

June 18, 2025

K. Erin Kobberstad, Vice President Strategic Planning
MultiCare Health System

Sent via email only: ekobberstad@multicare.org

Frank Fox, PhD
HealthTrends

Sent via email only: frankfox@comcast.net

RE: Certificate of Need Application #25-05

K. Erin Kobberstad and Frank Fox, PhD:

The review of the Certificate of Need application submitted by MultiCare Health System to establish a 32-bed Skilled Nursing Facility in Yakima County has been completed. Attached 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 that the applicant agrees to the following in its entirety.

Project Description:

MultiCare Health System is approved to establish a 32-bed nursing home located at 1208 S 48th Ave in Yakima [98908], within Yakima County.

Conditions:

1. MultiCare Health System agrees with the project description as stated above. MultiCare Health System 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. MultiCare Health System shall finance this project using owner equity as described in this application.
3. Cottage in the Meadow must demonstrate continued conformance with all applicable state and federal requirements.
4. Cottage in the Meadow must maintain Medicare and Medicaid certification throughout the life of the facility.

5. Cottage in the Meadow and any subsequent owners of the nursing home must not develop any policies or practices that preclude admission of patients based on payer source.
6. Prior to offering services, MultiCare Health System will provide an executed Management Services Agreement that is substantially consistent with the draft document provided during review.
7. Prior to offering services, MultiCare Health System will provide a copy of the executed Medical Director Agreement for the department's review. The executed agreement must be substantially consistent with the template agreement provided in the application, with costs consistent with the "Management Agreement" line item in the projected financials.
8. Prior to offering services, MultiCare Health System will provide the name and professional license number for the key clinical staff to be employed at this facility.
9. Prior to offering services, MultiCare Health System will provide the name and license number of the medical director for Cottage in the Meadow.

Approved Costs:

The approved capital expenditure for this project is \$468,892 and consists of equipment and architecture fees.

Please notify the Department of Health within 20 days of the date of this letter whether you accept the above project description, conditions, and approved costs for this project. If you accept these in their entirety, this application will be approved, and a Certificate of Need sent to you.

If any of the above provisions are rejected, your application will be denied. The department will send you a letter denying your application and provide you with information about your appeal rights.

Send your written response to the Certificate of Need Program at this e-mail address: CN@doh.wa.gov. 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,



Eric Hernandez, Program Manager
Certificate of Need
Office of Community Health Systems

Attachment

CERTIFICATE OF NEED EVALUATION DATED JUNE 18, 2025, FOR THE APPLICATION SUBMITTED BY MULTICARE HEALTH SYSTEM PROPOSING TO ESTABLISH A 32-BED SKILLED NURSING FACILITY WITHIN YAKIMA COUNTY.

APPLICANT DESCRIPTION

MultiCare Health System dba Cottage in the Meadow

The applicant for this project is MultiCare Health System (MultiCare), a not-for-profit health system serving the residents of Washington State. MultiCare Health System includes ten hospitals, numerous physician clinics, urgent care facilities, and a variety of healthcare services including home health, hospice, and specialty clinics, serving Pierce, King, Kitsap, Spokane, Yakima, and Thurston counties and surrounding communities. [source: Application, p7]

PROJECT DESCRIPTION

MultiCare Health System proposes to establish a 32-bed Skilled Nursing Facility in Yakima County. MultiCare recently acquired Yakima Memorial Hospital and through this acquisition obtained the 20-bed hospice house, Cottage in the Meadow which ceased operations in August 2024. This project proposes to repurpose the former Cottage in the Meadow into a 32-bed Skilled Nursing Facility. [source: Application, p15]

If approved, MultiCare expects Cottage in the Meadow to be operational by September 2025. [source: March 13, 2025, screening response, p2] The estimated capital expenditure for this project is \$468,892 and consists of equipment and architecture fees. [source: Application, p16]

BACKGROUND

For clarity, this evaluation refers to the applicant as “*MultiCare*.” Regarding the facility reviewed in this evaluation, the applicant has stated “*a final naming decision will be made following project approval*.” [source: December 26, 2024, screening response, p2] Although the applicant has not finalized a name for the facility, it will be referred to as “*Cottage in the Meadow*” throughout this evaluation for consistency.

APPLICABILITY OF CERTIFICATE OF NEED LAW

This application is subject to review as the construction, development, or other establishment of a new health care facility under Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

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.

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); and WAC 246-310-380 (nursing home bed need standards).

TYPE OF REVIEW

As directed under WAC 246-310-130, the department accepted this application under the Nursing Home Concurrent Review Cycle for calendar year 2021. Consistent with sub-section WAC 246-310-130(2), the department converted the review to a regular review timeline. Below is the chronologic summary of the application's review.

APPLICATION CHRONOLOGY

Action	MultiCare Health System
Letter of intent received	July 31, 2024
Application received	September 3, 2024
Pre-review activities <ul style="list-style-type: none">• Department's first screening letter sent• Applicant's first screening responses received• Department's second screening letter sent• Applicant's second screening responses received	October 04, 2024 December 24, 2024 January 29, 2025 March 13, 2025
Beginning of review	March 20, 2025
Public comment <ul style="list-style-type: none">• Hearing request deadline¹• Comment accepted through	April 04, 2025 April 24, 2025
Rebuttal comment deadline	May 08, 2025
Department's anticipated decision	June 23, 2025
Department's actual decision	June 18, 2025

AFFECTED PERSONS

Affected persons are defined under WAC 246-310-010(2). In order to qualify as an affected person someone must first qualify as an *interested person* defined under WAC 246-310-010(34). During the review of this application two entities requested interested person status. The affected person status of each entity is reviewed below.

Health Trends

Health Trends is a business located in Seattle that supports health organizations, specializing in a variety of health economic and analytic services. Health Trends staff submitted a request for interested person status on September 12, 2024. On its own, this entity does not qualify for interested person status and, therefore, cannot qualify for affected person status

Providence Health & Services

Providence Health & Services (Providence) is a not-for-profit Catholic network of hospitals, care centers, health plans, physicians, clinics, home health care, and affiliated services. As of the writing of this evaluation, the Providence Health System has several hospitals across five states,² more than 35 non-acute facilities, and numerous other health, supportive housing, and educational services. Providence requested interested person status on October 18, 2024. Providence did not submit public comment and therefore does not qualify for affected person status.

¹ No hearing requested or conducted.

² Alaska, California, Montana, Oregon, and Washington

PUBLIC COMMENT AND REBUTTAL

Twenty letters of support were submitted for the project, and no letters opposing the project were received. As a result, the applicant did not submit any rebuttal comments. While not all letters are quoted within this application, all were considered.

SOURCE INFORMATION REVIEWED

- MultiCare Health System's Certificate of Need application received September 3, 2024
- MultiCare Health System's first screening responses received December 24, 2024
- MultiCare Health System's second screening responses received March 13, 2025
- Licensing and/or survey data provided by the Department of Health's Office of Health Systems Oversight
- Washington State Department of Social and Health Services Nursing Home Reports
- Department of Health Integrated Licensing and Regulatory System database [ILRS]
- Licensing data provided by the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service
- Centers for Medicare and Medicaid website nursing homes quality of care compliance history at <https://www.medicare.gov/care>
- CMS QCOR Compliance website: https://qcor.cms.gov/index_new.jsp
- Washington State Secretary of State website at <https://www.sos.wa.gov>
- Special Focus Facility Scoring Methodology at <https://www.cms.gov/medicare/provider-enrollment-and-certification/certificationandcompliance>

CONCLUSION

For the reasons stated in this evaluation, the application submitted by MultiCare Health System proposing to establish a 32-bed Skilled Nursing Home in Yakima County, to be located at 1208 S 48th Ave, Yakima, WA 98908, is consistent with the applicable criterion of the Certificate of Need Program, provided MultiCare Health System agrees to the following in its entirety.

Project Description:

MultiCare Health System is approved to establish a 32-bed nursing home located at 1208 S 48th Ave in Yakima [98908], within Yakima County.

