPI program. The documentation will be provided within the quarterly progress reports submitted by Care Center (Edmonds).

Approved Costs:

The approved capital expenditure for this project is \$11,500,000.

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

Your written response should be sent to the Certificate of Need Program, at one of the following addresses.

Mailing Address:

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
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 JUNE 12, 2014, OF THE CERTIFICATE OF NEED
APPLICATION SUBMITTED BY CARE CENTER (EDMONDS) INC. PROPOSING TO
ESTABLISH AN 80 BED MEDICARE AND MEDICAID CERTIFIED NURSING HOME
IN SNOHOMISH COUNTY**

APPLICANT DESCRIPTION

Care Center (Edmonds) Inc. is a for profit corporation, incorporated in the state of Washington on November 30, 2007. Care Center (Edmonds) Inc. is proposing to establish an 80 bed Medicare and Medicaid certified nursing home d/b/a Prestige Rehabilitation of Edmonds. The parent company is Prestige Care who owns or operates a total of 85 healthcare facilities in several states. Care Center (Edmonds) Inc. will be leasing the property from Edmonds Venture LLC. [source: Secretary of State and Application p1-2]

BACKGROUND INFORMATION

On May 1, 2008, Care Center (Edmonds) became the licensee of the 89-bed nursing home known as Prestige Care and Rehab of Edmonds. [source: Application p4]

On May 8, 2013, Care Center (Edmonds) Inc. discharged its last resident from the 89-bed nursing home and received Certificate of Need approval to bank all 89 nursing home beds under the full facility closure provisions of Revised Code of Washington 70.38.115(13)(b). [source: Full Facility Closure bed banking #13-06] Under Certificate of Need regulations, full facility closure nursing home beds can be banked for up to eight years. The eight year bed banking on the 89 beds at Care Center (Edmonds) Inc. expires on May 8, 2021. [source: supplemental information Attachment R and CN historical files]

PROJECT DESCRIPTION

With this project, Care Center (Edmonds) Inc. proposes to establish an 80-bed Medicare and Medicaid certified nursing home in Snohomish County using 80 of the 89 banked beds from Prestige Rehabilitation of Edmonds. The nursing home would be located at 21008-76th Avenue West in Edmonds [98026]. The new 80-bed nursing home would have 28 private rooms and 26 semi private rooms (two-patient rooms). Three of the semi-private rooms will be setup with ceiling track and lifts to provide for bariatric care. [source: Application p4]

Services to be provided include skilled nursing, physical, speech, and occupational therapies, and related services to Medicare, Medicaid, and private pay patients eligible for nursing home care. [source: Application p4-5] The therapy space in the facility will be equipped with state of the art equipment including equipment for balance, neuromuscular re-education, and cognitive re-training along with a kitchen and laundry space for ADL re-training. [source: Application, p4]

If the project is approved Care Center (Edmonds) Inc. would locate the 80-bed nursing home within remodeled and renovated space at the same site, as the previously operated nursing home.

If the project is approved, Care Center (Edmonds) Inc. intends to obtain funding and begin construction by July 2014, and all 80 nursing home beds would be operational by the end of August 2015.

The capital expenditure associated with the 80 beds is \$11,500,000. Of that amount, approximately 79% is related to construction costs and fixed equipment, 14% is related to moveable equipment, and the remaining 7% is related to site preparation and fees. [source: Application p16]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to review under Revised Code of Washington 70.38.115(13)(b) and Washington Administrative Code 246-310-020(1) as the establishment of a new healthcare facility.

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 the establishment of a nursing home typically includes a demonstration of numeric need for the new nursing home beds within the county. However, RCW 70.38.115(13)(b) states:

“When an entire nursing home ceases operation, the licensee or any other party who has secured an interest in the beds may reserve his or her interest in the beds for eight years or until a certificate of need to replace them is issued, whichever occurs first. Certificate of need review shall be required for any party who has reserved the nursing home beds except that the need criteria shall be deemed met when the applicant is the licensee who had operated the beds for at least one year immediately preceding the reservation of the beds, and who is replacing the beds in the same planning area.”

Since Care Center (Edmonds) Inc. was the licensee of the nursing home for the 12 months preceding the bed banking and is the applicant for this project, the numeric need criteria under WAC 246-310-210(1) and (6) are deemed met. As a result, the department’s review will focus on applicable portions of need (WAC 246-310-210); financial feasibility (WAC 246-310-220), structure and process of care (WAC 246-310-230), and cost containment (WAC 246-310-240).¹

TYPE OF REVIEW

Generally, nursing home applications are reviewed under a concurrent review cycle. For Snohomish County, the relevant current review cycle is outlined in WAC 246-310-130(5)(b). However, since the need criteria under WAC 246-310-210(1) and (6) are deemed met, the department has accepted this type of project under the regular review timeline as outlined in WAC 246-310-160, which is summarized below.

