



STATE OF WASHINGTON
DEPARTMENT OF HEALTH

April 23, 2012

CERTIFIED MAIL # 7011 1570 0002 7802 6012

Richard Petrich, Vice President
Planning and Business Development
Franciscan Health System
1142 Broadway, #300
Post Office Box 2197
Tacoma, Washington 98402

Re: CN #11-32

Dear Mr. Petrich:

We have completed review of the Certificate of Need application submitted by Franciscan Health System proposing to establish a Medicare certified/Medicaid eligible home health agency in King County. For the reasons stated in this evaluation, the application submitted is consistent with applicable criteria of the Certificate of Need Program, provided Franciscan Health System agrees to the following in its entirety.

Project Description:

This project approves the establishment of a Medicare certified and Medicaid eligible home health agency to be known as Franciscan Home Health. The home health agency would be co-located with the hospice agency located at 2901 Bridgeport Way West in University Place, within Pierce County. Home health services to be provided include skilled nursing, medical social services, and a variety of therapies, including physical, occupational, and speech therapy.

Conditions:

1. Franciscan Health System agrees with the project description stated above.
2. Franciscan Health System's Medicare certified and Medicaid eligible home health agency shall be available to provide home health services to all residents of King County.
3. Before commencement of the project, Franciscan Health System will provide to the department for review and approval a final Admission Policy. The final Admission Policy must be consistent with the draft agreement provided in the application.
4. Before commencement of the project, Franciscan Health System will provide to the department for review and approval an executed Physician Employment Agreement. The executed Physician Employment Agreement must be consistent with the draft agreement provided in the application.

Approved Costs:

The approved capital expenditure for this project is \$70,429.

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

Mailing Address:

Department of Health
Certificate of Need Program
Mail Stop 47852
Olympia, WA 98504-7852

Other Than By Mail:

Department of Health
Certificate of Need Program
111 Israel Road SE
Tumwater, WA 98501

If you have any questions, or would like to arrange for a meeting to discuss our decision, please contact Janis Sigman with the Certificate of Need Program at (360) 236-2955.

Sincerely,



Steven M. Saxe, FACHE
Director, Health Professions and Facilities

Enclosure

**EVALUATION DATED APRIL 23, 2012, OF THE CERTIFICATE OF NEED
APPLICATION SUBMITTED BY FRANCISCAN HEALTH SYSTEM PROPOSING TO
ESTABLISH A MEDICARE CERTIFIED AND MEDICAID ELIGIBLE HOME
HEALTH AGENCY IN KING COUNTY**

APPLICANT DESCRIPTION

Franciscan Health System (FHS) is part of Catholic Health Initiatives, one of the largest not-for-profit health care systems in the United States. Catholic Health Initiatives does not have direct ownership or management of any FHS facilities. Through one of its subsidiaries, Catholic Health Initiatives operates 118 health care facilities in 22 states.

For Washington State, FHS is the subsidiary that owns or operates twelve health care facilities—five hospitals, three dialysis centers, a skilled nursing facility, an ambulatory surgery center, a Medicare certified hospice agency, and a hospice care center. The health care facilities are listed below. [source: CN historical files and Application, Appendix 1]

Hospitals

St. Elizabeth Hospital, Enumclaw
St. Anthony Hospital, Gig Harbor
St. Joseph Medical Center, Tacoma
St. Clare Hospital, Lakewood
St. Francis Hospital, Federal Way

Skilled Nursing Facility

Franciscan Care Center, Tacoma

Hospice Agency

Franciscan Hospice, University Place

Hospice Care Center

FHS Hospice Care Center, University Place

Dialysis Centers

Greater Puyallup Dialysis Center, Puyallup
St. Joseph Dialysis Facility, Tacoma
Gig Harbor Dialysis Center, Gig Harbor

Ambulatory Surgery Center

Gig Harbor Ambulatory Surgery Center

PROJECT DESCRIPTION

FHS proposes to establish a Medicare certified and Medicaid eligible¹ home health agency to serve King County under its hospice agency affiliate known as Franciscan Hospice. The home health agency would be co-located with the hospice agency located at 2901 Bridgeport Way West in University Place, within Pierce County. [source: Application, p4]

Home health services to be provided include skilled nursing, medical social services, and physical, occupational, and speech therapies. [source: Application, p8]

The capital expenditure associated with the establishment of the new home health agency is \$70,429. There is no construction required for this project. The \$70,492 capital expenditure is solely related to equipment (70%) and Certificate of Need review fees (30%). [source: Application, p25]

¹ A Medicare certified agency is also Medicaid eligible. For reader ease, the department will refer to the agency as Medicare certified.