Conditions:

1. MultiCare Health System agrees with the project description as stated above. MultiCare Health System 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. MultiCare Health System shall finance this project using owner equity as described in this application.
3. Cottage in the Meadow must demonstrate continued conformance with all applicable state and federal requirements.
4. Cottage in the Meadow must maintain Medicare and Medicaid certification throughout the life of the facility.
5. Cottage in the Meadow and any subsequent owners of the nursing home must not develop any policies or practices that preclude admission of patients based on payer source.

6. Prior to offering services, MultiCare Health System will provide an executed Management Services Agreement that is substantially consistent with the draft document provided during review.
7. Prior to providing rehabilitation services at the hospital, the applicants will provide a copy of the executed Medical Director Agreement for the department's review. The executed agreement must be substantially consistent with the template agreement provided in the application, with costs consistent with the "Management Agreement" line item in the projected financials.
8. Prior to offering services, MultiCare Health System will provide the name and professional license number for the key clinical staff to be employed at this facility.
9. Prior to offering services, MultiCare Health System will provide the name and license number of the medical director for Cottage in the Meadow.

Approved Costs:

The approved capital expenditure for this project is \$468,892 and consists of equipment and architecture fees.

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 the application submitted by MultiCare Health System meets the applicable need criteria in WAC 246-310-210, which includes the applicable nursing home criteria in WAC 246-310-360.

(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.

WAC 246-310-360 requires the department to evaluate nursing home bed applications based on the population's need for the service and determine whether other services and facilities of the type proposed are not, or will not, be sufficiently available or accessible to meet that need as required in WAC 246-310-210.

WAC 246-310-360 Nursing Home Bed Need Method

This methodology calculates nursing home bed need within a planning area by multiplying the 70+ population by a ratio of 40 beds per 1,000 individuals and subtracting the current bed supply.

YAKIMA COUNTY NURSING HOME BED METHODOLOGY

The department annually calculates numeric bed need for each of Washington's 37 planning areas and publishes the results. The 2024–2026 forecast, released in January 2024, applied the established ratio of 40 beds per 1,000 persons aged 70 and older to project demand. The supply of licensed beds was subtracted from this figure to determine the net need in Yakima County.

MultiCare Health System

MultiCare provided the following regarding this sub-criterion. [source: Application, p20]

“In Yakima County, the Department's defined planning area for skilled nursing facilities, there currently exist eleven operational Skilled Nursing Facilities identified by the Department of Health in its February 2024 Nursing Home Bed Supply Log, as well as one facility which banked 39 beds in 2019. Including the beds from this closed facility, there are 901 “available” SNF beds for Yakima County residents. Given a population for Yakima County residents aged 70 and over of 33,689, based on Washington Office of Financial Management 2022 statistics, this reflects a bed ratio of about 26.7 beds per 1,000 residents aged 70 and over. This number is below the current target bed ratio of 40 beds per 1,000 persons aged 70 and over. Thus, there exists numeric need for the proposed project. The most recent Department Forecast, the 2024-2026 Washington State Nursing Home Bed Forecast, shows net need of 320 additional Skilled Nursing Home beds in Yakima County in 2026.”

Public Comments

All public comment received was in support of this project, with many letters highlighting the need for a new nursing home in Yakima County. While not all relevant quotes are repeated here, all were considered. Below are a select number of quotes relating to this sub-criterion.

Tanny Davenport, MD, MMM, Chief Medical Officer, MultiCare Yakima Memorial Hospital & Clinics

“One significant contributor to our capacity strain is the lack of skilled nursing facility and hospice bed access for patients who no longer require acute hospital care.”

John P Maxwell, MD, Hospitalist Director at MultiCare Yakima Memorial Hospital

“In our current state without this approval, we have no inpatient hospice beds and instead have to provide this care in the hospital.”

Sharon Miracle, President and CEO, Yakima Valley Community Foundation

“Cottage in the Meadow has long been a cherished facility within our community... Its expansion to include high-acuity skilled nursing beds is a critical step in enhancing the continuum of care.”

Department Evaluation

Based on the department’s projections using the 40 beds per 1,000 persons aged 70 and older ratio, the numeric need for beds in Yakima County is shown below:

Department’s Table 1
Yakima County Planning Area Numeric Methodology Summary

DOH Methodology Posted to Website	Year	Projected 40 Beds/1,000 Pop.	Current Licensed # of Beds	Net Need
	2024	1,144	901	243
	2025	1,177	901	276
	2026	1,211	901	320

As shown in the table above, once the existing 901 beds are subtracted from the projected need, a net need exists within the planning area for 320 beds by 2026. The department’s methodology is included in this evaluation as Appendix A. The department concludes that MultiCare **meets the numeric methodology standard.**

MultiCare provided statements addressing the local need for the proposed 32 beds. As of this writing, 11 nursing homes are licensed and operating in Yakima County. No comments were received from existing nursing homes opposing the application.

Given the evidence presented and absence of opposition, the department finds that establishing a 32-bed Skilled Nursing Facility in the Yakima County Planning Area would not impose an unreasonable impact on existing facilities. Moreover, the proposed project would enhance access to necessary services. **This sub-criterion is met.**

(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 considers the applicant’s admission policies, commitment to serving Medicare and Medicaid patients, and its approach to patients who are unable 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 applicant's willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals aged 65 and over. It is also well recognized that women live longer than men and therefore more likely to be on Medicare longer. Medicaid certification is a measure of an applicant's willingness to serve low-income persons and may include individuals with disabilities.

A facility's charity care policy should show a willingness of a provider to provide services to patients who have exhausted any third-party sources, including Medicare and Medicaid, and whose income is equal to or below 200% of the federal poverty standards, adjusted for family size or is otherwise not sufficient to enable them to pay for the care or to pay deductibles or coinsurance amounts required by a third-party payer.³ The policy should also include the process one must use to access charity care at the facility.

MultiCare Health System, Inc.

To demonstrate compliance, the applicant submitted several policies to be implemented at Cottage in the Meadow. The following policies were reviewed: [source: Application, Exhibits 5 and 6]

- Admission Policies
- Financial Assistance Policy
- Non-discrimination Policy

Admissions Policies

The applicant provided the *Admissions Policies* which will be put into effect at Cottage in the Meadow. The *Admissions Policies* provide information for the patient and family such as patient responsibilities, the preadmission screening process, access to care, conditions of discharge, and other legal information.

Financial Assistance Policy

The application also provided a copy of the *Patient Financial Assistance Policy*. The stated purpose of this policy is to provide "a guideline for making consistent and objective decisions regarding eligibility for Financial Assistance." This policy also contains non-discrimination language, stating: "Consideration for Financial Assistance will be given equally to all Eligible Persons, regardless of race, color, sex, religion, age, national origin, veteran's status, marital status, sexual orientation, immigration status or other legally protected status."

³ WAC 246-453-010(4)

Nondiscrimination for Admissions and Services

In addition to the financial assistance policy reference above, the applicant provided information for its non-discrimination policy⁴ posted on MultiCare's website that includes the following statements: [source: Application, p21 and MultiCare's Website]

"MHS does not unlawfully discriminate against patients, companions, or visitors. MHS does not exclude or treat anyone differently on the basis of age, race, national origin, ethnicity, immigration status, religion, culture, language, physical or mental disability, sex, sexual orientation, and gender identity, citizenship, immigration status, military status, or any other basis prohibited by state or federal law in care and treatment or participation in its programs, services, activities or employment.

MHS complies with the Americans with Disabilities Act of 1990, Section 504 of the Rehabilitation Act of 1973 and its implementing regulations, and Section 1557 of the Patient Protection and Affordable Care Act and its implementing regulations in making its services and facilities accessible. As part of these accessibility efforts, MHS:

- Provides appropriate auxiliary aids to persons with impaired sensory, manual, or speaking skills, where necessary to afford such persons an equal opportunity to benefit from the service in question;*
- Permits the use of service animals in accordance with the law;*
- Makes its facilities accessible to those with mobility impairments in accordance with the law; and*
- Provides free language assistance services to individuals with limited English proficiency."*

In screening, the applicant also provided a copy of Avalon's non-discrimination policy which includes the following language: [source: January 7, 2025, screening response, New Exhibit 14]

"As a recipient of Federal financial assistance, the company does not exclude, deny benefits to, or otherwise discriminate against any person on the grounds of race, color, religion, gender, pregnancy, or national origin, or on the basis of disability or age in admission to, participation in, or receipt of the services and benefits under any of its programs and activities, whether carried out by the company directly or through a contractor or any other entity with which the company arranges to carry out its programs and activities."