APPLICATION CHRONOLOGY

Action	Care Center (Edmonds) Inc.
Letter of Intent Submitted	December 16, 2013
Application Submitted	February 7, 2014
Department’s pre-review activities including screening and responses	February 11, 2014 through March 3, 2014
Beginning of Review <ul style="list-style-type: none"> • public comments accepted throughout review 	March 10, 2014
No Public Hearing Requested/End of Public Comment	April 10, 2014
Rebuttal Comments Submitted	April 29, 2014
Department's Anticipated Decision Date	June 13, 2014
Department's Actual Decision Date	June 12, 2014

AFFECTED PERSONS

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

“...an “interested person” who:

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

Throughout the review of this project, no entities sought or received affected persons status as identified under WAC 246-310-010(2).

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

SOURCE INFORMATION REVIEWED

- Care Center (Edmonds) Inc.'s Certificate of Need application submitted on February 7, 2014
- Care Center (Edmonds) Inc.'s supplemental information received March 3, 2014
- Quality of Care history for Prestige Care, Inc. was provided to application for rebuttal comments
- Rebuttal comments from Care Center (Edmonds) Inc. received April 29, 2014
- Department of Social and Health Services, Office of Rates Management Medicaid rate projections for 80 beds received March 28, 2014
- Year 2013 Department of Social and Health Services cost report data
- Quality of Care data obtained from Department of Social and Health Services Field Manager
- Centers for Medicare and Medicaid website for quality of care comparison of nursing homes
www.medicare.gov/NursingHomeCompare/compare.search.html#
- Licensing data provided by the Medical Quality Assurance Commission
- Washington State Secretary of State website at <http://www.sos.wa.gov>

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Care Center (Edmonds) Inc. proposing to establish an 80-bed Medicare and Medicaid certified nursing home in Snohomish County is consistent with applicable criteria of the Certificate of Need Program, provided Care Center (Edmonds) Inc. agrees to the following in its entirety.

Project Description:

Care Center (Edmonds) Inc. is approved to establish an 80-bed Medicare and Medicaid certified nursing home in Snohomish County using 80 beds banked under the full facility closure provisions of Revised Code of Washington 70.38.115(13)(b).

Conditions:

1. Care Center (Edmonds) Inc. agrees with the project description as stated above. Care Center (Edmonds) Inc. further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Care Center (Edmonds) Inc. will provide to the department an executed Medical Director Agreement for review and approval. The executed agreement must be consistent with the draft agreement provided in the application.
3. Care Center (Edmonds) Inc. will provide to the department an executed Lease Agreement for review and approval. The executed agreement must be consistent with the draft agreement provided in the application.
4. Care Center (Edmonds) Inc. is a subsidiary of Prestige Care Inc. who is committed to improving its quality of care history. Care Center (Edmonds) will provide to the department quality improvement processes implemented by Prestige Care Inc.'s QAPI program. The documentation will be provided within the quarterly progress reports submitted by Care Center (Edmonds).

Approved Costs:

The approved capital expenditure for this project is \$11,500,000.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

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 Care Center (Edmonds) Inc. has met the applicable need criteria in WAC 246-310-210(2).

- (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.

Care Center (Edmonds) Inc. must demonstrate that the 80-bed nursing home would be available to all residents of the services area, including low-income, racial and ethnic minorities, handicapped and other underserved groups.

Admission Policy and Admission Agreement

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

To demonstrate compliance with this sub-criterion, Care Center (Edmonds) Inc. provided a draft copy of the Admission Agreement and the Admission Policy to be used at Prestige Rehabilitation of Edmonds. The Admission Policy was created specifically for this project and includes the required language to ensure all residents of the planning area would have access to the services at the nursing home. The policy also includes a patient "notice of rights and services" section that outlines roles and responsibilities for both Prestige Rehabilitation of Edmonds and the patient. The Admission Policy also acknowledges that Care Center (Edmonds) Inc. will accept both Medicare and Medicaid patients. [source: February 7, 2014, supplemental information, attachment G draft Admission Policy]

The Admission Agreement provided in the application is the agreement signed by both a representative of the nursing home and the patient before admission to the nursing home. The agreement appears to have been created specifically for this application and outlines the process for admission and roles/responsibilities for both Care Center (Edmonds) Inc. and the patient. The Admission Agreement includes the required language to ensure that all residents of the planning area would have access to the services at the nursing home. The agreement references private pay, Medicare, and Medicaid admissions, and includes a description of the process for discharging patients home or to a higher level of care, if necessary. [source: February 7, 2014, supplemental information, attachment G draft Admission Agreement]

Medicare and Medicaid Programs

The department uses Medicare certification to determine whether the elderly would have access, or continue to have access to services. To demonstrate compliance with this sub-criterion, Care Center (Edmonds) Inc. stated Prestige Rehabilitation of Edmonds would contract with Medicare, and if this project is approved, would immediately begin the process

to obtain its Medicare provider number. Financial documents provided in the application demonstrate that Care Center (Edmonds) Inc. intends to provide services to the Medicare population. [source: Application, February 7, 2014, supplemental information]

