



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

October 3, 2019

CERTIFIED MAIL # 7018 2290 0001 8591 8636

Mike Pugsley
Developmental Director, Ashley House
33811 9th Ave S
Federal Way, WA 98003

RE: Certificate of Need Application #19-11

Dear Mr. Pugsley:

We have completed review of the Certificate of Need application submitted by Ashley House. The application proposes to establish a Ashley House called Bridges to Home in Shoreline, within King County. Enclosed is a written evaluation of the application.

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

Project Description

This certificate approves the establishment of a 15-bed pediatric skilled nursing facility. At project completion, Ashley House/Bridges to Home will be operating 15 pediatric skilled nursing beds. A breakdown of the number of beds following completion of this project is below.

Bed Type	Total # of Beds
Pediatric SNF beds	15
Total	15

Conditions:

1. Approval of the project description as stated above. Ashley House 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. Ashley House shall finance this project consistent with the financing described in the application.
3. Prior to providing services at the new pediatric nursing home, Ashley House will provide the name and provider credential number for key staff.
4. Prior to providing services at the new pediatric nursing home, Ashley House will provide the name and credential number for the medical director.

Mike Pugsley
Developmental Director, Ashley House
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Approved Costs:

The capital expenditure approved with this project totals \$5,456,557

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

Sincerely,



Nancy Tyson, Executive Director
Health Facilities and Certificate of Need

Enclosure

EVALUATION DATED OCTOBER 3, 2019, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY ASHLEY HOUSE TO CONSTRUCT A PEDIATRIC NURSING HOME LOCATED IN KING COUNTY

APPLICANT DESCRIPTION

Ashley House

Ashley House is a nonprofit agency whose purpose is to serve young adults and children with special health care needs and their families. Ashley House is dedicated to helping families build new lives together with their medically fragile children and strives to provide high quality, cost effective health care in home-like settings to children as an alternative to hospitalization.

Ashley House was created in 1989 to fill a gap in services to medically fragile children. Prior to the creation of Ashley House, medically fragile and complex children, for lack of proper alternatives, stayed in hospitals longer than necessary, resided in adult nursing homes or were placed out of state far away from their families.

Ashley House is governed by a Board of Directors who represent several community sectors: legal, medical, financial, education. They are dedicated to supporting the mission of Ashley House and to upholding their fiduciary responsibility of being good stewards of the community resources that make Ashley House possible. [source: Application, p1; Ashley House website]

Ashley House currently operates six group homes that provide care to medically fragile children as well as an in-home services agency. Each of the six homes is licensed as a boarding home. [source: Application pdf, p6, Application, Exhibit 1]

**Table 1
Ashley House Facilities**

Facility Name/Location
Ashley House in Kent
Ashley House in Auburn
Ashley House in Tacoma (Foster Home)
Ashley House in Tacoma (Group Home)
Ashley House in Olympia
Ashley House in Edgewood
Ashley House In-Home Services Agency

PROJECT DESCRIPTION

Ashley House provided the following description of its project. [source: Application, pdf8]

“Ashley House proposes to open a 15-bed nursing facility to serve medically fragile children needing transitional care as they are discharged from the hospital prior to being able to be discharged home or in lieu of hospitalization. This facility, to be known as Ashley House/Bridges to Home, will be the first of its kind in Washington State.

The project specifically addresses one of the last gaps in medically complex care delivery: that small cohort of children in need of medically intensive nursing 24 hours per day, 7 days per week. Medically complex pediatric patients typically have multiple diagnoses and are often technology dependent due to

pulmonary conditions with acuity necessitating tracheotomy and ventilator support. Patients considered medically complex often remain hospitalized for months and, at times, years beyond the necessary acute course of treatment. In part, due to these extremely long hospitalizations, and their commitment to return children to their homes, Seattle Children’s Hospital (Seattle Children’s) is a strong and active supporter in this proposed project”.

The proposed facility requires construction/remodeling and will be located at 18904 Burke Avenue North in Shoreline [98133] in King County. Based upon the application timeline, Ashley House projects the facility will be operational by the end of July 2020. [source: Applicant February 15, 2019 screening responses, p3]

The capital expenditure for this project is \$5,456,557. These costs represent the land purchase, construction costs, fixed and movable equipment, architect and engineering fees, and sales tax. [source: Application, pdf22]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to review under Revised Code of Washington 70.38.105(4)(a) 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 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”.*

To obtain Certificate of Need approval, an applicant must demonstrate compliance with the criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment). For this project, Ashley House must also demonstrate compliance with WAC 246-310-380 (nursing home bed need standards).

TYPE OF REVIEW

This project was reviewed under the regular review timeline outlined in Washington Administrative Code 246-310-160. A chronologic summary of this project is below.

APPLICATION CHRONOLOGY

Action	Ashley House
Letter of Intent Submitted	July 30, 2018
Application Submitted	August 31, 2018
Department’s pre-review activities <ul style="list-style-type: none"> • DOH 1st Screening Letter • Applicant’s Responses Received 	September 28, 2018 February 15, 2019 ¹
Beginning of Review	February 25, 2019
End of Public Comment; No Public Hearing Conducted	April 1, 2019
Rebuttal Comments Due ²	April 15, 2019
Department’s Anticipated Decision Date	May 30, 2019
Department’s Anticipated Decision Date with a 120 day Extension	September 30, 2019
Department’s Actual Decision Date	October 3, 2019

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;*

¹ The initial due date to respond to the department’s September 28, 2018 screening letter was November 13, 2018; Ashley House requested, and was granted, a two extensions to provide responses. November 13, 2018 (45 day) and December 27, 2018 (47 days).

² Only letters of support for the project were received; as a result, Ashley House did not submit rebuttal comments.

- (e) *Health care facilities and health maintenance organizations which, in the twelve months prior to receipt of the application, have submitted a letter of intent to provide similar services in the same planning area;*
- (f) *Any person residing within the geographic area to be served by the applicant; and*
- (g) *Any person regularly using health care facilities within the geographic area to be served by the applicant.*

During the review of this project, several entities requested to receive information about the application. Only one qualified for interested and affected person status – Seattle Children's Hospital.

