



Certificate of Need Program  
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## Hospice Agency Certificate of Need Review Criteria

### A. Need (WAC 246-310-210)

[WAC 246-310-210](#) provides general criteria for an applicant to demonstrate need for healthcare facilities or services in the planning area. [WAC 246-310-290](#) provides specific criteria for hospice agency applications. Documentation provided in this section must demonstrate that the proposed agency will be needed, available, and accessible to the community it proposes to serve. Some of the questions below only apply to existing agencies proposing to expand. For any questions that are not applicable to your project, explain why.

1. For existing agencies, using the table below, provide the hospice agency's historical utilization broken down by county for the last three full calendar years. Add additional tables as needed.

COUNTY	Identify Year	Identify Year	Identify Year
Total number of admissions			
Total number of patient days			
Average daily census			

2. Provide the projected utilization for the proposed agency for the first three full years of operation. For existing agencies, also provide the intervening years between historical and projected. Include all assumptions used to make these projections.

COUNTY	Identify Year	Identify Year	Identify Year
Total number of admissions			
Total number of patient days			
Projected average daily census			

3. Identify any factors in the planning area that could restrict patient access to hospice services.

4. Explain why this application is not considered an unnecessary duplication of services for the proposed planning area. Provide any documentation to support the response.
5. Confirm the proposed agency will be available and accessible to the entire planning area.
6. Identify how this project will be available and accessible to under-served groups.
7. Provide a copy of the following policies:
  - Admissions policy
  - Charity care or financial assistance policy
  - Patient Rights and Responsibilities policy
  - Non-discrimination policySuggested additional policies include any others believed to be directly related to patient access (death with dignity, end of life, advanced care planning)
8. If there is not sufficient numeric need to support approval of this project, provide documentation supporting the project's applicability under WAC 246-310-290(12). This section allows the department to approve a hospice agency in a planning area absent numeric need if it meets the following review criteria:
  - All applicable review criteria and standards with the exception of numeric need have been met;
  - The applicant commits to serving Medicare and Medicaid patients; and
  - A specific population is underserved; or
  - The population of the county is low enough that the methodology has not projected need in five years, and the population of the county is not sufficient to meet an ADC of thirty-five.

Note: The department has sole discretion to grant or deny application(s) submitted under this subsection.

## **B. Financial Feasibility ([WAC 246-310-220](#))**

Financial feasibility of a hospice project is based on the criteria in [WAC 246-310-220](#).

1. Provide documentation that demonstrates the immediate and long-range capital and operating costs of the project can be met. This should include but is not limited to:
  - Utilization projections. These should be consistent with the projections provided under the Need section. **Include all assumptions.**
  - Pro Forma revenue and expense projections for at least the first three full calendar years of operation using at a minimum the following Revenue and Expense categories identified at the end of this question. **Include all assumptions.**
  - Pro Forma balance sheet for the current year and at least the first three full calendar years of operation. **Include all assumptions.**

- For existing agencies proposing addition of another county, provide historical revenue and expense statements, including the current year. Ensure these are in the same format as the projections. For incomplete years, identify whether the data is annualized.

#### **Revenue**

Medicare, including Managed Care  
 Medicaid, including Managed Care  
 Private Pay  
 Other, [TriCare, Veterans, LNI, etc.]  
 detail what is included  
 Non-operating revenue

Deductions from Revenue:  
 (Charity)  
 (Provision for Bad Debt)  
 (Contractual Allowances)

#### **Expenses**

Advertising  
 Allocated Costs  
 B & O Taxes  
 Depreciation and Amortization  
  
 Dues and Subscriptions  
 Education and Training  
 Employee Benefits  
 Equipment Rental  
 Information Technology/Computers  
 Insurance  
 Interest  
 Legal and Professional  
 Licenses and Fees  
 Medical Supplies  
 Payroll Taxes  
 Postage  
 Purchased Services (utilities, other)  
 Rental/Lease  
 Repairs and Maintenance  
 Salaries and Wages (DNS, RN, OT, clerical, etc.)  
 Supplies  
 Telephone  
 Travel (patient care, other)  
 Other, detail what is included

#### 2. Provide the following agreements/contracts:

- Management agreement.
- Operating agreement
- Medical director agreement
- Joint Venture agreement

Note, all agreements above must be valid through at least the first three full years following completion or have a clause with automatic renewals. **Any agreements in draft form must include a document signed by both entities committing to execute the agreement as submitted following CN approval.**

3. Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site.