Medicare Certification and Recertification

The department uses Medicare certification to determine whether the elderly would have access, or continue to have access, to services. The applicant intends to initiate Medicare Certification in April 2025 with an anticipated Medicare Certification date in September 2025. The department uses the facility's Medicaid eligibility or contracting with Medicaid to determine whether low-income residents would have access, or continue to have access, to services. The applicant intends to have Medicaid contract plans in place by September 2025. [source: January 7, 2025, screening response p4]

⁴ https://multicare-tacomageneral-allenmore.policystat.com/policy/token_access/9041526d-8a27-4d0b-9875-a61c01853bb1/

The applicant submitted projected revenue by patient type, showing intent to serve Medicare and Medicaid patients. The applicant also stated that the percentages are not expected to vary annually. [source: January 7, 2025, screening response p7]

Applicant's Table

Table 2: Yakima SNF Projected Patient Mix		
	ADC	%
Medicaid	4.00	13.3%
Medicare	14.00	46.7%
Medicare HMO	8.00	26.7%
Hospice (Medicaid)	4.00	13.3%
Total	30.00	100.0%
Total Medicare	22.00	73.3%
Total Medicaid	8.00	26.7%
Source: Applicant		

Department Evaluation

Based on the information provided, the department concludes the 32-bed Skilled Nursing Facility will provide access to all population groups in Yakima County. Since the Financial Assistance Policy is currently in draft form, if this project is approved, the department will add a condition requiring submission of an executed financial assistance policy consistent with the draft policy reviewed.

The non-discrimination policies prohibit discrimination in the provision of services and care based on race, age, disability, or other protected characteristics, in compliance with federal civil rights laws.

As demonstrated in the *Applicant's Table* above, the facility intends to serve both Medicare and Medicaid patients. To ensure adequate access to residents of Yakima County. If approved, the department will attach two conditions to the approval related to access to care. One condition will require the applicant to maintain Medicare and Medicaid certification. The second condition will state that the applicant must not develop any policies or practices that preclude admission of patients based on payer source.

Based on the source information reviewed and the applicant's agreement to the conditions referenced above, 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.
- (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.
- (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

The sub-criteria under WAC 246-310-210(3), (4), and (5) are not applicable to this project.

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 the application submitted by MultiCare Health System has 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.

Chapter 246-310 WAC 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.

MultiCare Health System

To demonstrate compliance with this sub-criterion, MultiCare submitted key financial ratios, summarized in the following table. [source: Application, p33]

**Department's Table 2
MultiCare Financial Ratios**

Ratio	MultiCare 2023 Value	"Normal Range"
Current Ratio	1.51	1.8 to 2.5
Assets financed by liabilities	0.49	0.6 to 0.8
Total Operating Expense to Total Operating Revenue	1.04	1.00
Debt Service Coverage	6.29	1.5 to 2.0

"While these "normal" ranges date from over 25 years ago, the calculated ratios are close to the "normal range" specified within the form of application but differ slightly. The Current Ratio reflects the ability of MultiCare to cover its immediate liabilities, and a ratio of 1.5 indicates it is more than able to cover all current liabilities, with over \$500M remaining. The Ratio of Assets to Liabilities reflects the proportion of Assets which have been financed. With a ratio of about 0.5, this indicates that about 50% of MultiCare's assets have been financed by liabilities, while the other half can be viewed as owned absent loan or lien. The ratio of Operating Expense to Operating Revenue reflects whether operations are break even. For 2023, net income from operations reflected a loss of about \$188M. However, including investment income, gains on interest rate swaps, inherent contributions, and other income, net income was a positive \$411M. The Debt Service Coverage Ratio is much higher than the "Normal Range," as it reflects the ability of MultiCare to cover its current portion of debt and interest more than 6 times over."

Projected average per diem charges for the first three years and the projected payer mix for this facility are detailed in the tables below. [source: Application, p34] Using this data, MultiCare provided its projected average daily census (ADC) and patient days. [source: March 13, 2025, screening response, Revised Appendix 9]

***Applicant's Table*
Projected Average Per Diem Charges by Payer**

Table 6: Projected Per Diem Net Revenue by Payer			
	Year 1	Year 2	Year 3
Private Pay			
Medicaid	\$363.99	\$363.99	\$363.99
Medicare	\$633.20	\$633.20	\$633.20
VA			
Other-Specify			

**Years 1, 2, and 3 are 2026, 2027, and 2028, respectively.*

Applicant's Table
Revised Payer Mix – Percentage of Revenue by Payer

<i>Proposed Facility Percent of Net Revenue (expansion)</i>	
Private Pay	%
Medicaid	17.3%
Medicare	82.7%
VA	%
Other-Specify	%

Applicant's Table
Average Daily Census and Patient Days

	2025 Q4	2026	2027	2028
ADC				
Medicaid	2.67	4.00	4.00	4.00
Medicare	9.33	14.00	14.00	14.00
Medicare HMO	5.33	8.00	8.00	8.00
Hospice (Medicaid)	2.67	4.00	4.00	4.00
Total ADC	20.00	30.00	30.00	30.00
Total Patient Days	1,825	10,950	10,950	10,950

Regarding the ADC projections above, MultiCare provided the following statement: [source: January 7, 2025, screening response, p20]

“...we have revised the 2025 Q4 period to reflect a ramp, from an ADC of 10 in October, to an ADC of 20 in November, and finally to a fully utilized facility with an ADC of 30 in December. This ramp reflects an ADC of 20 during this first period of operation in 2025 Q4.”

Revenue and expense assumptions were outlined in the application and supporting documentation. [source: Application, p32 and January 7, 2025, screening response p19-20 and Exhibit 9]

MultiCare submitted a non-binding letter of intent for the Management Services Agreement between Avalon Care Center – Cottage in the Meadow, LLC and MultiCare. The agreement outlines each parties’ responsibilities. Given that the management services agreement is in a non-binding letter, if approved, the department would add a condition requiring the applicant to provide an executed Management Services Agreement prior to initiating services. [source: January 7, 2024 screening response, Updated Exhibit 2]

The site is owned by Yakima Valley Memorial Hospital Association, which, in turn, is 100% owned by MultiCare Health System. To demonstrate site compliance, the applicant provided a copy of the Warranty Deed. [source: Application, p31 and Exhibit 4] Since the property is owned outright, there is no lease expenses are included in financial projections.

MultiCare projected the revenue, expenses, and net income for Cottage in the Meadow. The summarized projections are shown in the table below. The projections show a minor loss in Q4

2025 and positive net income in the first three full years. [source: March 3, 2025, screening response, Revised Exhibit 9]

Department's Table 3
Cottage in the Meadow Projected Revenue and Expense Summary
Partial Year 2025 and Full Years 2026-2028

	Q4 2025	Full Year 1 2026	Full Year 2 2027	Full Year 3 2028
Total Net Revenue	\$998,581	\$5,991,484	\$5,991,484	\$5,991,484
Total Operating Expenses ⁵	\$1,136,277	\$5,857,494	\$5,857,494	\$5,857,494
Net Income/(Loss)	\$(137,696)	\$133,990	\$114,447	\$113,892

The balance sheets for both MultiCare Health System and Cottage in the Meadow are summarized below. To ensure that MultiCare has adequate resources to fund the project, the historical balance sheets were provided. To ensure the project is financially feasible, the balance sheet projections for Cottage in the Meadow were provided. [source: Application, Exhibit 8 and March 13, 2025, screening response Exhibit 19]

Department's Table 4
MultiCare Health System Historical Balance Sheet Summary
Full Years 2021-2023