Seattle Children’s Hospital

Seattle Children’s hospital is located at 4800 Sand Pont Way Northeast in Seattle, within King County. The hospital is licensed for 407 beds and dedicated to pediatric care. Seattle Children’s Hospital provided public comments related to this application and qualifies for affected person status on this project.

SOURCE INFORMATION REVIEWED

- Ashley House’s Certificate of Need application received August 31, 2018
- Ashley House’s screening response received February 15, 2019
- Public comments accepted through April 1, 2019
- Hospital/Finance and Charity Care (HFCC) Financial Review received July 30, 2019
- Ashley House’s website at <https://www.ashleyhousekids.com>
- Department of Children, Youth, and Families (DCYF) Licensing and compliance reporting
- Certificate of Need historical files

CONCLUSION

Ashley House

For the reasons stated in this evaluation, the application submitted by Ashley House proposing to establish a 15-bed pediatric skilled nursing facility in King County is consistent with applicable criteria of the Certificate of Need Program, provided Ashley House agrees to the following in its entirety.

Project Description:

This certificate approves the establishment of a 15-bed pediatric skilled nursing facility. At project completion, Ashley House/Bridges to Home will be operating 15 pediatric skilled nursing beds. A breakdown of the number of beds following completion of this project is below.

Bed Type	Total # of Beds
SNF beds	15
Total	15

Conditions:

1. Approval of the project description as stated above. Ashley House 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. Ashley House shall finance this project consistent with the financing described in the application.

3. Prior to providing services at the new pediatric nursing home, Ashley House will provide the name and provider credential number for key staff.
4. Prior to providing services at the new pediatric nursing home, Ashley House will provide the name and credential number for the medical director.

Approved Costs:

The capital expenditure approved with this project totals \$5,456,557

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 Ashley House met the applicable need criteria in WAC 246-310-210 and WAC 246-310-380.

- (1) *The population served or to be served has need for the project and other services and facilities of the type proposed are not or will not be sufficiently available or accessible to meet that need.*

Ashley House

Ashley House provided the following information related to the need for a 15-bed pediatric skilled nursing facility (SNF). [source: Application pdf, p16-18]

In relation to the need and those Ashley House is proposing to serve, they state, "*Enormous advances in neonatal, pediatric, and surgical care have led to the survival of an increasingly greater number of children and youth with complex special health care needs. The number of children in the United States with complex medical needs is expected to double in the next decade – increasing from three to six million – as advances in medicine and technology continue to reduce mortality rates.*³ "*Medically complex,*" pediatric patients and their families are challenged with multiple, complex, chronic, severe health conditions requiring substantial medical and psychosocial support.

In Washington, Seattle Children's, through its extensive network of specialty clinics and its Hospital is the predominant provider of care to these children. In 2017, Ashley House and Seattle Children's began to jointly plan a Nursing Facility level of care to support or serve as a "bridge to home". In March 2018, Seattle Children's provided data to Ashley House detailing the volume and types of patients that it serves annually that are clinically appropriate candidates for placement. Table 1 provides this information".

³ Vestal, C. "Improving Medicaid for 'Medically Complex' Kids". The Pew Charitable Trusts. 8 Jan. 2015.

Applicants Table

Table 1

Seattle Children's Hospital

Medical Condition Requiring Nursing Facility Level Care at Discharge: Estimated Volume

Medical Condition	Estimated Annual Volume
Ventilator and technology dependent children with and without spinal cord injury, craniofacial conditions and/or swallowing dysfunction	2 to 10 new trach patients 5-10 existing trach patients
High flow nasal cannula and non-invasive ventilation for stable patients requiring support post procedure, due to illness or infants outgrowing support	30-50 infants and 20-30 post procedure patients
Temporary nasopharyngeal tube or nasal stent	2-5 patients
Medically complex patients with care coordination and psychological needs to support discharge: <ul style="list-style-type: none"> ○ Underlying diagnosis/condition recognized as progressive or life limiting with significant decrease life expectancy beyond childhood ○ Ongoing nursing support needed and 24/7 continuous monitoring ○ Anticipated to have frequent and prolonged admissions 	24-36 patients
Medical Condition	Estimated Annual Volume
Traumatic brain injury requiring intermediate treatment between acute and rehabilitation <ul style="list-style-type: none"> ○ Orthopedic injuries; spine/deformity, cerebral palsy or other conditions resulting in non-weight bearing ability requiring extensive supports ○ Children with physical injuries related to underlying mental health concerns ○ Complicated funding or care or home renovations to accommodate clinical needs 	○ 72-120 patients
Total	○ 100-256 patients annually

The Applicant continues, “Today, these children spend many days hospitalized; frequently in excess of one year because there is no discharge option available, and the cost to the delivery system and the toll on the family is concerning. Over and above the patient volumes identified in Table 1, Seattle Children’s also defined a cohort of children that could avoid a hospitalization if there were a home to Nursing Facility option. These include children needing or undergoing a planned ventilator weaning, initiation of CPAP, long-term feeding tube trouble shooting, caregiver respite, end of life care and custody or residence changes. While Ashley House only intends to serve 45 patients annually in the new facility, the Bridges to Home facility will significantly improve discharge options”.

In response to the application question regarding need and the array of available services, Ashley House states, “The beds proposed in this application are a logical—and cost effective—extension of the continuum of services available to manage the growing number of children and youth with complex special health care needs. As noted elsewhere, these children and their families are challenged with multiple, complex, chronic, severe health conditions requiring substantial medical and psychosocial support. Ashley House has been at the forefront, both in Washington State and nationally, in developing community-based services to support families as they build new lives

together with their medically fragile children. This is accomplished through the provision of high quality, cost effective health care in home-like settings”. [source; Application pdf, p17]

Ashley House considered the availability of SNF beds for pediatric patients in King County. They report their findings are:

- King County are nearly 25% below the general standard of 40 beds per 1,000 population, currently standing at ratio of 31/1000.
- DSHA has determined that there are 10,251 available ‘slots’ in the county, with a surplus of approximately 8,500. [source; Application pdf, pp17-18]

Considering these data points, Ashley House determined, “...*that the excess capacity in King County is not available or accessible to the population defined to be served at Ashley House/Bridges to Home nursing facility for the following reasons:*