If this is an **existing** hospice agency and the proposed services would be provided from an existing main or branch office, provide a copy of the deed or lease agreement for the site. If a lease agreement is provided, the agreement must extend through at least the third full year following the completion of the project. Provide any amendments, addendums, or substitute agreements to be created as a result of this project to demonstrate site control.

If this is a new hospice agency at a new site, documentation of site control includes one of the following:

- a. An **executed** purchase agreement or deed for the site.
- b. A **draft** purchase agreement for the site. The draft agreement must include a document signed by both entities committing to execute the agreement as submitted following CN approval.
- c. An **executed** lease agreement for at least three years with options to renew for not less than a total of two years.
- d. A **draft** lease agreement. For Certificate of Need purposes, draft agreements are acceptable if the draft identifies all entities entering into the agreement, outlines all roles and responsibilities of the entities, identifies all costs associated with the agreement, includes all exhibits referenced in the agreement. The draft agreement must include a document signed by both entities committing to execute the agreement as submitted following CN approval.

4. Complete the following table with the estimated capital expenditure associated with this project. Capital expenditure is defined under [WAC 246-310-010\(10\)](#). If you have other line items not listed in the table, include the definition of the line item. Include all assumptions used to create the capital expenditure estimate.

Item	Cost
a. Land Purchase	\$
b. Utilities to Lot Line	\$
c. Land Improvements	\$
d. Building Purchase	\$
e. Residual Value of Replaced Facility	\$
f. Building Construction	\$
g. Fixed Equipment (not already included in the construction contract)	\$
h. Movable Equipment	\$
i. Architect and Engineering Fees	\$
j. Consulting Fees	\$
k. Site Preparation	\$
l. Supervision and Inspection of Site	\$
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	
1. Land	\$
2. Building	\$
3. Equipment	\$
4. Other	\$
n. Washington Sales Tax	\$
<b>Total Estimated Capital Expenditure</b>	<b>\$</b>

5. Identify the entity responsible for the estimated capital costs identified above. If more than one entity is responsible, provide breakdown of percentages and amounts for each.
6. Identify the amount of start-up costs expected to be needed for this project. Include any assumptions that went into determining the start-up costs. Start-up costs should include any non-capital expenditure expenses incurred prior to the facility opening or initiating the proposed service. If no start-up costs are expected, explain why.
7. Identify the entity responsible for the estimated start-up costs identified above. If more than one entity is responsible, provide breakdown of percentages and amounts for each.
8. Explain how the project would or would not impact costs and charges for healthcare services in the planning area.

9. Explain how the costs of the project, including any construction costs, will not result in an unreasonable impact on the costs and charges for health services in the planning area.
10. Provide the projected payer mix by revenue and by patients by county as well as for the entire agency using the example table below. Medicare and Medicaid managed care plans should be included within the Medicare and Medicaid lines, respectively. If “other” is a category, define what is included in “other.”

Payer Mix	Percentage of Gross Revenue	Percentage by Patient
Medicare		
Medicaid		
Other Payers (list in individual lines)		
Total		

11. If this project proposes the addition of a county for an existing agency, provide the historical payer mix by revenue and patients for the existing agency. The table format should be consistent with the table shown above.
12. Provide a listing of equipment proposed for this project. The list should include estimated costs for the equipment. If no equipment is required, explain.
13. Identify the source(s) of financing (loan, grant, gifts, etc.) and provide supporting documentation from the source. Examples of supporting documentation include: a letter from the applicant’s CFO committing to pay for the project or draft terms from a financial institution.
14. If this project will be debt financed through a financial institution, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized.
15. Provide the most recent audited financial statements for:
  - The applicant, and
  - Any parent entity responsible for financing the project.

**C. Structure and Process (Quality) of Care ([WAC 246-310-230](#))**

Projects are evaluated based on the criteria in [WAC 246-310-230](#) for staffing availability, relationships with other healthcare entities, relationships with ancillary and support services, and compliance with federal and state requirements. Some of the questions within this section have implications on financial feasibility under [WAC 246-310-220](#).