The department uses the facility's Medicaid eligibility or contracting with Medicaid to determine whether low-income residents would have access, or continue to have access, to services. To demonstrate compliance with this sub-criterion, Care Center (Edmonds) Inc. stated that Prestige Rehabilitation of Edmonds would contract with Medicaid, and if this project is approved, would immediately begin the process to obtain its Medicaid contract with the Department of Social and Health Services (DSHS). Financial documents provided in the application demonstrate that Care Center (Edmonds) Inc. intends to provide services to the Medicaid population. [source: Application, February 7, 2014, supplemental information]

Public Comments

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

Department Evaluation

Based on the source information reviewed and the applicant's agreement to the conditions regarding the admission practices, **this sub-criterion is met.**

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

To evaluate this sub-criterion, the department first reviewed the assumptions used by Care Center (Edmonds) Inc. to determine the projected number of admissions, patient days, and occupancy of Prestige Rehabilitation of Edmonds. The assumptions used by Care Center (Edmonds) Inc. are summarized below. [source: Application, p14; p17; & Schedule N, Attachment F; and February 7, 2014, and supplemental information.]

- Care Center (Edmonds) Inc. will lease space from Edmonds Ventures, LLC and it is the same site previously occupied by Prestige Care and Rehab of Edmonds.
- Projected patient days and occupancy of Care Center (Edmonds) Inc. are based on the historic and projected patient utilization which averages 75% to 94%.
- Projected occupancy of the 80-bed nursing home is based on the historical occupancy of the 89-bed facility at 71% [source: Application, Attachment F]

- Since the facility will be located at the same site and under the same ownership, Care Center (Edmonds) Inc. expects to open with a similar occupancy percentage of 70%. Year 2016 occupancy is projected to increase to 94%.
- Year 2017 and 2018 does not show any further occupancy increases; rather the nursing home is expected to maintain its occupancy at 94%.

Using the assumptions stated above, Care Center (Edmonds) Inc. projected number of patient days and occupancy for Prestige Rehabilitation of Edmonds. The projections are shown in the table below. [source: Application, Attachment F]

Table 1
Care Center (Edmonds) Inc.
Projected Years 2015 through 2018

	2015	2016	2017	2018
Projected Number of Beds	80	80	80	80
Projected Number Patient Days	20,426	27,375	27,375	27,375
Project Occupancy	70%	94%	94%	94%

A review of the 2012 cost report data obtained from DSHS shows that the statewide average nursing home occupancy was 79.6%. While the year 2014 projected occupancy of the 80-bed nursing home is higher than the average for 2012, it is not unreasonable because of the historical occupancy of the nursing home. After the initial occupancy increase projected in 2015, projected years 2016 and 2017 show no other increase. After reviewing the assumptions and projections, the department concludes they are reasonable.

Care Center (Edmonds) Inc. also provided its assumptions used to project revenue, expenses, and net income for Prestige Rehabilitation of Edmonds. [source: Application, pp23-25; February 7, 2014, supplemental information Attachment N and Schedule G] Those assumptions are summarized below.

- Medicaid Rate: assumed at \$166.74. Since Prestige Rehabilitation of Edmonds is not currently operational, the rate is based on a low estimate of the rate for other nursing homes in Snohomish County. The final rate will be determined by DSHS.
- Medicare Rate: assumed at \$550.00 and is based on the fiscal year 2013 weighted average historical rate and acuity of patients at two facilities Prestige manages that operate in the same MSA. This rate assumes the patient acuity remains constant. This rate is used because the existing patients at the Renton and Puyallup facilities have similar populations of Mix of Medicare residents expect at Prestige Rehabilitation of Edmonds upon opening.
- Other Rate: assumed at \$450.00. This rate is based on the managed care average rate from Care Center (Edmonds) Inc. existing contract at other Puget Sound area nursing homes.
- Projected percentage of patient revenue by payer is shown in the chart below and is based on the historical patient mix of the 89-bed nursing home.

Proposed Facility (expansion)	
Private Pay	13.34%
Medicaid	22.67%
Medicare	26.67%
Other – HMO/PPO	37.32%

- The largest number of FTEs [full time equivalents] is assumed to be in the direct patient care category. All FTEs are expected to be hired in 2015 when the final 80-beds become operational. No FTE increases in years 2016 and 2017 is anticipated
- Wages and salaries are expected to remain constant with 2015 amounts.

Using the assumptions stated above, Care Center (Edmonds) Inc. projected revenue, expenses, and net income for Prestige Rehabilitation of Edmonds. The projections are shown in the table below. [source: Application 02/07/14, supplemental information, and Schedule G]

Table 2
Care Center (Edmonds) Inc.
Projected Years 2015 through 2017

	2015	2016	2017
Net Revenue	\$8,004,562	\$10,496,305	\$10,496,305
Total Expenses	\$7,726,458	\$9,564,578	\$9,564,578
Net Profit / (Loss)	\$278,104	\$931,727	\$931,727

The ‘Net Revenue’ line item is gross patient, plus other operating revenue, minus any deductions from revenue for charity care and bad debt. The ‘Total Expenses’ line item includes salaries and wages and all costs associated with operations of a nursing home. Expenses also included all costs related to the medical director. The ‘Total Expense’ line item includes any lease costs consistent with the draft lease agreement between Edmonds Ventures L.L.C. and Care Center (Edmonds) Inc. The draft agreement outlines roles and responsibilities for both entities, and identifies all costs associated with the lease. As shown above, Care Center (Edmonds) Inc. projected net profits in all years shown.