- 1) *The CN Program’s methodology for projecting bed need is based on the population age 70+. Ashley House proposes to serve only those under the age of 18.*
- 2) *Ashley House attempted to verify from DSHS how many children under the age of 18 are residing in a nursing home in King County or even Statewide. Even with the assistance of various DSHS staff, we could not secure information on the number, all parties contacted believe that it was far less than 0.5% of all nursing home residents.*
- 3) *The nursing facility comparable supply calculated from DSHS uses only data on RUGs scores. RUG scores are not computed for individuals under the age of 18, including those already resident in one of Ashley House’s boarding homes. Further, and again with the assistance of DSHS staff, we were able to determine that Ashley House’s existing boarding home beds are NOT included in the DSHS nursing home comparable calculation; confirming that pediatrics is not a part of the supply”.*

The applicant concludes, “*The bottom line is the count of “nursing home comparable” resources in King County is broad and comprehensive, these providers do not provide any significant care to pediatric residents. Consistent with WAC 246-310-380(6) the beds proposed in this application will promote care being reasonably close to the children they service, and is not an unnecessary duplication”.*

Public Comment

Seattle Children’s Hospital provided comments focusing on the need for a pediatric nursing home for its patients. Excerpts from those comments are below. [source: Seattle Children’s Hospital public comment, p1]

“Seattle Children's continues to endure growing demand from patients who need the unique and highly specialized services we provide, and our experience suggests that these increases are driven in part by:

- *increased prevalence of chronic diseases in children, who are also adversely impacted by the severity of the viral season;*
- *significantly more patients surviving childhood diseases (e.g. congenital conditions including heart disease) and utilizing health care services longer;*

- *increased numbers of neonates surviving extreme immaturity and low birth weight and requiring additional care throughout childhood; and*
- *advances in care which have led to the survival of an increasingly greater number of children with complex health care needs.*

Specifically, for patients with complex health care needs, they often stay in the hospital for months and sometimes, for years at a time, as they require 24x7 nursing and transitional attention following their acute course of treatment, and no discharge option is currently available. For example, patients who are ventilator or tracheostomy dependent and no longer require inpatient hospital care for their acute issue(s), would benefit from a pediatric-specific nursing facility to ensure that they are receiving the appropriate transitional support while they stabilize and prepare to go home. The Bridges to Home facility proposed by Ashley House, will provide pediatric-specific transitional care that these medically complex patients need (e.g. monitoring, pain management, therapies, medication management, etc.) in the most appropriate setting. Bridges to Home will also allow a family to learn how to care for their child in a more home like environment. Furthermore, it allows Seattle Children's, as well as other providers and hospitals that care for medically complex children, to use its hospital bed capacity for the patients that truly require inpatient care”.

Rebuttal Comment

None

Department Evaluation

For nursing home projects, WAC 246-310-380 is typically applied to determine need for additional nursing home beds. The rule states:

WAC 246-310-380 - Nursing home bed need standards

- “(1) The department shall use the following rules in conjunction with the certificate of need review criteria contained in WAC 246-310-210(1) for applications proposing the following:*
- (a) Construction, development, or other establishment of a new nursing home;*
 - (b) Increase in the licensed bed capacity of a nursing home or a hospital long-term care unit;*
 - (c) Change in license category of beds from the following to nursing home or hospital long-term care unit beds:*
 - (i) Acute care; or*
 - (ii) Assisted living facility care;*
- (2) The department shall comply with the following time schedule for developing bed need projections:*
- (a) By the last working day in January of each year, the department shall recalculate the estimated bed projection for each planning area.*
 - (b) By the last working day in January of each year, the department shall provide the aging and adult services administration of the department of social and health services with the estimated bed need for each planning area, pending the department's decisions on applications submitted during the previous year's nursing home concurrent review cycles.*
 - (c) By the last working day in January of each year, the department shall rank order planning areas from lowest to highest by the projected current supply ratio.*
 - (d) By the first working day of June of each year, the department shall calculate the net estimated bed need for each planning area.*
- (3) The estimated bed projections for the projection period, listed by planning area will be updated annually and distributed to interested parties. When a planning area's estimated bed projection*

is less than the planning area's bed supply as defined by WAC 246-310-350(4), no beds can be added until the statewide established ratio is reached, except as allowed in this section.

- (4) *The department shall limit to three hundred the total number of nursing home beds approved for all CCRCs which propose or are operating within a transition period.*
 - (a) *These three hundred beds available for CCRCs during transition periods shall be in addition to the net nursing home beds needed in all of the planning areas.*
 - (b) *All nursing home beds approved for CCRCs which propose or are operating within a transition period shall be counted as beds within this three hundred bed limitation unless and until the CCRC fully complies with all provisions of the CCRCs performance standards.*
- (5) *The department shall not issue certificates of need approving more than the net estimated bed need indicated for a given planning area, unless:*
 - (a) *The department finds such additional beds are needed to be located reasonably close to the people they serve; and*
 - (b) *The department explains such approval in writing”.*

The sections of WAC 246-310-380 that apply to this project are (1), (2), (3), and (5).

Section (1) applies to this project and is the reason that Ashley House submitted this application.

Sections (2) and (3) require the department to calculate the nursing home numeric need methodology as outlined in WAC 246-310-360 and apply any adjustments necessary. However, the nursing home need projection methodology uses population for residents 70 years and older and projects need for those elderly residents. Given that Ashley House proposes to establish a 15-bed pediatric only nursing home, the numeric methodology referenced in this rule and outlined in WAC 246-310-380 does not apply to this project.

One remaining component in the review for a new nursing home is that the proposed facility has a nursing home within 27 miles of the site⁴. [RCW 70.38.105(4)(e)] For nursing homes proposing to serve elderly residents, this is an important component of determining need for a project. Again, since this project proposes to serve pediatric patients only, therefore, section (5) of WAC 246-310-380 does not apply.

In addition to a numeric need methodology, the department must determine whether other services and facilities of the type proposed are not or will not be sufficiently available and accessible to meet that need.

In summary, the department concurs that numeric need methodology for establishing the need for additional nursing home beds in a planning area does not address the pediatric population in need of the care received in a skilled nursing facility.

Documentation provided in the application regarding lack of available services and nursing home beds for pediatric patients demonstrated need for the project.