1. Provide a table that shows FTEs [full time equivalents] by category for the county proposed in this application. All staff categories should be defined.

2. If this application proposes the expansion of an **existing** agency into another county, provide an FTE table for the entire agency, including at least the most recent three full years of operation, the current year, and the first three full years of operation following project completion. There should be no gaps in years. All staff categories should be defined.
3. Provide the assumptions used to project the number and types of FTEs identified for this project.
4. Provide a detailed explanation of why the staffing for the agency is adequate for the number of patients and visits projected.
5. Provide the name and professional license number of the current or proposed medical director. If not already disclosed under 210(1) identify if the medical director is an employee or under contract.
6. If the medical director is/will be an employee rather than under contract, provide the medical director's job description.
7. Identify key staff by name and professional license number, if known. If not yet known, provide a timeline for staff recruitment and hiring (nurse manager, clinical director, etc.)
8. For existing agencies, provide names and professional license numbers for current credentialed staff.
9. Describe your methods for staff recruitment and retention. If any barriers to staff recruitment exist in the planning area, provide a detailed description of your plan to staff this project.
10. Identify your intended hours of operation and explain how patients will have access to services outside the intended hours of operation.
11. For **existing** agencies, clarify whether the applicant currently has a method for assessing customer satisfaction and quality improvement for the hospice agency.
12. For **existing** agencies, provide a listing of ancillary and support service vendors already in place.
13. Identify whether any of the existing ancillary or support agreements are expected to change as a result of this project.
14. For **new** agencies, provide a listing of ancillary and support services that will be established.
15. For **existing** agencies, provide a listing of healthcare facilities with which the hospice agency has documented working relationships.

16. Clarify whether any of the existing working relationships would change as a result of this project.
17. For a **new** agency, provide the names of healthcare facilities with which the hospice agency anticipates it would establish working relationships.
18. Identify whether any facility or practitioner associated with this application has a history of the actions listed below. If so, provide evidence that the proposed or existing facility can and will be operated in a manner that ensures safe and adequate care to the public and conforms to applicable federal and state requirements. [WAC 246-310-230\(3\) and \(5\)](#)
  - a. A criminal conviction which is reasonably related to the applicant's competency to exercise responsibility for the ownership or operation of a hospice care agency; or
  - b. A revocation of a license to operate a health care facility; or
  - c. A revocation of a license to practice a health profession; or
  - d. Decertification as a provider of services in the Medicare or Medicaid program because of failure to comply with applicable federal conditions of participation.
19. Provide a discussion explaining how the proposed project will promote continuity in the provision of health care services in the planning area, and not result in an unwarranted fragmentation of services. [WAC 246-310-230](#)
20. Provide a discussion explaining how the proposed project will have an appropriate relationship to the service area's existing health care system as required in [WAC 246-310-230](#).
21. The department will complete a quality of care analysis using publicly available information from CMS. If any facilities or agencies owned or operated by the applicant reflect a pattern of condition-level findings, provide applicable plans of correction identifying the facility's current compliance status.
22. If information provided in response to the question above shows a history of condition-level findings, provide clear, cogent and convincing evidence that the applicant can and will operate the proposed project in a manner that ensures safe and adequate care, and conforms to applicable federal and state requirements.

**D. Cost Containment ([WAC 246-310-240](#))**

Projects are evaluated based on the criteria in WAC 246-310-240 in order to identify the best available project for the planning area.

1. Identify all alternatives considered prior to submitting this project. At a minimum include a brief discussion of this project versus no project.



2. Provide a comparison of the project with alternatives rejected by the applicant. Include the rationale for considering this project to be superior to the rejected alternatives. Factors to consider can include, but are not limited to: patient access to healthcare services, capital cost, legal restrictions, staffing impacts, quality of care, and cost or operation efficiency.
3. If the project involves construction, provide information that supports conformance with WAC 246-310-240(2):
  - The costs, scope, and methods of construction and energy conservation are reasonable; and
  - The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.
4. Identify any aspects of the project that 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.

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