In Washington State, Medicaid nursing facility rates are set by the Nursing Home Rates Section of the Office of Rates Management part of the Aging and Disability Services Administration of DSHS. Medicaid rates for long term care nursing facilities are set individually for each specific facility. Rates are based generally on a facility’s costs, its occupancy level, and the individual care needs of its residents. The Medicaid payment rate system does not guarantee that all allowable costs relating to the care of Medicaid residents will be fully reimbursed. The primary goal of the system is to pay for nursing care rendered to Medicaid-eligible residents in accordance with federal and state laws, not to reimburse costs—however defined—accrued by providers. A facility's overall Medicaid rate is comprised of rates for the following seven separate components:

- Direct care - nursing care and related care provided to residents
- Therapy care - speech, physical, occupational, and other therapy
- Support services - food and dietary services, housekeeping, and laundry

- Operations - administration, utilities, accounting, and maintenance
- Property - depreciation allowance for real property improvements, equipment and personal property used for resident care
- Financing allowance - return on the facility's net invested funds i.e., the value of its tangible fixed assets and allowable cost of land

[source: An Overview of Medicaid Rate Setting for Nursing Facilities in Washington provided by DSHS]

For existing nursing homes, the component rates are based on examined and adjusted costs from each facility's cost report. For new nursing homes, such as this project, the initial Medicaid rate is set using a peer group review. [source: DSHS WAC 388-96-710(3)]

All component rates require, directly or indirectly, use of the number of resident days—the total of the days in residence at the facility for all eligible residents—for the applicable report period. Resident days are subject to minimum occupancy levels. Effective February 2013, the minimum occupancy for direct care, therapy care, support services, and variable return component rates is 85%; for operations, financing allowance, and property component rates, the minimum occupancy rate is 87%.² If resident days are below the minimum, they are increased to the imputed occupancy level, which has the effect of reducing per resident day costs and the component rates based on such costs. If the actual occupancy level is higher than the minimum, the actual number of resident days is used. [source: An Overview of Medicaid Rate Setting for Nursing Facilities in Washington provided by DSHS]

Information obtained from the Office of Rates Management within DSHS indicates that Care Center (Edmonds) Inc.'s Medicaid reimbursement rate would be approximately \$180.14 per patient day.³ Within the pro forma Statement of Operations, Care Center (Edmonds) Inc. projected the reimbursement rate to be \$166.74 per patient day. [source: February 7, 2014, Application p17]

The department concludes that the estimated revenues for Care Center (Edmonds) Inc. shown in Table 2 could be slightly understated in all years shown. Since a potential understatement of revenue could result in a better bottom line for Care Center (Edmonds) Inc., the department will not recalculate the revenue and expense statement shown in Table 2 with the revised Medicaid rate.

There was no public comment submitted related to this sub-criterion. Based on the above information, the department concludes that the projected revenues and expenses at Care Center (Edmonds) Inc. are reasonable and can be substantiated for this application. The department concludes that the immediate and long-range operating costs of the project can be met. **This sub-criterion is met.**

² For essential community providers—i.e., facilities at least a forty minute drive from the next closest nursing facility—the minimum occupancy is set at 85% for all components in recognition of their location in lesser-served areas of the state. Care Center (Edmonds) Inc. does not meet the definition of an essential community provider.

³ These rate estimates are not guaranteed rate reimbursement by DSHS. [source: DSHS]

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

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

The capital expenditure associated with this project is \$11,500,000. The previous nursing home housed 89-beds in 32,000 square feet of space. The new facility will be approximately 48,781 square feet with a total of 80 beds. Care Center (Edmonds) Inc. expects to begin construction of the nursing home in the late 2014 and completion including occupancy in August 2015. Construction includes the addition of 16,781 square feet and the fixed and moveable equipment to accommodate 80-beds with private and semi-private rooms. The table below shows a breakdown of the costs. [source: Application, p16, and Attachments B and I]

Table 3
Care Center (Edmonds) Inc.
Capital Expenditure Breakdown

Item	Cost	% of Total
Construction Costs*	\$9,035,123	78.6%
Fixed & Moveable Equipment	\$1,558,372	13.6%
Architect & Engineering Fees	\$448,682	3.9%
Site Preparation	\$457,824	3.9%
Washington State Sales Tax	Included above	0%
Total Estimated Capital Costs	\$11,500,000	100.0%

* includes site supervision and inspection

As shown in the breakdown above, the majority of the costs are associated with the construction of the additional square footage and the equipment needed to bring the additional space up to nursing home use.