Further, the letters of support provide valuable insight on the need for additional pediatric SNF bed capacity for patients in King County and surrounding communities. **This sub-criterion is met.**

⁴ <http://usnursinghomefinder.com> identifies 63 nursing homes within 20 miles of Shoreline
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(2) All residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly are likely to have adequate access to the proposed health service or services.

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

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

Medicare certification is a measure of an agency’s willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals age 65 and over. Medicaid certification is a measure of an agency’s willingness to serve low income persons and may include individuals with disabilities.

Charity care shows a willingness of a provider to provide services to individuals who do not have private insurance, do not qualify for Medicare, do not qualify for Medicaid, or are underinsured. With the passage of the Affordable Care Act in 2010, the amount of charity care decreased over time. However, with recent federal legislative changes affecting the ACA, it is uncertain whether this trend will continue.

Ashley House

Ashley House provided copies of the following policies used at all Ashley House hospitals, including the proposed facility. [source: Application, Exhibit 7 & 8]

- Patient’s Rights and Responsibilities Policy
- Admission Agreement, Policies & Procedures

Ashley House currently operates group homes within the state. No changes to the above policies are necessary for the additional 15 pediatric SNF beds.

Medicare and Medicaid Programs

The table below shows the projected payer mix for the facility operation of 15 pediatric SNF beds. [source: Application, Exhibit 6; February 15, 2019, screening response, p10]

**Table 2
Ashley House/Bridges to Home Payer Mix**

Source	2020	2021	2022	2023
Medicare	0%	0%	0%	0%
Medicaid	15.4%	14.3%	13.8%	13.8%
Commercial/Other	69.2%	71.4%	69.0%	69.0%
Private	15.4%	14.3%	17.2%	17.2%
Total	100.0%	100.0%	100.0%	100.0%

When asked in screening about the use of Medicare and Medicaid, the applicant responded, “*Ashley House does not currently hold Medicare certification for any entities operated under the Ashley House corporation. Ashley House does have an in home services license and is paid by Medicaid for private duty nursing. Information regarding the related provider numbers was included in Exhibit 1 of the application. In addition, Ashley House’s existing adult family homes are also paid by DSHS for nursing (Medicaid)*”.

Regarding the value of a Medicare certification to a pediatric facility, Ashley House states, “*The Medicare program does provide benefits, under certain circumstances, to disabled children. There are pediatric patient conditions, diagnosis and interventions that, for Medicaid recipients, can initiate dual coverage. For example, organ transplant initiates dual coverage as does initiation of hemodialysis and/or peritoneal dialysis. For the first three full years of operation, Ashley House has not assumed any Medicare revenue*”. [source: February 15, 2019, screening response, pp1&2]

Additionally, Ashley House providing the following information related to patient access to the proposed services. [source: Application pdf, p18]

“Ashley House will only serve pediatric residents. These children will be accepted based on medical need, regardless of race, beliefs, age, ethnicity, religion, culture, language, social/physical/mental health, socio-economic status, sex, sexual orientation, gender identity or expression or disability”.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Ashley House has been providing healthcare services to the residents of Washington for many years. All policies supplied outline the criteria that Ashley House uses to admit patients for treatment. The Patient’s Rights and Responsibilities Policy and Admission Agreement, Policies & Procedures documents include the following language to ensure all patients would be admitted for treatment and will “*Not be discriminated against because of your race, beliefs, age, ethnicity, religion, culture, language, social/physical/mental health, socio-economic status, sex, sexual orientation, gender identity or expression*”. [source: Application, Exhibit 7; Exhibit 8 part III,C]

Specific to the proposed facility, Medicare revenues are projected to be 0% of total revenues for the facility. Ashley House clarifies that there are pediatric patient conditions, diagnosis and interventions that, for Medicaid recipients, can initiate dual coverage. For example, organ transplant initiates dual coverage, as does initiation of hemodialysis and/or peritoneal dialysis. Although, the financial data provided in the pro form does not include Medicare revenues in the projection years. [source: February 15, 2019, screening response, p2; Attachment 2]

For the proposed facility, Medicaid revenues are projected to be 13-15% of total revenues for the facility. The financial data provided in the application includes Medicaid revenues. [source: February 15, 2019, screening response, Attachment 2]

The policies are consistent with policies reviewed and approved by the Department of Health. Further, Ashley House demonstrated that it intends to serve the Medicare and Medicaid populations with the proposed pediatric SNF beds.

Based on the information provided in the application, the department concludes **this sub-criterion is met.**

- (3) The applicant has substantiated any of the following special needs and circumstances the proposed project is to serve.
 - (a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both, to individuals not residing in the health service areas in which the entities are located or in adjacent health service areas.
 - (b) The special needs and circumstances of biomedical and behavioral research projects designed to meet a national need and for which local conditions offer special advantages.
 - (c) The special needs and circumstances of osteopathic hospitals and non-allopathic services.

Department Evaluation

This sub-criterion is not applicable to this application.

- (4) The project will not have an adverse effect on health professional schools and training programs. The assessment of the conformance of a project with this criterion shall include consideration of:
 - (a) The effect of the means proposed for the delivery of health services on the clinical needs of health professional training programs in the area in which the services are to be provided.
 - (b) If proposed health services are to be available in a limited number of facilities, the extent to which the health professions schools serving the area will have access to the services for training purposes.

Department Evaluation

This sub-criterion is not applicable to this application.

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Ashley House met the applicable 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.

Ashley House

The assumptions used by Ashley House to determine the projected operating costs and pro forma come from their existing operations and experience in operating their existing facilities.⁵ [source: February 15, 2019, screening responses, p5, pp11-12]

The rate assumptions and calculations used by the applicant are reproduced below.

Applicant Table
Ashley House
Revenue Assumptions by Payer

Payer	Rate	Assumption
Medicaid	\$430/patient day	Ashley House used Medicaid 7/1/2018 rate information for the six nursing homes that have vent/trach add ons ¹ . Ashley House assumed that 62.5% of its patient census would have the vent/trach add on (total rate of \$520.56) and the remaining patients would be at the average Medicaid base rate (\$276.61). The overall average rate was \$429.08 (rounded to \$430).
HMO ² /MCO	\$850/day	This is been revised. It is based on Ashley House’s actual, current HMO/MCO rate. We believe this to be conservative given the higher level of care needs of some children expected at Bridges to Home.
Private	\$850/day	In an effort to be conservative, this was held to the same as the HMO/MCO daily rate.