If this project is approved, FHS anticipates commencement and completion within six months. Under this timeline, while the agency would become operational in year 2012, year 2013 would be the facility's first full calendar year of operation. [source: Application, p10]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need review as the establishment of a new healthcare facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

CRITERIA EVALUATION

WAC 246-310-200(1)(a)-(d) identifies the four determinations that the department must make for each application. WAC 246-310-200(2) provides additional direction in how the department is to make its determinations. It states:

“Criteria contained in this section and in WAC 246-310-210, 246-310-220, 246-310-230, and 246-310-240 shall be used by the department in making the required determinations.

(a) In the use of criteria for making the required determinations, the department shall consider:

- (i) The consistency of the proposed project with service or facility standards contained in this chapter;*
- (ii) In the event the standards contained in this chapter do not address in sufficient detail for a required determination the services or facilities for health services proposed, the department may consider standards not in conflict with those standards in accordance with subsection (2)(b) of this section; and*
- (iii) The relationship of the proposed project to the long-range plan (if any) of the person proposing the project.”*

In the event the WAC 246-310 does not contain service or facility standards in sufficient detail to make the required determinations, WAC 246-310-200(2)(b) identifies the types of standards the department may consider in making its required determinations. Specifically WAC 246-310-200(2)(b) states:

“The department may consider any of the following in its use of criteria for making the required determinations:

- (i) Nationally recognized standards from professional organizations;*
- (ii) Standards developed by professional organizations in Washington state;*
- (iii) Federal Medicare and Medicaid certification requirements;*
- (iv) State licensing requirements;*
- (v) Applicable standards developed by other individuals, groups, or organizations with recognized expertise related to a proposed undertaking; and*
- (vi) The written findings and recommendations of individuals, groups, or organizations with recognized expertise related to a proposed undertaking, with whom the department consults during the review of an application.”*

WAC 246-310 does not contain service or facility specific criteria for home health projects. To obtain Certificate of Need approval, each applicant must demonstrate compliance with the applicable criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-

310-230 (structure and process of care); and 246-310-240 (cost containment).² Consistent with WAC 246-310-200(2)(b), the home health agency projection methodology and standards found in the 1987 State Health Plan, Volume II, Section (4)(d) is used to assist in the evaluation of home health applications.

CONCURRENT REVIEW AND BACKGROUND INFORMATION ON TIMELINE

Applications for home health agencies are not submitted under a published concurrent review cycle. On January 12, 2011, Brookdale Senior Living (BSL) submitted an application to establish a Medicare certified home health agency in King County. Before the department could complete its pre-review activities on BSL's application, Kline Galland Center (KGC) submitted an application. Before the department could complete its pre-review activities on both BSL's and KGC's application, FHS submitted this application. Since all three applications proposed to establish Medicare certified home health services in King County, the department began to review all three projects concurrently. The concurrent review process promotes the expressed public policy goal of RCW 70.38 that the development or expansion of health care services is accomplished in a planned, orderly fashion and without unnecessary duplication.

During the concurrent review of the three home health projects, significant issues were raised related to two of the three. The department was preparing to issue its decision on the three projects. On February 16, 2012, one of the largest Medicare certified home health providers in King County—Swedish Visiting Nurse Services—announced that it is planning to close its home health and hospice services by the end of April 2012.³ Given the unusual circumstances of the upcoming closure of an existing home health agency, and the potential impact its closure would have on the patients currently served in King County, the department notified all three providers that it would bifurcate (separate) its review of the three applications. This process would allow the program to issue a decision on the application with no significant issues and declare a pivotal unresolved issue (PUI) on the other two projects.

APPLICATION CHRONOLOGY

Applications for home health agencies are not submitted under a published concurrent review cycle. Since all three applications propose to establish Medicare certified home health services in King County, the department began to review all three projects simultaneously. A chronologic summary of the review to date for all three applications is shown below.

² Each criterion contains certain sub-criteria. The following sub-criteria are not discussed in this evaluation because they are not relevant to this project: WAC 246-310-210(3), (4), (5), and (6) and WAC 246-310-240(2) and (3).

³ On March 5, 2012, Swedish Visiting Nurse Services notified the Certificate of Need Program that April 27, 2012 is the effective date of closure for the home health and hospice agency.