Assets	Full Year 2021	Full Year 2022	Full Year 2023
Current Assets	\$925,758	\$1,279,450	\$1,487,254
Other Assets	\$5,433,241	\$4,966,687	\$5,533,031
Total Assets	\$6,358,959	\$6,246,137	\$7,020,285
Liabilities	Full Year 2026	Full Year 2027	Full Year 2028
Current Liabilities	\$2,752,208	\$3,105,607	\$3,423,569
Net Assets	\$3,606,751	\$3,140,530	\$3,596,716
Total Liabilities & Capital	\$6,358,959	\$6,246,137	\$7,020,285

Department's Table 5
Cottage in the Meadow Projected Balance Sheet Summary
Partial Year 2025 and Full Years 2026-2028

Assets	Q4 2025	Full Year 2026	Full Year 2027	Full Year 2028
Current Assets	\$139,869	\$839,214	\$839,214	\$839,214
Other Assets	\$457,170	\$410,281	\$363,391	\$316,502
Total Assets	\$597,039	\$1,249,495	\$1,202,605	\$1,155,716
Liabilities	Q4 2025	Full Year 2026	Full Year 2027	Full Year 2028
Current Liabilities	\$158,970	\$349,897	\$349,897	\$349,897
Capital	\$438,069	\$899,597	\$852,708	\$805,819
Total Liabilities & Capital	\$597,039	\$1,249,495	\$1,202,605	\$1,155,716

⁵ Including depreciation and amortization

Department Evaluation

To evaluate this sub-criterion, the department reviewed MultiCare's financial assumptions and projections, including projected occupancy ramp-up, balance sheets, and payer mix. 'Total Net Revenue' reflects long-term care revenue after subtracting charity care and bad debt. 'Total Operating Expenses' include all costs related to operating the facility.

MultiCare projects a ramp-up to full occupancy (ADC 30) by December 2025 and sustained utilization through year three. After reviewing these assumptions, the department concludes the projections are reasonable. [source: March 13, 2025, screening response, Revised Exhibit 9]

Based on the occupancy percentages and payer mix identified above, MultiCare provided the projected revenues and expenses for Cottage in the Meadow for quarter 4 of 2025 and full years 2026 through 2028. MultiCare anticipates minor losses during the initial quarter but projects consistent profitability thereafter. Based on these projections, the department concludes that the project's immediate and long-term capital and operating costs can be met.

The department concludes that the project is financially feasible based on the information above and 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.

Chapter 246-310 WAC 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.

MultiCare Health System

The estimated capital expenditure is \$468,892, covering equipment and architectural fees. [source: Application, p16 and January 7, 2024, screening responses, p3] MultiCare will fund the project through owner equity, supported by a letter of financial commitment from James Lee, Executive Vice President, Population Based Care & CFO, confirming the availability of funds. [source: Application, Exhibit 7]

MultiCare also provided projected average per diem charges for each of the first three years of operation, with additional detail on their calculation submitted during screening. [source: January 7, 2024, screening response, p7]

"The Per Diem revenue assumptions are based on CMS locality-specific rates and the expected case mix and patient acuity. For the Medicare rates, these are based on comparison of similar facilities in Yakima County from the data available through the CMS cost reports. For the Medicaid rates, these are based on the 70th Percentile across all SNFs from the July 2024 rate data. The 70th Percentile was chosen based on the expected patient acuity and the types of services being provided."

Applicant's Table

Table 6: Projected Per Diem Net Revenue by Payer			
	Year 1	Year 2	Year 3
Private Pay			
Medicaid	\$363.99	\$363.99	\$363.99
Medicare	\$633.20	\$633.20	\$633.20
VA			
Other-Specify			

**Years 1-3 are years 2026-2028*

Department Evaluation

The projected payer mix and reimbursement rates are grounded in CMS and DSHS ALTSA data and reflect standard industry assumptions. The applicant affirmed that the facility will not restrict admission based on payer source.

Based on the submitted information and analysis, the department concludes that the project is not expected to have an unreasonable impact on the cost or charges for health services in Yakima County. **This sub-criterion is met.**

(3) The project can be appropriately financed.

Chapter 246-310 WAC 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.

MultiCare Health System

The capital expenditure associated with this project is broken out below:

**Department's Table 6
Capital Expenditure for Cottage in the Meadow**

Item	Cost
Equipment Total	\$454,892
Architect Fees	\$14,000
Total Estimated Capital Cost	\$468,892

The entire amount will be funded through owner equity. A letter of financial commitment from James Lee, Executive Vice President and CFO, dated August 19, 2024, affirms that the funds are available. [source: Application, p30 and Exhibit 7]

Department Evaluation

MultiCare will finance all capital and startup costs using owner equity. The department reviewed MultiCare's audited financial statements through year-end 2023, which show reserves exceeding \$3.5 million, a more than sufficient amount to support this project's financial needs.

Based on the reviewed documentation, the department concludes the project is appropriately financed. **This sub-criterion is met.**

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

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

Chapter 246-310 WAC does not include specific criteria under WAC 246-310-230(1), nor are there recognized standards under WAC 246-310-200(2)(a)(ii) and (b) regarding staffing patterns or full-time equivalents (FTEs) for projects of this type and size. Therefore, the department uses its experience and expertise to evaluate the applicant's staffing proposal and assess the likelihood of adequate staffing availability.

MultiCare Health System

MultiCare provided the FTE staffing table on the following page for this facility. [source: January 7, 2025, screening response, Revised Exhibit 9]

Applicant's Table

MultiCare Yakima Skilled Nursing Facility Staffing (Revised)				
FTE Schedule				
Productive FTEs	<u>2025 Q4</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Months	3	12	12	12
Registered Nurse	2.80	4.20	4.20	4.20
LPN	2.80	4.20	4.20	4.20
Nurses Aides & Assistants	8.75	13.13	13.13	13.13
Unit Manager RN	1.40	1.40	1.40	1.40
Infection Prevention LPN/LVN	1.00	1.00	1.00	1.00
Nursing Total	16.75	23.93	23.93	23.93
Dietitians	Contracted	Contracted	Contracted	Contracted
Dining Services Director	1.00	1.00	1.00	1.00
Cook	1.50	1.50	1.50	1.50
Aides	1.40	2.10	2.10	2.10
Dietary Total	3.90	4.60	4.60	4.60
Administrator	1.00	1.00	1.00	1.00
Admissions	1.00	1.00	1.00	1.00
Business Office Manager	1.00	1.00	1.00	1.00
Recreation Coordinator	1.00	1.00	1.00	1.00
Recreation Assistant	0.50	0.50	0.50	0.50
Medical Director	Contracted	Contracted	Contracted	Contracted
MDS Coordinator	1.00	1.00	1.00	1.00
Receptionist	1.00	1.00	1.00	1.00
Director of Nursing	1.00	1.00	1.00	1.00
Housekeeping/Maintenance	1.00	1.50	1.50	1.50
Laundry	1.00	1.50	1.50	1.50
Administration Total	9.50	10.50	10.50	10.50
Physical Therapist	Contracted	Contracted	Contracted	Contracted
Occupational Therapist	Contracted	Contracted	Contracted	Contracted
Speech Therapy	Contracted	Contracted	Contracted	Contracted
Pharmacist	Contracted	Contracted	Contracted	Contracted
Medical Records	1.00	1.00	1.00	1.00
Social Worker	1.00	1.00	1.00	1.00
Central Supply	1.00	1.00	1.00	1.00
Plant Operations	1.00	1.00	1.00	1.00
All others total	4.00	4.00	4.00	4.00
Non-Productive FTEs	2.44	3.07	3.07	3.07
Total Staffing	34.15	43.03	43.03	43.03

To address recruitment and retention, the applicant provided the following statement: [source: January 7, 2025, screening response, p13]

“For recruitment, Avalon posts across the relevant hiring portals for a given local market. This includes posting job advertisements on Indeed, ZipRecruiter, Glassdoor, and Monster, and hosting job fairs for the initial round of hirings. Depending on the success of these early hiring efforts,

sign-on and referral bonuses will be offered and/or increased to attract workers. Furthermore, through internal tools, Avalon is able to accelerate the hiring process, tracking time from applicant response, to interviews, to time to hire. This minimizes applicant attrition which can occur during a lengthy hiring process.