“Other Patient Days represent Medicaid Apple Health Managed Care Originations (MCOs), and specifically the following payers: Molina Healthcare of Washington, Coordinated Care, United Healthcare of Washington, Community Health Plan of Washington and Amerigroup. In addition, it is expected that there will be some patients in this category who are covered under their parents’ private insurance benefits”.

Based on the assumptions above, the patient days projected by the applicant are listed below. [source: February 15, 2019, screening responses, p12; Attachment 2]

⁵ As was discussed with CN Program staff on February 12, 2019, the CN application requires the completion of the nursing home financial forms. Schedule C of the nursing home forms provides a single line in which to provide deductions from revenue. As noted in the revised pro forma financials in Attachment 2, Line 7 does not include any deductions from revenue. Based on the Schedule C format, CN Program staff has agreed that Ashley House did not need to provide any additional information.

**Table 3
Projected Patient Days**

Calendar Year	Medicare	Medicaid	Private	Other	Total
2020	0	368	368	1,656	2,392
2021	0	730	730	3,650	5,110
2022	0	730	913	3,650	5,293
2023	0	730	913	3,650	5,293

The primary assumptions used by Ashley House to determine the projected revenue, expenses, and net income for the 15 SNF beds are listed below. The screening responses from the applicant also cite specific line item cost assumptions note recited here. [source: February 15, 2019, screening responses, p12; Attachment 2]

- The daily rate times the patient days for each payer category was used to project the revenue for the proposed facility. This accounts for the total routine care revenue (listed on line 5 of Schedule G).
- Other patient revenue was based on the following assumptions:
 - ▪ Ancillary Services (OT/PT/RT): was based on a markup of 1.5 times the expense (\$55.00/patient day) or \$82.50/patient day for the OT/PT/RT revenue). This type of markup is typical for a nursing home.
 - ▪ Nursing Services: This line item includes the expected revenue for nursing supplies which is an allowable charge for nursing facilities (confirm). The nursing supplies were also marked up by 1.5 times of the expected cost for nursing supplies (\$4.58/patient day for the expense) or \$6.87/patient day in expected revenue. Again, this type of markup is typical for a nursing home.

Applicant's Table Cost Assumptions

Line Item	Assumption
Revenue:	
Routine Revenue	Detail provided in response to Question #14
Other Patient Revenue	Detail provided in response to Question #33
Expenses:	
Salaries, Wages, Benefits and Payroll Taxes	Based on staffing (FTEs) and average salaries (hourly rate) are as follows: RN: \$32.60-\$40.05 depending upon shift CNA: \$25.00-\$ 31.03 depending upon shift Social Services: \$24.04 Administrator (Program Director): \$52.88 Asst. Administrator (Asst. Program Director): \$45.67 Housekeeping/Maintenance/Laundry: \$18.00 (hourly rate) Included in other general and administrative staff (Line 68) are: Accounting: \$22.00 Network Support: \$40.00 Other Office staff: \$20.00 Benefits, including payroll taxes were assumed to be 38.5%.
Purchased Services (Line 54)	Medical director (\$60,249/year) per Seattle Children's Letter
Food (including dietary supplements) (Line 58)	\$2.85 per patient day
Admin Supplies (Line 75)	\$150/month for office supplies
Accounting/Bookkeeping (Line 82)	\$200/month
Other Purchased services: (Line 84)	\$1,780/month for information system subscription
Management Fees (overhead) (Line 89)	0.5% of annual revenue
Travel (Line 90)	\$395/month
Telephone (Line 91)	\$300/month
Dues and Subscriptions (Line 92)	\$120/month

Line Item	Assumption
Education and In Service Training (Line 93)	\$275/month
Insurance (Line 94)	\$600/month for liability insurance
Miscellaneous Taxes (B& O Taxes) (Line 96)	\$2,748/month
Advertising (recruitment) (Line 98)	\$2,100/month
Nursing Supplies (Line 100)	\$4.58/patient day
Office Equipment Lease Payments (Line 102)	\$200/month
Licenses (Line 103)	\$70/month
Other (Line 104)	\$487/month for security, staff appreciation, meeting expenses and miscellaneous
Maintenance – purchased services (Line 110)	\$225/month (building repairs and maintenance), \$375/month (equipment repairs and maintenance) and \$150/month (cable TV and internet)
Laundry – purchased services (Line 118)	\$335/month assumed to be contracted with outside vendor.
Housekeeping supplies (Line 125)	\$1,403/month
Utilities (Line 139)	\$2,850/month
Property Insurance (Line 140)	\$550/month
Depreciation (Line 158)	Based on the capital expenditure and assumes an average useful life of 30 years for the building, 20 years for land improvements and 7 years for equipment
Interest (Line 160)	See separate amortization schedule (Exhibit 9)
Other patient expenses (Ancillary Services) (Line 199)	\$55.00/patient day (for PT, OT and RT)

Based on the information above, Ashley House's projected revenue, expenses, and net income for the Bridges to Home facility. The projections are shown below. [source: February 15, 2019, screening responses, p12; Attachment 2]

Table 4
Ashley House/Bridges to Home Revenue and Expense Statement

	Partial Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Net Revenue	\$2,092,413	\$4,493,581	\$4,665,016	\$4,665,016
Total Expenses	\$2,038,751	\$4,064,888	\$4,085,219	\$4,085,219
Net Profit / (Loss)	\$53,662	\$428,692	\$579,797	\$579,797

The ‘Net Revenue’ line item is gross inpatient revenue. The ‘Total Expenses’ line item includes all expenses related to the pediatric skilled nursing services, including salaries/wages, benefits.