To demonstrate compliance with this sub-criterion, Care Center (Edmonds) Inc. provided a non-binding construction cost estimate from its contractor, with the following statements.

“...Based on our calculations, we came up with \$9,035,123 for the hard costs for the project. The square footage cost is approximately \$74.28 psf which is in line with the current construction market, the size and complexity of the project. We hope the actual construction costs will come in below this estimate since you will have 3 General Contractors bidding for the job.”

[source: Application, Attachment I]

Based on the information above, the department calculated the construction costs of the project per gross square foot shown in the table on the following page.

Table 4
Care Center (Edmonds) Inc.
Construction Cost Breakdown

Estimated gross square footage (GSF)	48,781
Number of nursing home beds	80
Construction cost per GSF	\$74.28
Total construction cost	\$9,035,123
Construction Total cost per bed	\$112,939

There was no public comment submitted related to this sub-criterion. Based on consultation with the departments Construction Review Services staff, the construction cost are reasonable for a nursing home. The department concludes that 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. **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.

As previously stated, the total capital expenditure associated with this project is \$11,500,000. The funds will be borrowed to cover the capital expenditure of this project with a commercial loan through Red Capital Group LLC. The lease arrangements outlined in this application, the capital costs are to be incurred by the landlord, Edmonds Ventures, LLC, rather than Care Center (Edmonds) Inc. The initial operating costs of \$228,699 are being funded by the owner contributions identified as Richard Delamater 41.67%, Greg Vislocky 30%, and Harold Delamarter 28.33%. The owners of Edmonds Ventures LLC provided a letter affirming their commitment to the nursing home and have sufficient funds to adequately fund the initial operating costs. [source: Application, p22, Attachment J and supplemental information]

There was no public comment submitted related to this sub-criterion. After reviewing the historical financial statements, the department concludes that Care Center (Edmonds) Inc. has adequate funds to cover this project. The capital expenditure of \$11,500,000 is not expected to adversely impact reserves, total assets, and total liability.

Based on the information provided, the department concludes that the project can be appropriately financed. **This sub-criterion is met.**

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

Based on the source information reviewed and the applicant’s agreement to the conditions identified in the “Conclusion” section of this evaluation, the department determines that Care Center (Edmonds) Inc. 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.

For this project, Care Center (Edmonds) Inc. intends to hire all necessary FTEs [full-time equivalents] for the 80-bed nursing home in year one. A breakdown of FTEs is shown in the table below. [source: Application pp26-27]

Table 5
Care Center (Edmonds) Inc.
2015 – 2017 Current and Projected FTEs

Staff/FTEs	Year 1	Year 2	Year 3	Total FTEs
Nursing Total	50.30	0.00	0.00	50.30
Dietary Totals	7.1	0.00	0.00	7.1
Administration Totals	14.9	0.00	0.00	14.9
Plant/Maintenance Totals	4.8	0.00	0.00	4.8
Total FTE’s	77.1	0.00	0.00	77.1

Broken down into four main types of categories, Care Center (Edmonds) Inc. included all RNs, LPNs, and nursing assistants in the ‘nursing’ category. For ‘dietary’ totals, Care Center (Edmonds) Inc. included dietitians and aides/cook. ‘Administration’ totals included the administrator, activities director, director of nursing, clerical, housekeeping, and laundry personnel. Also included FTEs are the staff needed for Social Worker, admission coordinator, central supply and human resources.

Consultant positions are not included in the count of FTEs above. These positions include the medical director, pharmacist, physical, speech, and occupational therapist, and dietician will be on contractual. While consultant positions are not currently employees of Care Center (Edmonds) Inc., they are expected to continue in the consultant capacity for this project.

As stated in the draft lease agreement between Edmonds Venture LLC and the corporation of Care Center (Edmonds) Inc., Care Center (Edmonds) Inc. is responsible for day-to-day operations, including staffing the nursing home. Under the agreement, Care Center (Edmonds) Inc. intends to rehire staff of the former Prestige Rehabilitation of Edmonds. Care Center (Edmonds) Inc. does not anticipate any difficulty recruiting staff for the following reasons:

- 1) Recruit employees that worked for the facility prior to closure
- 2) Provide a competitive wage and benefit package to recruit new employees
- 3) Provide career development opportunities and tuition assistance packages for staff interested in seeking additional certification and/or training and to recruit new employees.
- 4) Work with local vocational schools and universities to recruit new graduates. Several programs in the area focus on specialty in geriatrics and gerontology.
- 5) Consideration of state approved training program for certified nurse assistant development.
- 6) Care Center (Edmonds) Inc. provided its projected nursing home per patient day for the 80-bed nursing home [source: Application, p27]

For comparison purposes, the department reviewed 2012 cost report data for nursing homes located in Snohomish County with a similar number of beds. Of the 18 nursing homes operating in Snohomish County at the end of year 2013, seven were operating between 70 and 99 nursing home beds.

The department compared the nursing hours per patient day with the nursing hours per patient day calculated in the 2012 cost report data for the seven nursing homes operating in Snohomish County with a similar number of beds. That comparison is shown in the table below.