Action	Brookdale Senior Living	Kline Galland Home	Franciscan Health System
Letter of Intent Submitted	September 10, 2010	September 22, 2010	January 31, 2011
Application Submitted	January 12, 2011	February 7, 2011	May 12, 2011
Department's pre-review Activities including screening and responses	Beginning January 13, 2011 to July 21, 2011	Beginning February 8, 2011 to July 21, 2011	Beginning May 13, 2011 to July 21, 2011
Beginning of Review	July 22, 2011		
Public Hearing Conducted /End of Public Comment	September 22, 2011		
Rebuttal Comments Received	October 7, 2011		
Department's Anticipated Decision Date	November 21, 2011		
Department's Anticipated Decision Date w/ 30 days	December 21, 2011		
Department Bifurcates Applications	February 28, 2012		
Department Declares Pivotal Unresolved Issue (PUI)	March 15, 2012	N/A	March 12, 2012
Applicant Submits PUI Documents	March 30, 2012	N/A	March 16, 2012
Public Comments on PUI Documents ⁴	April 16, 2012	N/A	April 2, 2012
Rebuttal Comments on PUI Documents	May 1, 2012	N/A	April 17, 2012
Department's Anticipated Decision Date	June 15, 2012	March 30, 2012	June 1, 2012
Department's Actual Decision Date	Unknown at this time	March 15, 2012 ⁵	April 23, 2012

AFFECTED PERSONS

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

"...an interested person who:

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

For each application, the other applicants sought and received affected person status under WAC 246-310-010. Additionally, four existing Medicare certified home health providers sought and received affected person status.

⁴ Both Wesley Homes and Careage Home Health requested a copy of the PUI documents submitted by FHS. Neither submitted comments on the documents. As a result, FHS did not submit rebuttal comments.

⁵ CN #1466 was issued to the Kline Galland Center on April 2, 2012.

Careage Home Health [source: CHH website and CN historical files]

Careage Home Health (CHH) is located in 2424 - 156th Avenue Northeast in Bellevue, within King County. CHH has been operating as a Medicare certified home health agency in King County for approximately 17 years, first as Bessie Burton Sullivan Home Health and for the last three years as CHH. Home health services provided by CHH include skilled nursing, rehabilitation, and a variety of therapies. CHH's Medicare certified home health service area is King County.

MultiCare Health System [source: CN historical files]

In 2009, the MultiCare Health System's home health agency merged with Good Samaritan Home Health and Hospice to create MultiCare Home Health (MHH). The agency is located at 3901 Fife Street in Tacoma, within Pierce County. Home health services provided by MHH include skilled nursing, rehabilitation, and a variety of therapies. MHH's Medicare certified home health service area is King and Pierce counties.

Providence Senior and Community Services [source: CN historical files]

Under the Providence 'umbrella' is Providence Hospice and Home Care of Snohomish County (PHHC-SC) located at 2731 Wetmore Avenue in Everett. In 1986, the agency was known as Hospice of Snohomish County when it obtained its home health grandfathering status. Home health services provided by PHHC-SC include skilled nursing, rehabilitation, and a variety of therapies. PHHC-SC's Medicare certified home health service area is King and Snohomish counties.

Swedish Visiting Nurse Services [source: CN historical files]

In 2008, Swedish Health Services and Visiting Nurse Services of the Northwest combined their home health agencies, resulting in Swedish Visiting Nurse (SVN). The agency is located at 5701 - 6th Avenue South in Seattle, within King County. Home health services provided by SVN include skilled nursing, rehabilitation, and a variety of therapies. SVN's Medicare certified home health service area is King, Skagit, and Snohomish counties.⁶

⁶ In October 2011, SVN elected to discontinue services in Camano Island (Island County) which, for geographic reasons, has been, and continues to be, part of the Snohomish County home health service area.

FRANCISCAN HEALTH SYSTEM SOURCE INFORMATION REVIEWED

- Franciscan Health System's Certificate of Need application submitted May 12, 2011
- Franciscan Health System's supplemental information received July 15, 2011, and August 1, 2011
- Public comment received during the course of the review
- Public hearing documents submitted at the September 22, 2011, public hearing
- Brookdale Senior Living's rebuttal documents received October 7, 2011
- The Kline Galland Center's rebuttal documents received October 7, 2011
- Franciscan Health System's rebuttal documents received October 7, 2011
- Franciscan Health System's pivotal unresolved issue (PUI) documents received March 16, 2012
- Licensing and/or survey data provided by the Department of Health's Investigations and Inspections Office
- Data obtained from Franciscan Health Systems webpage [www.fhshealth.org]
- Certificate of Need historical files

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Franciscan Health System proposing to establish a new Medicare certified home health agency to serve the residents of King County is consistent with the applicable criteria of the Certificate of Need Program, provided Franciscan Health System agrees to the following in its entirety.