Ashley House also provided a calculation of the relevant financial ratios through the third full year of operation. Their results are reported below. [source: February 15, 2019, screening responses, p22]

Table 5
Applicant's Calculations of Financial Ratios

	NORM	2020	2021	2022	2023
Current Ratio (above)	1.85-2.50	2.74	2.78	2.80	2.80
Assets Financed by Liabilities (below)	0.60-0.80	0.21	0.21	0.21	0.21
Total Operating Expense to Total Operating Revenue (below)	1.00	0.94	0.91	0.88	0.88
Debt Service Coverage (above)	1.50-2.00	2.82	6.39	7.76	7.76

Public Comments

None

Rebuttal Comments

None

Department Evaluation

To evaluate this sub-criterion, the department first reviewed the assumptions used by Ashley House to determine the projected number of admissions, patient days, and occupancy of the pediatric nursing home. Ashley House focused its assumptions on its experience with its current services at its existing homes and the need presented by Seattle Children’s hospital. The projected average daily census and occupancy of the proposed facility is reasonable based on the assumptions used. [source: Application, p12]

Ashley House based its revenue and expenses for the proposed facility on the assumptions referenced above. With the revisions made to the financial projections supplied in screening, Ashley House projects a profit in its first partial year of operations and continues into the projection years. The Applicant appears to maintain health financial ratios through the first three years of operation.

Ashley House provided the following information regarding the site of the proposed facility: [source: Application, Exhibit 4 & 5; February 15, 2019, screening responses, Attachment 6]

- Copy of Statutory Warranty Deed
- City of Shoreline Zoning Letter
- Conditional Use Permit

The change of ownership commenced on November 14, 2017. The zoning letter from the City of Shoreline predicates its approval on the receipt of a conditional use permit. The approval of the Conditional use permit was received from the Office of Planning and Community Development on November 1, 2018.

While it is not required for nursing homes to have medical directors, Ashley House included a letter of commitment from Seattle Children’s hospital to assign a medical director to the Bridges to Home facility. The agreement outlines the obligations and terms of the two entities. Ashley House has also accounted for the Medical Director salary in its financial projections. If this project is approved, it will include a condition requiring the name of the appointed Medical Director. [source: February 15, 2019, screening response, Attachment 5]

Based on the information above, and the acceptance of the Medical Director condition, 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 and expertise the department compared the proposed project’s costs with those previously considered by the department.

Ashley House

The proposed facility will operate from an existing structure at the proposed site and will involve the remodeling of the interior. The projected capital costs for Bridges to Home is \$5,456,557. [source: Application pdf, p37]

**Table 6
Ashley House – Bridges to Home Estimated Capital Costs**

Item	COST	% OF TOTAL
Land purchase, improvement, utilities/lot line/site prep	\$645,353	11.8%
Building purchase, construction, site supervision and Inspection	\$3,978,358	72.9%
Moveable equipment	\$140,009	2.6%
Architect, Engineering, and Consulting fees	\$185,000	3.4%
Interim Interest - Loan Fees	\$85,000	1.6%
Washington State Sales Tax	\$311,180	5.7%
Fees, Permits, and Construction Review Fees	\$111,657	2.0%
TOTAL ESTIMATED CAPITAL COSTS	\$5,456,557	100.0%

In relation to the potential impact to costs and charges in the application, Ashley House states,

“Effective July 1, 2016, the Legislature passed a new rate system for Nursing Homes. A Capital – Fair Market Rental (FMR) component calculation was implemented that replaced a methodology

based on specific facility asset values. This new FMR calculation uses a fixed cost per allowable square footage amount set by the Legislature from “RS Means” (currently \$170.41) times the allowable square footage of the building limited to a maximum of 450 square feet per bed”. [source: Application pdf, p24]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

The projected capital cost for the establishment of the Bridges to Home facility is projected to be \$5,456,557.

The proposed facility has no peer facilities to consider to accurately compare the projected costs and expenses. But the project has gained approval from the Office of Construction Review based upon these estimates. The department does not consider the capital expenditure to be excessive for this project. [source: February 15, 2019, screening responses, p4]

Therefore, it does not appear that CN approval of the proposed facility would have an impact on the costs and charges of care from a skilled nursing facility. Based on the information, the department concludes this project may not have an unreasonable impact on the costs and charges for healthcare services in the King County planning 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.

Ashley House

Ashley House proposes to fund the construction of the Bridges to Home facility with a combination of financing, available funds, and direct donation.

**Table 7
Funding of Capital Expense**

	Details	Dollar Amount
Commercial Loans	5% interest for a term of 30 years	\$1,700,000
Accumulated Reserves	Reserves from Ashley House	\$2,035,501
Owner's Equity	Building/Land Purchase	\$1,321,056
Other - (specify)	Secured Gift	\$400,000
	Total	\$5,456,557

The commercial loan will be through Banner Bank. Banner Bank has nearly \$12 billion in assets over 200 locations throughout Washington, Oregon, California, and Idaho, and is a source of capital to personal banking clients and businesses of all sizes. A letter supplied by Ashley House from Steve Milles, Banner Bank Vice President of Corporate banking confirms the amount and terms of a loan

of 1,700,000 for the construction of the proposed facility is reasonable. An application for the loan is pending. [source: February 15, 2019, screening responses, p6 and Attachment 4]

The land has already been purchased and the applicant intends to utilize available funds for just over \$2,000,000 of the projected costs. A review of the applicant’s financial statements demonstrate the funds are available.

The final piece of the funding model is a secured gift from Seattle Children’s Hospital. Throughout the application, Ashley House cites Seattle Children’s Hospital’s support in the application for and development of the Bridges to Home facility. Ashley House reports, “*Seattle Children’s 2017 Department of Health year-end report demonstrates that it has \$421million in current assets including \$80 million in cash. This is more than sufficient to fund its gift to Ashley House*”. [source: February 15, 2019, screening responses, p6]

Department Evaluation

As stated, the projected capital cost for the construction of the Bridges to Home facility is projected to be \$5,456,557. The applicant provided a letter from the Crown Building Company, attesting that the construction estimate within the application is reasonable. [source: February 15, 2019, screening responses, Attachment 3]

The proposed financing includes a combination of using available cash, a commercial loan and a contribution from Children’s. A review of the financial information supplied by Ashley House indicates that the expenses would adversely impact the organization.

Further, with the inclusion of Seattle Children’s Hospital, staff from the Department of Health’s Charity Care and Hospital Financial Data office performed a review of the available financial reports for the hospital. That review confirmed that the contribution from Seattle Children’s Hospital would not adversely affect their financial health.