For retention, Avalon first collects data on employee attitudes and opinions to understand how it is performing as an organization and facility from an employee's perspective. New hires are surveyed on Day 14, 30, 60, and 90 to track satisfaction, workplace integration, and onboarding effectiveness. Employees are then surveyed semi-annually throughout the rest of their tenure. These include both numerical as well as free form responses, which are reviewed by Avalon's Regional HR department so it can address concerns and celebrate successes. Avalon benchmarks its employee satisfaction and other metrics against national levels to understand its performance both at the organizational and facility level.

To ensure its employees are compensated commensurate with the local market conditions in which they live and work, Avalon reviews its wage and salary schedules semi-annually for market competitiveness. Benefit levels are similarly reviewed on an annual basis. Lastly, Avalon provides for continuing education and employee training, and through application of the nine-box talent matrix, works to identify managerial talent and promote from within."

Department Evaluation

MultiCare submitted a staffing plan that projects an increase in FTEs during the first full year of operation, which is expected for a new facility. The staffing plan appears reasonable, and steady staffing levels are projected for subsequent years.

Staff recruitment and retention will be managed by Avalon. The applicant's outlined strategies, including job posting platforms, onboarding surveys, wage benchmarking, and internal promotion practices, are consistent with industry standards and appropriate for the local labor market.

Based on the information reviewed, the department concludes that Cottage in the Meadow is likely to maintain adequate staffing and is capable of recruiting qualified staff for the nursing home. **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.

Chapter 246-310 WAC does not define specific criteria under WAC 246-310-230(2), nor are there recognized standards under WAC 246-310-200(2)(a)(ii) and (b) for assessing ancillary service relationships for Medicare-certified and Medicaid-eligible facilities. The department therefore relies on its experience and expertise, evaluating the applicant's historical compliance at other owned or operated facilities.

MultiCare Health Services

To demonstrate compliance, MultiCare provided the following statement: [source: Application, p36]

"MultiCare is an existing provider of inpatient, hospice, and other healthcare services in Yakima

County, and has established relationships with ancillary and support vendors which it will utilize with the proposed facility.”

Additionally, MultiCare submitted a Medical Director Agreement Template, noting: “*As a template, this document does not include Medical Director compensation, which we have assumed will equal about \$4,167.19 per month based on expected contract rates.*” [source: March 13, 2025, screening response, p5]

MultiCare also submitted a management agreement between MultiCare Yakima Memorial Hospital and Avalon Care Center – Cottage in the Meadow, LLC, effective September 1, 2024, with an initial five-year term and automatic annual renewals.

Site control is confirmed through a deed held by Yakima Valley Memorial Hospital Association, which is wholly owned by MultiCare. [source: Application, p31 and Exhibit 4]

Department Evaluation

Management Agreement

Information within the application demonstrates that Cottage in the Meadow will be managed by Avalon Care Center. To demonstrate compliance with this sub-criterion, MultiCare provided a copy of the draft Management Agreement Interim Sublease and Management Agreement. [source: Application, Exhibit 2]

Under the agreement, Avalon will serve as the manager, employing all facility staff and providing full operational oversight. The agreement includes a five-year initial term with annual renewals and allows termination after year three. Compensation includes a base management fee of 6% of net revenues and a performance-based incentive. The Operator (MultiCare) retains licensure responsibility and is responsible for funding ongoing operations. The agreement outlines required insurance coverage, dispute resolution through arbitration, and compliance with confidentiality, HIPAA, and quality standards, establishing a structured and accountable operational framework for the facility.

Warranty Deed

The site is owned by Yakima Valley Memorial Hospital Association, which, in turn, is 100% owned by MultiCare Health System. Since the site is owned outright, there are no lease costs associated with this project.

Medical Director Agreement

MultiCare also provided a Medical Director Agreement Template. Because it is a template, the effective date, term, and name of the medical director are unknown. Other key items not included in the template have been provided by the applicant, most notably the medical director compensation of \$4,167.19 per month, which is also reflected in the financials provided by the applicant. Should this project be approved, the department would add a condition requiring the applicant to provide an executed Medical Director agreement that is substantially consistent with the template agreement provided in the application, with costs consistent with the “Management Agreement” line item in the projected financials.

MultiCare has not identified an individual as the medical director for Cottage in the Meadow. If this project is approved, the department would attach a condition requiring the applicant to identify the medical director and provide their credentials for department review.

With agreement to the conditions referenced above, the department concludes there is reasonable assurance that Cottage in the Meadow will establish and maintain appropriate ancillary and support services in the community. **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.

Chapter 246-310 WAC does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2)(a)(i). There are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the applicant's history in meeting these standards at other facilities owned or operated by the applicant.

MultiCare Health Services

The applicant provided the following statements related to this sub-criterion. [source: Application, pp36-37]

"The proposed facility will be managed by Avalon, whose corporate support team provides award-winning support services to its managed facilities to will ensure the care center can provide high-quality care for its patients from the start. Person-centered care will be provided in in all areas of service and in compliance with Medicare and Medicaid Certification and Licensing Standards and Avalon's policies, procedures, and compliance standards, including rules and/or standards issued by the Centers for Medicare and Medicaid Services (CMS).

Avalon's corporate consultant staff have developed standard clinical protocols in all areas of long-term care and for federal and state certification. This will directly benefit the proposed facility as part of its management services. Policies and procedures meet State and Federal Medicaid/Medicare certification and VA standards. In addition, the proposed facility will benefit from Avalon's established Corporate Compliance Plan, overseen by the Corporate Legal Officer and approved by its Board of Directors. We include a letter from the Avalon's Compliance Officer explaining the proposed facility will operate in compliance with applicable State and Federal rules and regulations in Exhibit 10.

Each facility also holds a "Triple Check" meeting prior to Medicare billing each month to ensure billing accuracy. Avalon contracts with a third-party company to host an anonymous compliance hotline. The phone number for this hotline will be posted throughout the facility and on pocket cards. The Administrator provides training during employee orientation, in daily meetings, and in regularly scheduled staff meetings. Employees also read and sign a Code of Conduct and an employee handbook annually. Employee files are audited upon completion of orientation and routinely thereafter.

Avalon and the proposed facility will utilize key compliance processes such as internal audits, corporate audits, and the QAPI process to manage risk and achieve and surpass regulatory

compliance, legal, and accreditation goals. These are supported by Avalon's core competency of managing and using systems and processes. Each of the measures in these individual processes have thresholds. Any measure outside of its threshold is assessed for a potential action plan. Avalon's goal each year is to have zero regulatory deficiencies, no adverse legal action, and no concerns that could create a barrier for accreditation.

Department Evaluation

As part of this review, the department must determine whether the proposed services would be delivered in a manner that ensures safe and adequate care to the public. To assess this, the department reviewed the quality-of-care compliance history for all healthcare facilities owned, operated, or managed by MultiCare Health System. Because Avalon Care Center will manage Cottage in the Meadow, Avalon's compliance history is also included in this evaluation.

MultiCare currently owns or manages 19 facilities in Washington State, none of which are nursing homes. Avalon operates 16 nursing facilities across five states. [source: Application, pp10-12]

Washington State Survey Data

The Department of Social and Health Services surveys skilled nursing facilities and determines the scope and severity of a citation using a grid.⁶ To understand the scope and severity of the citations issued for facilities associated with MultiCare or Avalon, the grid is recreated below.

Table 1 Survey Deficiency Score: SFF Weights for Different Types of Deficiencies			
Severity	Scope		
	Isolated	Pattern	Widespread
Immediate jeopardy to resident health or safety	J - 50 points (75 points)	K - 100 points (125 points)	L - 150 points (175 points)
Actual harm that is not immediate jeopardy	G - 10 points	H - 20 points (25 points)	I - 30 points (35 points)
No actual harm with potential for more than minimal harm that is not immediate jeopardy	D - 2 points	E - 4 points	F - 6 points (10 points)
No actual harm with potential for minimal harm	A - 0 point	B - 0 points	C - 0 points

[source: <https://www.cms.gov/Medicare/Provider-Enrollment-and-Certification/CertificationandCompliance/downloads/SFFSCORINGMETHODOLOGY.pdf>]

CMS Survey Data

The department also reviewed national data from the Centers for Medicare and Medicaid Services (CMS) Quality, Certification & Oversight Reports (QCOR) website. Since MultiCare does not operate nursing homes, the review focused on the 19 Avalon-affiliated facilities. The table below summarizes the survey findings.