Table 6
Care Center (Edmonds) Inc.
Nursing Hours per Patient Day Comparison

	# of Beds	RN/LPN	Nursing Assistants
Aldercrest Health & Rehabilitation	81	1.87	4.74
Bothell Health Care	91	1.69	4.29
Delta Rehabilitation Center, Inc.	92	1.02	4.43
Emerald Hills Rehabilitation & Skilled Nursing	70	1.45	3.31
Josephine Sunset Home	97	1.50	4.27
Madeleine Villa Health Care Center	96	0.99	3.22
Marysville Care Center	99	1.59	2.39
Regency Care Center at Monroe	82	0.82	3.04
Care Center (Edmonds) Inc. -Applicant	80	1.48	2.42

Using the table above, the department concludes that the projected nursing hours per patient day at Care Center (Edmonds) Inc. are comparable to similar sized facilities operating in Snohomish County.

There was no public comment submitted related to this sub-criterion. Based on this information, the department concludes adequate and qualified staffing for the nursing home can be recruited. **This sub criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2)(a)(i). There are no 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.

Before closure in May 2013, the nursing home was operated at the same site in Edmonds since 1990. At the time, the nursing home had well established relationships in the community. As a provider of nursing home services in the community, Care Center (Edmonds) Inc. must established ancillary and support services for the new facility. Care Center (Edmonds) Inc. intends to contract for therapy, pharmacy, and ancillary services with its previously established network of providers. [source: Application p27]

Medical director services would also be provided under an agreement. Care Center (Edmonds) Inc. provided an example of the Medical Director Agreement to be used. The agreement outlines roles and responsibilities for both entities, and identifies a commitment from Care Center (Edmonds) Inc. to provide a 4.0 consultant hr/week FTE medical director for the nursing home. The example of the agreement identifies a termination date of one year with automatic renewal. [source: supplemental information, Medical Director Agreement Attachment K]

There was no public comment submitted related to this sub-criterion. The medical director Agreement is considered to be draft. If this project is approved, the department would include a condition requiring Care Center (Edmonds) Inc. to submit a copy of the executed agreement consistent with the terms of the draft medical director agreement. If Care Center (Edmonds) Inc. agrees with the conditions regarding the draft agreement, the department would conclude that adequate ancillary and support services are available for Care Center (Edmonds) Inc. **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 no 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.

As stated in the project description portion of this evaluation, Care Center (Edmonds) Inc. has not operated a nursing home, or any other healthcare facility, since 2013. Care Center (Edmonds) Inc. parent company Prestige Care Inc. owns or operates a total of 85 healthcare

facilities in the following eight states: Alaska (1); Arizona (4); California (6); Idaho (4); Montana (1) Nevada (2); Oregon (34); and Washington (33). [source: Attachment A]

As part of this review, the department must conclude that the proposed services provided by Care Center (Edmonds) Inc., as the licensee entity, would be provided in a manner that ensures safe and adequate care to the public.⁴ To accomplish this task, the department reviewed the quality of care compliance history for all healthcare facilities owned, operated, or managed by Prestige Care Center or a subsidiary. Using ‘nursing home compare’ data obtained from the Center for Medicare and Medicaid Services (CMS), information for 79 of 85 nursing homes was available.

CMS assigns a one to five ‘star rating’ in three separate categories: health inspection, staffing, and quality. The more stars, the better the rating.

- 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 UTI, pressure ulcers, moderate to severe pain, and falls.

Based on the star rating in each of the three categories, CMS then compiles an ‘overall rating’ for the facility. As with the separate categories: the more stars, the better the rating.

For the nursing homes, CMS provided a ‘below average’ rating of two stars. The following information focuses on those facilities with two or less stars as well as one with fines cited.

Prestige Care and Rehabilitation located in Anchorage, Alaska – 90 nursing home beds

- A review of inspections for years 2011, 2012, and 2013, revealed that the facility paid \$6,500 in fines in 2012. No fines were assessed in 2011 and 2013.
- The majority of the deficiencies were considered ‘minimal harm or [minimal] potential for actual harm.’ For year 2012, there was three ‘immediate jeopardy’ and several ‘minimal harm’ citations. Year 2011 and 2013 showed only ‘minimal harm or [minimal] potential for actual harm’ citations.
- The average number of deficiencies for nursing homes in the state of Alaska is 8.9. The average number of deficiencies for nursing homes across the United States is 6.8. In 2011, this facility was cited for 11 deficiencies; in 2012 the citations increased to 19 deficiencies; and in 2013, the citations decreased to 17 deficiencies.
- These factors led to an overall below average rating of 2 stars.

⁴ WAC 246-310-230(5).