Based on the above information, the department concludes that the Bridges to Home would probably not have an unreasonable impact on the costs and charges for healthcare services in King County and surrounding communities. **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 Ashley House **met** the applicable structure and process of care criteria in WAC 246-310-230.

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

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

Ashley House

Ashley House provided a table showing the projected number of staff necessary to provide the services at the utilization rate identified in the application. Below is a breakdown of the projected FTEs [full time equivalents] for the pediatric nursing home. The applicant intends to be fully staffed upon opening and intends for these totals to carry forward in the subsequent years. The table below shows year three of the project. [source: Application, p31; February 15, 2019, screening responses, p6]

Table 8
Ashley House/Bridges to Home
Proposed FTEs for Fiscal Year 2022

FTE by Type	Year 3 - 2022
Medical Director	0.20
Registered Nurses	10.50
Nurse Aides & Assistants	12.30
Administrator (Program Director)	1.00
Administrative Assistant	0.50
Housekeeping/Maintenance/Laundry	2.00
Medical Social Worker	1.00
Accounting Staff	1.00
Other Office Staff	1.00
Network Support	0.50
Total FTEs	30.00

Ashley House will contract for additional services and described further the staffing intentions in the application for a conditional use permit necessary for the facility to be built/remodeled at the proposed site. The training and staffing levels are described in more detail below. [source: February 15 2019, screening responses, Attachment 6]

“Ashley House will work closely with Seattle Children's Hospital staff to ensure the child's medical condition is stabilized. They will also work closely with the primary caregivers to train them, so they can care for the children in the family's home. Prior to discharge from the program, the caregivers will be asked to demonstrate competence in performing all care activities from tube feeding to repositioning and changing briefs to administration of medications and suctioning. The training will be individualized to accommodate different learning styles, aptitudes and previous experience with medical care.

Ashley House will be operational 24-hours a day, seven days a week. A minimum ratio of one nurse and one aide per five (5) children will be maintained. If all 15-beds are filled, a staff of three (3) nurses and three (3) aides will be onsite continually. All staff must maintain Washington State licensure and comply with many other employment requirements such as continuing education, CPR certification, negative TB tests, flu shots, cleared criminal history background checks, food handler's permits, cleared driving abstracts, and more.

Ashley House states it does not expect difficulty recruiting the staff needed for the proposed facility based on efforts in the following areas. [source: Application pdf, p34; February 15, 2019, screening responses, p7]

- *Ashley House’s recruitment strategies including advertising through ads placed on Indeed, Craigslist, LinkedIn and as needed, in nursing journals. Jobs will also be listed on the Ashley*

House website and Facebook page as this will allow Ashley House staff, board members and supporters to easily share Facebook posts to expand outreach.

- *Ashley House has existing relationships with numerous nursing and CNA schools in the south sound area. Ashley House will establish similar relationships with schools in north Seattle, north King County, Snohomish County given that the Bridges to Home facility will be located in Shoreline. Ashley House will offer opportunities for students from those schools to participate in preceptorships and clinical rotations at Bridges to Home and will advertise via the school placement offices. Ashley House will also participate in school job fairs and other on-campus activities. Job announcements will also be sent to the school placement offices.*
- *Ashley House has an established relationship with Work First and Bridges to Home will be another potential site for candidates referred from Work First.*
- *Ashley House will be an active participant in Job Fairs, and will post jobs in area clinics, physician offices, and other health care service entities.*
- *Ashley House will also offer professional development opportunities as that provides staff with a mechanism to increase salary. Some of these will be offered in-house to allow more staff to take advantage of them. And, Ashley House will also offer tuition reimbursement which has been found to be an effective staff retention strategy.*
- *Finally, while Ashley House offers full time work schedules, we are also willing to work with staff interested in part time positions and offer flexible scheduling to accommodate their preferences.*

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As shown, the Applicant has developed a staffing model based fully staffing a 15 SNF bed facility from the time of opening. It also details the areas where contracted services will provide healthcare needs to the residents with expertise outside that of the fulltime staff.

Medical Director services will be provided through an agreement with Seattle Children's Hospital. A letter from Mark Del Beccaro, MD, Senior Vice President and Chief Medical Officer of Seattle Children's Hospital confirms this intention. The agreement addresses the appointment, qualifications, and responsibilities of the intended Medical Director. It also outlines the Ashley House duties and the terms of the appointment in the following years. If this project is approved, a condition will be attached to the approval requiring Ashley House to identify the medical director for this facility.

Ashley House also provided information related to recruitment, training, and retention of FTEs for the facility. The information demonstrates that Ashley House has the ability and the expertise to recruit and retain any needed staff.

Given that this pediatric nursing home is new, key staff have not yet been identified. If this project is approved, the department would attach a condition requiring Ashley House to provide a listing of key staff and associated provider credential number.

Based on the above information, Ashley House demonstrated it has the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2)(a)(i). There are known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the applicant's history in meeting these standards at other facilities owned or operated by the applicant.

Ashley House

Ashley House provided the following information regarding ancillary and support services for the additional 15 pediatric SNF beds. [source: Application pdf, p34]

“Required ancillary and support services include pharmacy, ventilators, humidifiers, O2 concentrators, monitors, other ordered respiratory treatment equipment and supplies, enteral feeding equipment and supplies. Physical and occupational therapies will be through licensed contracted providers.

In addition, our children will need access to x-ray, laboratory, and specialty clinics including: pulmonary; rehab, G.I., developmental, cardiac, neurology, wound care dermatology, hematology-oncology, orthopedic, infectious disease, endocrine, nephrology, transplant, and other specialties. All these specialties are available through Seattle Children's a known leader in pediatric treatment both inpatient and outpatient in the Northwest.

Our proposed NF is less than 10 miles from SCH. This close location was purposeful as it facilitates continuation of each child's specialty care management”.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Ashley House currently operates facilities in the planning area and will operate the proposed facility with support from Seattle Children's Hospital. As a result, the ancillary and support services outlined are available in the planning area and should be available to support these additional planning area beds.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that Ashley House will be able to obtain the necessary ancillary and support services with the construction of 15 pediatric SNF beds. The department concludes that approval of this project would not negatively affect existing healthcare relationships. **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.