Project Description:

This project approves the establishment of a Medicare certified and Medicaid eligible home health agency to be known as Franciscan Home Health. The home health agency would be co-located with the hospice agency located at 2901 Bridgeport Way West in University Place, within Pierce County. Home health services to be provided include skilled nursing, medical social services, and a variety of therapies, including physical, occupational, and speech therapy.

Conditions:

1. Franciscan Health System agrees with the project description stated above.
2. Franciscan Health System's Medicare certified and Medicaid eligible home health agency shall be available to provide home health services to all residents of King County.
3. Before commencement of the project, Franciscan Health System will provide to the department for review and approval a final Admission Policy. The final Admission Policy must be consistent with the draft agreement provided in the application.
4. Before commencement of the project, Franciscan Health System will provide to the department for review and approval an executed Physician Employment Agreement. The executed Physician Employment Agreement must be consistent with the draft agreement provided in the application.

Approved Costs:

The approved capital expenditure for this project is \$70,429.

A. Need (WAC 246-310-210) and Home Health Need Method (SHP)

Based on the source information reviewed and provided that the applicant agrees to the conditions identified in the ‘conclusion’ section of this evaluation, the department concludes that Franciscan Health System’s project has met the need criteria in WAC 246-310-210(1) and (2) and the home health agency methodology and standards outlined in the 1987 State Health Plan, Volume II, Section (4)(d).

(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 does not contain specific WAC 246-310-210(1) need criteria as identified in WAC 246-310-200(2)(a)(i). To assist with the determination of numeric need for home health agencies, the department uses the numeric methodology contained in the 1987 Washington State Health Plan (SHP).

Home Health Numeric Methodology-1987 SHP

The SHP methodology is a multiple step process that projects the number of home health visits in a planning area. The method uses the following elements:

- projected population of the planning area, broken down by age groups [0-64; 65-70; & 80+];
- estimated home health use rates per age group; and
- the number of visits per age group.

The total projected number of visits is then divided by 10,000, which is considered the ‘target minimum operating volume’ for a home health agency. The resulting number represents the maximum projected number of agencies needed in a planning area. The SHP states fractions are rounded down to the nearest whole number. [source: SHP, pB-35]

The final step in the numeric methodology is to subtract the existing number of home health agencies in a planning area from the projected number of agencies needed. This results in the net number of agencies needed for the planning area.

Franciscan Health System

Using the SHP methodology, FHS determined the number of projected patient visits in King County for year 2013 to be 456,869. Dividing the projected number of visits by 10,000 and rounding down as directed in the methodology, FHS calculated a total of 45 agencies would be needed in King County in year 2013. [source: July 15, 2011, supplemental information, pp10-11]

FHS then identified 43 existing home health agencies—both Medicare certified and licensed only—are serving King County and subtracted those agencies from the year 2013 need of 45, resulting in a net need of 2 new agencies. [source July 15, 2011, supplemental information, p11] Below is a summary of FHS’s numeric methodology.

Table 1
Franciscan Health System's Year 2013 Numeric Methodology

	FHS
Total Number of Patient Visits	456,869
Divided by 10,000	45
Existing Number of Agencies	43
Net Need	2

The next portion of this evaluation will focus on the department's application of the numeric methodology and discuss differences provided by FHS.

Department's Numeric Methodology

The department used the SHP methodology to assist in determining need for home health agencies in King County. According to department records, there are a total 50 providers of healthcare services to the residents of King County. The 50 providers are listed in Table 2 below and continued on the following page.

Table 2
Health Care Agencies Serving King County

Name	City Location	Medicare Certified
Accredo Health Group	Kent	No
Alacrity Staffing Solutions	Seattle	No
Alliance Nursing	Woodinville	No
American Healthcare Services	Seattle	No
Amicable Health Care	SeaTac	No
Apria Healthcare Redmond	Redmond	No
Ashley House/Enumclaw	Enumclaw	No
Blossom Health Care	Kent	No
BrightStar Healthcare	Bellevue	No
Chesterfield Health Services, Inc.	Seattle	No
Children's Country Home	Woodinville	No
Community HH & Palliative Care	Tukwila	No
Coram Specialty Infusion Services	Redmond	No
Crista Senior Health Services	Shoreline	No
EKL Health	Woodinville	No
Family Resource Home Care	Seattle	No
Health at Home	Issaquah	No
Health Empowerment	Bellevue	No
Health People	Bellevue	No
Home Care Assistance	Bellevue	No
Home Care Associates	Seattle	No
Jodem Home Health Care	Bellevue	No
LinCare	Woodinville	No
Maxim Healthcare Services / 2branches	Bellevue / Seattle	No
New Care Concepts	Seattle	No
Providence Elder Place	Seattle	No
Providence Infusion & Pharmacy Services	Renton	No
Quest Health Care	Redmond	No