Forest Grove Rehabilitation and Care Center located in Forest Grove, Oregon – 114 nursing home beds

- A review of inspections for years 2011, 2012, and 2013, revealed that the facility paid \$975 in fines in 2011 and paid \$975 twice in 2012. No fines were assessed in 2013.
- The majority of the deficiencies were considered ‘minimal harm or [minimal] potential for actual harm.’ For all years 2011, 2012 and 2013, there was two ‘actual harm’ and several ‘minimal harm or [minimal] potential for actual harm’ citations.
- The average number of deficiencies for nursing homes in the state of Oregon is 6.4. The average number of deficiencies for nursing homes across the United States is 6.8. In 2011, this facility was cited for 7 deficiencies; in 2012 the citations increased to 8 deficiencies; and in 2013, the citations increased to 16 deficiencies.
- These factors led to an overall below average rating of 1 star.

Glisan Care Center located in Portland, Oregon – 100 nursing home beds

- A review of inspections for years 2011, 2012, and 2013, revealed that the facility paid \$1500 in fines in 2011 and paid \$975 twice in 2012. No fines were assessed in 2013.
- The majority of the deficiencies were considered ‘minimal harm or [minimal] potential for actual harm.’ For years 2011 and 2012, there was two ‘actual harm’ and several ‘minimal harm or [minimal] potential for actual harm’ citations. Year 2013 showed only ‘minimal harm or [minimal] potential for actual harm’ citations.
- The average number of deficiencies for nursing homes in the state of Oregon is 6.4. The average number of deficiencies for nursing homes across the United States is 6.8. In 2011, this facility was cited for 8 deficiencies; in 2012 the citations increased to 14 deficiencies; and in 2013, the citations decreased to 9 deficiencies.
- These factors led to an overall below average rating of 2 stars.

Oakwood Country Place located in McMinnville, Oregon – 116 nursing home beds

- A review of inspections for years 2011, 2012, and 2013, revealed that the facility paid \$975 in fines in 2011 and 2012 and paid \$6,045 2013.
- The majority of the deficiencies were considered ‘minimal harm or [minimal] potential for actual harm.’ For all the years 2011, 2012 and 2013, there was at least one ‘actual harm’ and several ‘minimal harm or [minimal] potential for actual harm’ citations.
- The average number of deficiencies for nursing homes in the state of Oregon is 6.6. The average number of deficiencies for nursing homes across the United States is 6.8. In 2011, this facility was cited for 8 deficiencies; in 2012 the citations increased to 9 deficiencies; and in 2013, the citations increased to 14 deficiencies.
- These factors led to an overall below average rating of 2 stars.

Prestige Care and Rehabilitation Menlo Park located in Portland, Oregon – 83 nursing home beds

- A review of inspections for years 2011, 2012, and 2013, revealed that the facility paid \$975 in 2012. No fines were assessed in 2011 and 2013.
- The majority of the deficiencies were considered ‘minimal harm or [minimal] potential for actual harm.’ For years 2011 and 2012, there was two ‘actual harm’ and several ‘minimal harm or [minimal] potential for actual harm’ citations. Year 2013 showed only ‘minimal harm or [minimal] potential for actual harm’ citations.
- The average number of deficiencies for nursing homes in the state of Oregon is 6.6. The average number of deficiencies for nursing homes across the United States is 6.8. In 2011, this facility was cited for 8 deficiencies; in 2012 the citations increased to 11 deficiencies; and in 2013, the citations increased to 15 deficiencies.
- These factors led to an overall below average rating of 2 stars.

In summary, five facilities received fines resulting in a low rating by CMS. Those facilities appear to be the result of averaging the poor inspections from years 2011 and 2012 with the much better inspection in year 2013. Each facility is improving, which shows in the 2013 inspection results. The department would expect the facilities average star rating to increase for year 2014. The department expects these facilities to show continued improvement during inspections in year 2014, however, the average star rating will probably not show significant improvement until year 2015.

Applicant’s Responses to Quality of Care Information

To assist in evaluating this sub-criterion, the department requested quality of care improvements plans and corporate philosophy of programming issues from the applicant. Care Center (Edmonds) Inc. had an opportunity to review the above documents of facilities with fines and citations on 15 of 85 nursing homes and assisted living facilities. Prestige Care Inc. has provided information on their corporate view of overall quality and fines. Prestige Care expanded the company Quality Assurance process in 2013, to reflect a more comprehensive Quality Assurance and Performance Improvement (QAPI) program. Company-wide QAPI initiatives and performance improvement plans have been implemented to improve the quality outcomes. These include:

- Hired a Director of Quality Improvement
- Abaqis Implementation: This is a third party industry known program focused on Quality Improvement (includes resident centered model of care, evaluation with opportunities to improve, and a comprehensive customer satisfaction survey process).
- Origami Implementation: This is a dashboard incident reporting system that allows greater visibility, root cause analysis, improved patient safety, and to ensure continued performance improvement related to company survey citations trends with a goal to decrease F323 and F309. [source: CMS F-tags F309 patient to receive highest care possible to maintain highest quality health and F323 prevention of falls and accidents by providing safe environment]
- Partnering with CMS Quality Improvement Organizations to assist with training and data trending for a variety of clinical measures.
- Company organization chart revision of ratio of regional nurse consultant (RNC) support and oversight. This maintains a 1:4 RNC/facility oversight.