⁶ Also defined in [WAC 388-97-4500](#)

Department's Table 7
Avalon-Affiliated Nursing Home Facilities

Facility Name	State	Fiscal Years Surveyed	Total # of Surveys	Citations Issued
Franciscan Post-Acute Care Center	California	2022, 2023, 2024, 2025	60	D, E, H, G
San Luis Care Center	California	2022, 2023, 2024, 2025	44	D, E, G
Avalon Care Center- Honolulu, L.L.C.	Hawaii	2022, 2023, 2024, 2025	9	D, E, F, G
Avalon Care Center- Portland	Oregon	2022, 2023, 2024, 2025	10	D, E, F
Avalon Care Center - Scappoose, LLC	Oregon	2022, 2023, 2024, 2025	8	E, F, G
William E. Christoffersen Salt Lake Veterans Home	Utah	2022, 2023, 2024,	4	D, E
George E. Wahlen Ogden Veterans Home	Utah	2022, 2023, 2024, 2025	5	D, G, J
Mervyn Sharp Bennion Central Utah Veterans Home	Utah	2022, 2023, 2024, 2025	4	D, E, F, G
Southern Utah Veterans Home-Ivins	Utah	2023, 2024	2	D
Avalon Care Center – Federal Way, L.L.C.	Washington	2022, 2023, 2024, 2025	55	B, D, E, F
Grays Harbor Health & Rehabilitation Center	Washington	2022, 2023, 2024, 2025	44	C, D, E, F, G
Benson Heights Rehabilitation Center	Washington	2022, 2023, 2024, 2025	62	B, D, E, F, G
Avalon Health and Rehabilitation Center- Pasco	Washington	2022, 2023, 2024, 2025	45	D, E, F, G
Avalon Care Center at Northpointe	Washington	2022, 2023, 2024, 2025	35	D, E, F,
Avalon Healthcare - Bellingham	Washington	2022, 2023, 2024, 2025	48	D, E, F, I, J
Avalon Healthcare - Tacoma	Washington	2022, 2023, 2024, 2025	58	C, D, E, F, G

As noted in the table above, the Avalon-affiliated nursing homes have experienced several Washington State surveys for fiscal years 2022 through 2025.

As shown, all facilities received at least one survey with citations. Most citations were categorized as isolated or a pattern with no actual harm (Levels D & E). Eleven facilities received at least one Level F citation, indicating widespread deficiencies with potential for harm. Two facilities received Level J citations, denoting isolated incidents that posed immediate jeopardy to resident health or safety.

- **George E. Wahlen Ogden Veterans Home** received two J-level citations⁷ in February 2025 and achieved substantial compliance following one follow-up visit. The facility is currently listed as in compliance.
- **Avalon Healthcare – Bellingham** received one J-level citation⁸ in March 2023. After one follow-up visit, the facility was found in compliance. Since then, ten surveys have resulted in additional citations, the most recent being a G-level citation⁹ in April 2025. The facility is currently listed as in compliance.

CMS assigns a one- to five-star rating in three categories to evaluate nursing home performance:

1. **Health Inspection Rating:** This rating is based on the three most recent health inspections and complaint investigations. Inspections are conducted by trained, objective inspectors who assess compliance with Medicare and Medicaid minimum quality standards. More recent findings are weighted more heavily than those from prior years.
2. **Staffing Rating:** This rating reflects the average number of hours of care provided per resident each day by nursing staff. It accounts for the varying levels of resident care needs. Facilities serving residents with higher acuity levels are expected to provide more staff time than those with lower acuity populations.
3. **Quality Measure Rating:** Based on 15 physical and clinical indicators, this rating evaluates how well nursing homes are meeting residents' physical and clinical care needs. These measures include factors such as pressure ulcers, falls, and rehospitalizations.

Each of these ratings contributes to a facility's overall star rating, providing a complete picture of care quality.

CMS Star Rating for Washington State Facilities

As of May 28, 2025, CMS ratings for Avalon-affiliated nursing homes in Washington are as follows:

**Department's Table 8
CMS Star Ratings**

Facility Name	CMS Number	CMS Star Rating
Avalon Care Center – Federal Way, L.L.C.	505510	2
Grays Harbor Health & Rehabilitation Center	505016	5
Benson Heights Rehabilitation Center	505519	2
Avalon Health and Rehabilitation Center- Pasco	505126	1
Avalon Care Center at Northpointe	505496	1
Avalon Healthcare - Bellingham	505510	2
Avalon Healthcare - Tacoma	Pending	n/a
Avalon Care Center – Federal Way, L.L.C.	Pending	n/a

⁷ J Citations - F0600 and F0609

⁸ J Citation - F0600

⁹ G Citation - F0686

Of the six Avalon-operated facilities with available data, five have star ratings of one or two. These composite ratings reflect CMS assessments across the three inspection areas: Health Inspections, Staffing, and Quality measures.

Since the Cottage in the Meadow is not yet operational, no clinical staff are currently in place. MultiCare projects 34.15 FTEs during the start-up period, increasing to 43.03 FTEs in full years one through three. If this project is approved, the department will attach a condition requiring the applicant to provide the name and professional license number for the FTEs that are hired at Cottage in the Meadow prior to providing services.

Given the compliance history of the two applicant members, if this project is approved, the department would attach a condition to ensure the applicant's commitment to conformance with state and federal requirements. With agreement to the above conditions, the department concludes that there is reasonable assurance the proposed facility will meet applicable state licensing and federal participation requirements. **This sub criterion is met.**

(4) The proposed project will promote continuity in the provision of health care, not result in an unwarranted fragmentation of services, and have an appropriate relationship to the service area's existing health care system.

Chapter 246-310 WAC does not contain specific WAC 246-310-230(4) criteria as identified in WAC 246-310-200(2)(a)(i). Similarly, there are no recognized state or national standards, as referenced in WAC 246-310-200(2)(a)(ii) and (b), to define or measure service fragmentation or appropriate relationships with the existing system for a project of this type and scale. Therefore, the department relied on its expertise to evaluate the information submitted.

MultiCare Health System

The applicant provided the following statements to address this sub-criterion. [source: Application, pp37-38]

"As an existing provider of inpatient, hospice, and other healthcare services along the health care continuum in Yakima County, MultiCare will ensure continuity of care for skilled nursing patients at the proposed facility. We include an example hospital transfer agreement in Exhibit 11 and discharge/continuity of care policies in Exhibit 12."

Public Comments

Paul Emmans III, DO, MultiCare Yakima Memorial Hospital

"Approving MultiCare's application will not only enhance the continuity of care for our patients but also alleviate the burden on our hospitals, freeing up resources for those in acute need. This expansion is a critical step towards improving healthcare access and outcomes in Yakima County."

Department Evaluation

In response to this criterion, MultiCare emphasizes its role as an existing provider of various healthcare services in Yakima County. The applicant also highlights a commitment to seamless integration within the healthcare system by providing a draft hospital transfer agreement and the discharge/continuity of care policies that will be used at Cottage in the Meadow.

Based on this information, the department concludes that approval of this project would promote continuity in the provision of health care for the planning area and would not result in an unwarranted fragmentation of services. **This sub-criterion is met.**

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

Department Evaluation

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 the applicant's agreement to the conditions identified in the conclusion section of this evaluation, the department determines that MultiCare has met the cost containment criteria in WAC 246-310-240.

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

To determine if a proposed project is the best alternative, the department takes a multi-step approach. Step one determines if the application has met the other criteria of WAC 246-310-210 through 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 Chapter 246-310 WAC related to the specific project type. Since MultiCare is the only applicant that submitted a project for the planning area, superiority criteria will not be evaluated for this project.

MultiCare Health System

MultiCare identified the two options that were considered for this project; do nothing, or the project as submitted. [source: Application, pp39-40]

- Option One: Repurpose the 20-bed hospice house facility into a 32-Bed Skilled Nursing Facility—The Project
- Option Two: Do Nothing, leaving the hospice house facility idle

The applicant also provided the following tables, comparing the two options in terms of promoting availability, or access to healthcare services; promoting quality of care; promoting cost and operating efficiency; and legal restrictions.