Name	City Location	Medicare Certified
Renton In Home Services Agency	Renton	No
ResCare HomeCare	Seattle	No
Right at Home	Seattle	No
Seattle Children's Hospital HC Services	Bothell	No
Visions Home Health Care	Kirkland	No
VOTO Health Care	Auburn	No
Walgreens Infusion and Respiratory Services	Tukwila	No
Wesley Homes Community Health Services	Des Moines	No
Wilderness Shores	Maple Valley	No
Careage Home Health	Bellevue	Yes
MultiCare Health System	Tacoma	Yes
Swedish Health Services	Mountlake Terrace	Yes
Amenity Home Health Care	Seattle	Yes
Evergreen Home Health and Hospice	Kirkland	Yes
Gentiva Health Services	Kent	Yes
Group Health Home Health and Hospice	Seattle	Yes
Harvard Partners	Kirkland	Yes
Heartland Home Health Care	Seattle	Yes
Highline Home Care Services	Tukwila	Yes
Providence Home Services	Renton	Yes
Sea Mar Community Health Centers	Seattle	Yes
Signature Home Health	Bellevue	Yes

The next step is to determine the whether the agencies are considered either licensed only or Medicare certified home health agencies. The department sent a utilization survey to each entity listed above. The survey requested specific information related to the provision of home health services in King County. Seven surveys were returned unopened/undeliverable. For those agencies, the department concluded they were no longer in business in Washington State, and they are not counted as available home health agencies.⁷

For the remaining 43 providers, the department determined 5 agencies do not provide home health services based on either the provider's response to the utilization survey or a review of the provider's website.⁸

For the remaining 38 providers, the department determined that they provide home health services, either Medicare certified or licensed only, to residents of King County. For some providers, services are provided to a select age group. Examples of this are Children's Country Home who provides services to pediatric patients only; and Health at Home, a licensed only agency that provides home health services to only residents of the Type A CCRC nursing home. While both of these examples are a select group, the numeric methodology includes both pediatric patients and residents of a CCRC, so the two providers in the example should appropriately be counted. The table below lists only the 38 home health agencies that will be counted in the department's numeric methodology.

⁷ The seven providers are Alacrity Staffing Solutions, Community HH and Palliative Care, EKL Health, Health Empowerment, Home Care Assistance, Renton In Home Services, and Highline Home Care Services.

⁸ The five providers are Accredo Health Group, Alliance Nursing, Providence Infusion & Pharmacy Services, Quest Health Care, and Helping Hands for the Disabled/Visions Home Health Care.

**Table 3
Health Care Agencies Serving King County**

Name	City Location	Medicare Certified	Comments
American Healthcare Services	Seattle	No	
Amicable Health Care	SeaTac	No	
Apria Healthcare Redmond	Redmond	No	Infusion Svcs
Ashley House/Enumclaw	Enumclaw	No	
Blossom Health Care	Kent	No	
BrightStar Healthcare	Bellevue	No	
Chesterfield Health Services, Inc.	Seattle	No	
Children's Country Home	Woodinville	No	Pediatric focus
Coram Specialty Infusion Services	Redmond	No	Infusion Svcs
Crista Senior Health Services	Shoreline	No	
Family Resource Home Care	Seattle	No	
Health at Home	Issaquah	No	
Health People	Bellevue	No	
Home Care Associates	Seattle	No	
Jodem Home Health Care	Bellevue	No	
LinCare	Woodinville	No	
Maxim Healthcare Services / 2branches	Bellevue / Seattle	No	
New Care Concepts	Seattle	No	
Providence Elder Place	Seattle	No	
ResCare HomeCare	Seattle	No	
Right at Home	Seattle	No	
Seattle Children's Hospital HC Services	Bothell	No	
VOTO Health Care	Auburn	No	
Walgreens Infusion and Respiratory Services	Tukwila	No	
Wesley Homes Community Health Services	Des Moines	No	
Wilderness Shores	Maple Valley	No	
Careage Home Health	Bellevue	Yes	
MultiCare Health System	Tacoma	Yes	
Swedish Health Services ⁹	Mountlake Terrace	Yes	
Amenity Home Health Care	Seattle	Yes	
Evergreen Home Health and Hospice	Kirkland	Yes	
Gentiva Health Services	Kent	Yes	
Group Health Home Health and Hospice	Seattle	Yes	
Harvard Partners	Kirkland	Yes	
Heartland Home Health Care	Seattle	Yes	
Providence Home Services	Renton	Yes	
Sea Mar Community Health Centers	Seattle	Yes	
Signature Home Health	Bellevue	Yes	