Ashley House

In response to this sub-criterion, Ashley House provided the following statements. [source: Application pdf, p35]

“Ashley House will provide services in compliance with all applicable federal and state laws, rules, and regulations. Ashley House’s leadership has expended considerable time over the past six months confirming the specific regulations under which the proposed facility would operate to ensure that the facility would be operated in conformance with requirements. Ashley House operates its other facilities and program in compliance with all applicable laws, rules and regulations.

The applicant continues, “Ashley House will provide services in compliance with the applicable conditions of participation related to the Medicare and Medicaid programs”.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public. To accomplish this task, the department reviewed the available compliance reporting conducted by the Department of Children, Youth, & Families. Reports show no enforcement actions against their license or contract of any facilities in the last 5 years and all are currently compliant.

Based on the above information, the department concludes that Ashley House demonstrated reasonable assurance that the proposed facility would to operate in compliance with state and federal requirements if this project is approved. **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.

Ashley House

Ashley House asserts that their intentions are to enhance the transition of their pediatric patients and provided the following statement related to this sub-criterion. [source: Application pdf, p35]

“Ashley House advocates ardently for the treatment and transition for children with special health care needs. We know firsthand that continuity of treatment providers is essential for these specialized and complex child patients. Ashley House has established exceptionally strong relationships on behalf of medically complex children. We will continue and expand our working relationships with area providers to assure services are adequately available”.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

The addition of 15 pediatric SNF beds to the planning area will allow access to pediatric nursing home services for residents of King County and surrounding communities. Based on the information provided in the application, the department concludes there is reasonable assurance that this project will continue to promote continuity in the provision of health care services in the community. **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.

Ashley House

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

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Ashley House met the applicable 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 has met the applicable criteria in WAC 246-310-210 through 230 criteria, the department then assesses the other options considered by the applicant. If the department determines the proposed project is better or equal to other options considered by the applicant and the department has not identified any other better options this criterion is determined to be met unless there are multiple applications.

If there are multiple applications, the department's assessment is to apply any service or facility superiority criteria contained throughout WAC 246-310 related to the specific project type. This review does not include multiple applications.

Ashley House

Step One

For this project, Ashley House met the applicable review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two below.

Step Two

Before submitting this application, Ashley House considered the two options discussed below. [source: Application pdf, p37]

Status quo or do nothing

The applicant explained, *"After conversations and data sharing with Seattle Children's, the status quo option was ruled out because a minimum of at least 100 children annually need better transitions or 'bridges' from the hospital to home or to a less institutional level of care. The costs to the delivery system and to families is daunting and needs to be addressed"*. Therefore, option 1 was disregarded".

Build and operate one or more additional group homes

Ashley House states that, *"...after additional analysis with Seattle Children's, there was consensus between the parties that a level of care higher than boarding home and located in close proximity to Seattle Children's would support parents in transitioning their child from the hospital and to receiving the training and support necessary to gain the skills to manage their child at home. For this reason, Ashley House rejected option 2 and selected option 3"*.

Ashley House continued, *"Because Ashley House fundamentally believes in home-like settings for care delivery, we have elected to pursue a small nursing facility—only 15 beds. Ashley House's mission is to provide comprehensive cost effective quality care to medically fragile children, teens and young adults in home-like settings. We are dedicated to providing education to families and care givers, building support systems, coordinating services and nurturing the development of each individual. After working with our architects on concepts, we quickly came to the conclusion that 15 beds maintains a home-like setting and will assure that the nurturing and support needed remains easily available to each child and family"*.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Ashley House provided background information on the two options considered before submitting this application. The department did not identify other options that should have been considered by the applicant. Based on the discussions above, Ashley House reasonably rejected both options before submitting this application. **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;
 - (b) The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.

Ashley House

Regarding the construction and remodeling needs, the Applicant states generally, “Again, the current building envelope is being retained and very minimal site work is required. The extent of the interior renovation will assure that building meets or exceeds all energy codes. In fact, Ashley House intends to install an efficient HVAC system that will reduce the daily operating costs of the facility”. [source: Application pdf, p38]

And specifically, “Ashley House will convert the existing 13-bedroom, 8,620 square-foot home into a 15- bed RCF. The footprint of the home will not change and there will be a small loft addition that will raise the building height from 24'-9" to 30'-2". The existing basement level of the home will be converted to a parking garage and accessory spaces needed to run and maintain the RCF. The bedrooms will be located on the main level of the home with offices and training rooms on the remodeled second floor”. [source: February 15, 2019, screening responses, Attachment 6]

In the financial feasibility of this evaluation, Ashley House bases its costs and charges on the experiences gained from operating their current facilities. Therefore, the Ashley House states the project is not expected to have an unreasonable impact on costs and charges to the public. [source: Application pdf, p37]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

This project does involve construction. Considering these costs, the department also calculated the cost per bed and for square foot.

**Table 10
Ashley House Cost Review**

Details	Figures
Proposed gross square footage (p8)	5,693
Number of nursing home beds (cover sheet)	15
Construction Costs per gross square foot	\$522.01
Total cost per gross square foot	\$958.47
Total cost per bed	\$363,770.47

With no skilled nursing facilities designed to house pediatric patients in King County and Ashley House’s assumptions related to the costs and charges discussed under the Financial Feasibility section of this evaluation, the department does not anticipate an unreasonable impact on the costs

and charges to the public for this project. Based on the information provided in the application and the demonstrated need for additional capacity for pediatric based skilled nursing capacity, the department concludes **this sub-criterion is met.**

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

Ashley House

Ashley House provided the following statements for this sub-criterion. [source: February 15, 2019, screening response, p9]

“...by all accounts, this is a joint effort between Seattle Children’s and Ashley House. As far back as 2015, Ashley House and Seattle Children’s were jointly planning for a Nursing Facility to support or serve as a “bridge to home”. This “bridge to home” is intended to serve the growing number of children with complex special health care needs who require substantial medical and psychosocial support and need an environment outside of the hospital in which their parents can learn the skills to safely take them home”.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

This project has the potential to improve delivery of skilled nursing services to the residents of King County and surrounding communities with the addition of 15 pediatric SNF beds at the proposed facility. The department is satisfied the project is appropriate and needed. **This sub-criterion is met.**