Applicant's Tables

Table 7. Alternatives Analysis: Promoting Access to Healthcare Services.	
Option:	Advantages/Disadvantages:
Option One Establish a 32-Bed SNF in Yakima County—The Project	<ul style="list-style-type: none"> Preserves access to facility-based hospice services and helps meet need for additional skilled nursing beds based on the Department's numeric need methodology (Advantage, "A")
Option Two Do nothing	<ul style="list-style-type: none"> Would do nothing to improve access for Skilled Nursing beds (Disadvantage ("D")). Would reduce access for facility-based hospice care. (D) Without additional capacity, some patients may have to delay or not receive care altogether. (D)

Table 8. Alternatives Analysis: Promoting Quality of Care.	
Option:	Advantages/Disadvantages:
Option One Establish a 32-Bed SNF in Yakima County—The Project	<ul style="list-style-type: none"> Residents of the Planning Area would have increased access to skilled nursing services--this improves quality and continuity of care. (A)
Option Two Do nothing	<ul style="list-style-type: none"> Without sufficient access to skilled nursing services, this will harm quality of care, and it can also lead to preventable emergency room visits or hospitalizations. (D)

Table 9. Alternatives Analysis: Cost Efficiency and Capital Impacts.	
Option:	Advantages/Disadvantages:
Option One Establish a 32-Bed SNF in Yakima County—The Project	<ul style="list-style-type: none"> Limited capital expenditures are necessary. (A) Repurposes a facility which would otherwise sit empty; a more efficient use of scarce capital (A) Improved access prevents unnecessary emergency room and hospitalization visits. (A)
Option Two Do nothing	<ul style="list-style-type: none"> Least costly with respect to capital expenditures. (A) However, results in idle facility which does nothing to improve access to skilled nursing and facility-based hospice services. A lack of sufficient access to these services leads to increased use of more expensive alternatives (emergency room utilization, hospitalization, etc.). (D)

Applicant's Tables

Table 10. Alternatives Analysis: Staffing Impacts.	
Option:	Advantages/Disadvantages:
Option One Establish a 32-Bed SNF in Yakima County—The Project	<ul style="list-style-type: none"> As an urban area with proximate colleges such as WSU College of Nursing in Yakima and Central Washington University in Ellensburg, there is a concentration of skilled healthcare professionals in Yakima. (A). Competitive market in demand for healthcare professionals. (D) Admissions would be balanced with available staff (Neutral, "N")
Option Two Do nothing	<ul style="list-style-type: none"> No impact. (N)

Table 11. Alternatives Analysis: Legal Restrictions.	
Option:	Advantages/Disadvantages:
Option One Establish a 32-Bed SNF in Yakima County—The Project	<ul style="list-style-type: none"> This option requires certificate-of-need approval. (N)
Option Two Do nothing	<ul style="list-style-type: none"> There are no legal implications with this option. (A)

Department Evaluation

This project has met the review criteria in the applicable sections of WAC 246-310-210, WAC 246-310-220, and WAC 246-310-230. Therefore, the department reviews the proposed alternatives by the applicant.

Information provided in the application demonstrated that the applicant considered one alternative to the proposed establishment of a 32-bed nursing home facility. The rejection of “do nothing” was appropriate given the large amount of need demonstrated by the applicant to existing within the planning area. Option one is the superior choice. It addresses the need for more skilled nursing beds in Yakima County, maintains hospice care access, and enhances care quality and continuity by reducing emergency room visits and hospitalizations. It is also cost-efficient, using the existing facility with minimal capital expenditure and avoiding inefficiencies of an idle building. While staffing challenges remain, Yakima's proximity to healthcare education institutions aids recruitment. In contrast, Option Two does not improve access, quality, or efficiency, leaving a vital community resource underutilized.

The department did not identify any other alternatives that would be considered equal or superior to the applicant’s rationale for the addition of beds. Based on the source information evaluated, the department concludes that **this sub-criterion is met.**

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

- (a) The costs, scope, and methods of construction and energy conservation are reasonable; and
- (b) The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.

Department Evaluation

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

MultiCare Health Services

The applicant provided the following statements in response to this sub-criterion. [source: Application, pp40-41]

“Through the repurpose of what was previously a hospice house, MultiCare is able to establish a new 32-bed Skilled Nursing Facility in Yakima County and help meet the need for additional SNF beds in Yakima. We expect the capital costs for the proposed project to include \$468,892 in equipment and architect fees, which is orders of magnitude below the cost of a typical new facility construction. A comparable example to the proposed project is the 36-bed facility proposed by Soundcare, Inc in Pierce County in 2022. This 36-bed facility was estimated to cost over \$18 million. There is, quite simply, no more cost-effective way to increase access to SNF services in Yakima County.”

Public Comments

Jonathan Orwin, MD, physician at MultiCare Yakima Memorial Hospital.

“The facility’s modern amenities and dedicated staff make it an ideal setting for providing high-quality care.”

Department Evaluation

This project has the potential to improve delivery of nursing home services to the residents of Yakima County and surrounding communities. The department is satisfied the project is appropriate and needed. **This sub-criterion is met.**

Appendix A

2024-2026 Nursing Home Bed Methodology

Three Year Summary
Nursing Home Bed Projections
40 beds per 1,000 population 70 and Older