- Implementation of Advancing Excellence programs aimed at reduction of employee turnover and improvement in staff retention.
- This QAPI program includes a comprehensive training program, review of data and outcomes, monthly, quarterly and annually. [source: April 29, 2014 Rebuttal Comments]

The outcome of Prestige Care has improved over the past three years within the CMS 5 Star rating system.

- 2014 YTD Average: 3.23 overall 5 Star rating
- 2013 Average: 3.13 overall 5 Star rating
- 2012 Average: 3.06 overall 5 Star rating
- 2011 Average: 2.81 overall 5 Star rating

Prestige Care was issued 22 fines over the 3-year period in question, occurring in 13 facilities. Two of the facilities on the list were issued fines prior to Prestige Care management, both in Oregon Oakwood County Place and Menlo Park. It should be noted that the number of fines has significantly decreased over the last 3 years. The majority of the fines issued are for facilities outside the state of Washington. Oregon, Idaho, and Alaska consistently request CMS to issue enforcement including Civil Monetary Penalties (CMP's) as opposed to state enforcement fines.

In reviewing the CMS survey database for citations cited with a scope and severity of G or above, a facility in Oregon is far more likely to receive a fine than in Washington. According to the nursing home compare database, the rate of fines in Oregon for citations at scope and severity of G or above is 54% while in Washington the rate is 11%. [source: April 29, 2014 Rebuttal Comments]

Department's Review

There was no public comment submitted related to this sub-criterion. Based on the above information, the department concludes that Care Center (Edmonds) Inc. demonstrated reasonable assurance that Prestige Rehabilitation of Edmonds would be operated in compliance with state and federal 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 also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs how to measure unwarranted fragmentation of services or what types of relationships with a services area's existing health care system should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials in the application.

In response to this criterion, Care Center (Edmonds) Inc. had established long term relationships with healthcare entities in the Edmonds community and Snohomish County. The department concludes that the Care Center (Edmonds) Inc. had been appropriately participating in relationships with community facilities to provide a variety of medical services. Nothing in the materials reviewed by staff suggests that approval of this project would change these relationships. [source: CN historical files and Application, p27]

There was no public comment submitted related to this sub-criterion. Based on this information, the department concludes that approval of this project would promote continuity in the provision of health care for the planning area, and would 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.

This sub-criterion is addressed in sub-section (3) above and is considered met.

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Care Center (Edmonds) Inc. 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.

WAC 246-310 does not contain specific WAC 246-310-240 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 a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the information provided by the applicant.

For this project, Care Center (Edmonds) Inc. has met the review criteria in the applicable sections of WAC 246-210, WAC 246-310-220, and WAC 246-310-230. Therefore, the department would not reject the proposed project base on failing these criteria.

As stated in the project description portion of this evaluation, on May 8, 2013, Care Center (Edmonds) Inc. discharged its last resident from the 89-bed nursing home known as Prestige Care and Rehabilitation of Edmonds and received Certificate of Need approval to bank its 89 nursing home beds for up to eight years under the full facility closure provisions of RCW 70.38.115(13)(b). A Certificate of Need must be issued to un-bank the nursing home beds prior to their May 8, 2012 expiration date.

Before submitting this application, Care Center (Edmonds) Inc. considered and rejected the option of status quo. The rationale for rejection of this option is discussed below. [source: Application, p30]

Do Nothing

This option would mean that the bed banking would expire on May 8, 2021, and Care Center (Edmonds) Inc. would lose its ability to un-bank the beds in the future. Care Center (Edmonds) Inc. asserts there is a need for additional nursing home beds in the county.

Department's Review

Once Care Center (Edmonds) Inc. concluded that it wanted to un-bank 80 of the 89 beds, there is no other option than to submit a Certificate of Need application. No other options were identified by the department.

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

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

Care Center (Edmonds) Inc. new facility of 80-bed nursing home would be beneficial to the community and the patients. The increase in square footage could improve the quality of life of the clients and increase the function of many of the common space areas including dining, therapy, and activity space. The facility consists of 28 private rooms, 26 semi private rooms, 23 of which have fully separated sleeping areas with each bed having its own window and temperature controls. The 3 other semi private rooms will be customized to provide for bariatric care with the following bariatric weight rated equipment: In-room ceiling track lift system, portable bariatric lifts/slings, wheelchairs, shower chairs, toilets and beds (that help to distribute weight evenly for safety and peace of mind). [source: Application p 12]

The therapy space in the facility is over 3,500 square feet and will be equipped with state of the art equipment including equipment for balance, neuromuscular re-education, and cognitive re-training along with a kitchen and laundry space for ADL re-training. [source: Application p16]

No public comments were submitted for this sub-criterion. Based on the requirement of Care Center (Edmonds) Inc. to submit an application to un-bank the 80 beds, the department concludes that that this option is the best alternative for the community. **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.

(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.

This question is not applicable to this proposed project. This sub-criterion is met.