COUNTY NAME	YEAR	PROJECTED 70+ Y.O. POPULATION	PROJECTED 40 BEDS/ 1,000 POP.	CURRENT LICENSED # OF BEDS	CURRENT BED/ POP. RATIO	# OF BEDS OVER/ (UNDER) TARGET RATIO	# OF BEDS NEEDED TO REACH TARGET RATIO	COUNTY'S PERCENTAGE OF STATEWIDE AVAILABLE NEED PER WAC 246-310- 360(4)(b)(ii)	ADJUSTED ESTIMATED BED NEED PER WAC 246-310-360
WASHINGTON STATE	2024	985,912	39,436	20,317	637	(19,119)	19,138		
	2025	1,026,081	41,043	20,317	615	(20,726)	20,743		
	2026	1,073,044	42,922	20,317	592	(22,605)	22,619		
ADAMS	2024	1,773	71	89	50	18	0	0.000%	0
	2025	1,799	72	89	49	17	0	0.000%	0
	2026	1,859	74	89	48	15	0	0.000%	0
ASOTIN	2024	4,422	177	90	20	(87)	87	0.454%	(87)
	2025	4,586	183	90	20	(93)	93	0.450%	(93)
	2026	4,806	192	90	19	(102)	102	0.452%	(102)
BENTON	2024	25,653	1,026	364	14	(662)	662	3.460%	(662)
	2025	26,714	1,069	364	14	(705)	705	3.397%	(704)
	2026	27,946	1,118	364	13	(754)	754	3.333%	(753)
CHELAN/DOUGLAS	2024	19,204	768	272	14	(496)	496	2.593%	(496)
	2025	19,992	800	272	14	(528)	528	2.544%	(527)
	2026	20,922	837	272	13	(565)	565	2.497%	(565)
CLALLAM	2024	19,242	770	346	18	(424)	424	2.214%	(423)
	2025	19,788	792	346	17	(446)	446	2.148%	(445)
	2026	20,193	808	346	17	(462)	462	2.041%	(461)
CLARK/SKAMANIA	2024	69,190	2,768	757	11	(2,011)	2,011	10.506%	(2,009)
	2025	72,546	2,902	757	10	(2,145)	2,145	10.340%	(2,143)
	2026	76,377	3,055	757	10	(2,298)	2,298	10.160%	(2,297)
COLUMBIA	2024	938	38	23	25	(15)	15	0.076%	(15)
	2025	973	39	23	24	(16)	16	0.077%	(16)
	2026	997	40	23	23	(17)	17	0.075%	(17)
COWLITZ	2024	17,366	695	393	23	(302)	302	1.576%	(301)
	2025	17,842	714	393	22	(321)	321	1.546%	(320)
	2026	18,573	743	393	21	(350)	350	1.547%	(350)
FERRY	2024	1,700	68	0	0	(68)	68	0.355%	(68)
	2025	1,815	73	0	0	(73)	73	0.350%	(73)
	2026	1,843	74	0	0	(74)	74	0.326%	(74)
FRANKLIN	2024	7,561	302	108	14	(194)	194	1.016%	(194)
	2025	8,007	320	108	13	(212)	212	1.023%	(212)
	2026	8,450	338	108	13	(230)	230	1.017%	(230)
GARFIELD	2024	485	19	0	0	(19)	19	0.101%	(19)
	2025	488	20	0	0	(20)	20	0.094%	(20)
	2026	500	20	0	0	(20)	20	0.088%	(20)
GRANT	2024	11,173	447	239	21	(208)	208	1.086%	(208)
	2025	11,626	465	239	21	(226)	226	1.090%	(226)
	2026	12,195	488	239	20	(249)	249	1.100%	(249)
GRAYS HARBOR	2024	13,285	531	308	23	(223)	223	1.167%	(223)
	2025	13,803	552	308	22	(244)	244	1.177%	(244)
	2026	14,215	569	308	22	(261)	261	1.152%	(260)
ISLAND	2024	18,008	720	112	6	(608)	608	3.179%	(608)
	2025	18,615	745	112	6	(633)	633	3.050%	(632)
	2026	19,113	765	112	6	(653)	653	2.885%	(652)
JEFFERSON	2024	10,446	418	94	9	(324)	324	1.692%	(324)
	2025	10,924	437	94	9	(343)	343	1.653%	(343)
	2026	11,226	449	94	8	(355)	355	1.570%	(355)
KING	2024	238,446	9,538	5,811	24	(3,727)	3,727	19.474%	(3,723)
	2025	248,037	9,921	5,811	23	(4,110)	4,110	19.816%	(4,107)
	2026	259,446	10,378	5,811	22	(4,567)	4,567	20.190%	(4,564)
KITSAP	2024	42,227	1,689	1,115	26	(574)	574	3.000%	(574)
	2025	43,925	1,757	1,115	25	(642)	642	3.095%	(641)
	2026	46,056	1,842	1,115	24	(727)	727	3.215%	(727)
KITITITAS	2024	6,211	248	74	12	(174)	174	0.912%	(174)
	2025	6,400	256	74	12	(182)	182	0.877%	(182)
	2026	6,657	266	74	11	(192)	192	0.850%	(192)
KLICKITAT	2024	4,524	181	0	0	(181)	181	0.946%	(181)
	2025	4,772	191	0	0	(191)	191	0.920%	(191)
	2026	5,001	200	0	0	(200)	200	0.884%	(200)
LEWIS	2024	14,036	561	261	19	(300)	300	1.570%	(300)
	2025	14,456	578	261	18	(317)	317	1.529%	(317)
	2026	14,857	594	261	18	(333)	333	1.473%	(333)

Three Year Summary
Nursing Home Bed Projections
40 beds per 1,000 population 70 and Older



COUNTY NAME	YEAR	PROJECTED 70+ Y.O. POPULATION	PROJECTED 40 BEDS/ 1,000 POP.	CURRENT LICENSED # OF BEDS	CURRENT BED/ POP. RATIO	# OF BEDS OVER/ (UNDER) TARGET RATIO	# OF BEDS NEEDED TO REACH TARGET RATIO	COUNTY'S PERCENTAGE OF STATEWIDE AVAILABLE NEED PER WAC 246-310- 360(4)(b)(ii)	ADJUSTED ESTIMATED BED NEED PER WAC 246-310-360
WASHINGTON STATE	2024	985,912	39,436	20,317	637	(19,119)	19,138		
	2025	1,026,081	41,043	20,317	615	(20,726)	20,743		
	2026	1,073,044	42,922	20,317	592	(22,605)	22,619		
LINCOLN	2024	2,325	93	0	0	(93)	93	0.486%	(93)
	2025	2,390	96	0	0	(96)	96	0.461%	(96)
	2026	2,455	98	0	0	(98)	98	0.434%	(98)
MASON	2024	12,545	502	211	17	(291)	291	1.519%	(291)
	2025	13,057	522	211	16	(311)	311	1.501%	(311)
	2026	13,499	540	211	16	(329)	329	1.454%	(329)
OKANOGAN	2024	7,799	312	152	19	(160)	160	0.836%	(160)
	2025	8,118	325	152	19	(173)	173	0.833%	(173)
	2026	8,463	339	152	18	(187)	187	0.825%	(186)
PACIFIC	2024	6,040	242	60	10	(182)	182	0.949%	(181)
	2025	6,319	253	60	9	(193)	193	0.929%	(193)
	2026	6,499	260	60	9	(200)	200	0.884%	(200)
PEND OREILLE	2024	3,024	121	0	0	(121)	121	0.632%	(121)
	2025	3,182	127	0	0	(127)	127	0.614%	(127)
	2026	3,315	133	0	0	(133)	133	0.586%	(133)
PIERCE	2024	103,860	4,154	2,320	22	(1,834)	1,834	9.585%	(1,833)
	2025	108,065	4,323	2,320	21	(2,003)	2,003	9.654%	(2,001)
	2026	113,810	4,552	2,320	20	(2,232)	2,232	9.869%	(2,231)
SAN JUAN	2024	5,124	205	85	17	(120)	120	0.627%	(120)
	2025	5,390	216	85	16	(131)	131	0.630%	(130)
	2026	5,570	223	85	15	(138)	138	0.609%	(138)
SKAGIT	2024	23,234	929	458	20	(471)	471	2.463%	(471)
	2025	24,095	964	458	19	(506)	506	2.438%	(505)
	2026	25,031	1,001	458	18	(543)	543	2.402%	(543)
SNOHOMISH	2024	94,358	3,774	1,772	19	(2,002)	2,002	10.463%	(2,000)
	2025	98,858	3,954	1,772	18	(2,182)	2,182	10.521%	(2,181)
	2026	105,068	4,203	1,772	17	(2,431)	2,431	10.746%	(2,429)
SPOKANE	2024	72,496	2,900	1,686	23	(1,214)	1,214	6.343%	(1,213)
	2025	75,325	3,013	1,686	22	(1,327)	1,327	6.397%	(1,326)
	2026	78,801	3,152	1,686	21	(1,466)	1,466	6.481%	(1,465)
STEVENS	2024	8,876	355	172	19	(183)	183	0.957%	(183)
	2025	9,392	376	172	18	(204)	204	0.982%	(204)
	2026	9,747	390	172	18	(218)	218	0.963%	(218)
THURSTON	2024	43,084	1,723	794	18	(929)	929	4.856%	(928)
	2025	44,870	1,795	794	18	(1,001)	1,001	4.825%	(1,000)
	2026	46,636	1,865	794	17	(1,071)	1,071	4.737%	(1,071)
WAHIAKUM	2024	1,232	49	0	0	(49)	49	0.257%	(49)
	2025	1,294	52	0	0	(52)	52	0.250%	(52)
	2026	1,317	53	0	0	(53)	53	0.233%	(53)
WALLA WALLA	2024	9,326	373	322	35	(51)	51	0.267%	(51)
	2025	9,556	382	322	34	(60)	60	0.290%	(60)
	2026	9,828	393	322	33	(71)	71	0.314%	(71)
WHATCOM	2024	34,001	1,360	793	23	(567)	567	2.963%	(567)
	2025	35,417	1,417	793	22	(624)	624	3.007%	(623)
	2026	36,862	1,474	793	22	(681)	681	3.013%	(681)
WHITMAN	2024	4,101	164	135	33	(29)	29	0.152%	(29)
	2025	4,214	169	135	32	(34)	34	0.162%	(34)
	2026	4,393	176	135	31	(41)	41	0.180%	(41)
YAKIMA	2024	28,596	1,144	901	32	(243)	243	1.269%	(243)
	2025	29,431	1,177	901	31	(276)	276	1.332%	(276)
	2026	30,519	1,221	901	30	(320)	320	1.414%	(320)

Per WAC 246-310-360(4)(a) when the current statewide bed supply is greater than or equal
to the estimated bed need, then calculation of statewide need for new beds ends.