A summary of the department's methodology is presented below. Appendix A attached to this evaluation shows the complete methodology.

⁹ This evaluation includes Swedish Visiting Nurse Services as an existing agency because the agency will continue to be in operation through April 2012.

Table 4
Summary of Department of Health
King County Home Health Need Projection

	2012	2013	2014
Total Number of Patient Visits	450,195.93	456,897.76	463,600.20
Divided by 10,000	45.02	45.69	46.36
Rounded Down	45	45	46
Existing Number of Agencies	38	38	38
Net Need	7	7	8

As shown in the table above, need for an additional seven home health providers is projected in year 2012, which increases to eight in year 2014.

Careage Home Health provided comments related to the department’s numeric methodology that addresses all three applicants. Below is a summary of the comments received from Careage Home Health. [source: Careage Home Health public comments received September 22, 2011]

- The SHP Methodology is not a reliable predictor of numerical need for several reasons:
 - Since 1987 there have been tremendous changes in health care service delivery, population demographics, technology, and reimbursement, that renders the 1987 methodology unreliable.
 - The methodology does not distinguish between Medicare certified and licensed only providers.
 - 10,000 is the target minimum operating volume for home health agencies; but should not be a need predictor for more agencies.
 - Adding new agencies at the 10,000 visit mark does not encourage optimal use of existing resources (agencies) and prevent unnecessary duplication of providers.

All three applicants provided rebuttal statements to the comments provided by Careage Home Health. Since this evaluation focuses on only FHS’s project, only those rebuttal statements are summarized. Specifically, FHS stated that applicants for CN are directed to use the methodology in preparing their applications. FHS further asserts that the methodology is reasonable and to abandon it mid-course in a review would be prejudicial. [source: FHS rebuttal, p2]

Department’s Evaluation

The numeric methodology was created in the mid 1980’s and is still used by the CN Program for reviewing home health applications. While the methodology is old, it is not necessarily ineffective or unreliable. The CN Program has modified the methodology twice to make it a more reliable tool for applications reviewed in recent years. For example, a recent modification focuses on the number of existing home health agencies that are counted in the methodology. In past decisions for home health projects, the department has counted only those providers that are Medicare certified.¹⁰ The rationale for this approach was that

¹⁰ Both BSL and KGC submitted a methodology that subtracts only Medicare certified providers which is consistent with the Program’s past practice; but is no longer used.

licensed only providers were not available or accessible to all residents of a service area, and therefore should not be counted against an applicant proposing to serve all residents.

More recently, the CN Program determined that while a licensed only provider is not available to all residents of a service area, those providers serve some residents. Since the methodology is based on population in a service area, rather than only Medicare or Medicaid residents, all agencies that provide home health services, including those dedicated to pediatric patients only, should be acknowledged in the numeric methodology.

To abandon the current numeric methodology in favor of a different methodology would require, at a minimum, pre-notification to all potential applicants, or at a maximum, implementation of a rule making process. This action is inappropriate during the review of this home health application.

In conclusion, the numeric methodology is an effective tool with the modifications described above. Based solely on the numeric methodology, need for an additional 7 home health agencies is demonstrated in year 2012. As the department noted, the upcoming closure of Swedish Visiting Nurse Services would increase the need for an additional home health agency in King County by one in each forecast year.

As required under WAC 246-310-210(1), an applicant must also demonstrate that the existing providers are not available or accessible to meet the projected need. To complement its numeric need methodology, FHS provided the following statements. [source: Application, p13]

- Home health benefits patients and families by allowing the homebound patient to remain at home in familiar surroundings.
- Home health provides older patients with an enhanced sense of independence and control over their lives.
- The availability of home health services also increases the likelihood of a safe discharge to home from the hospital, reduces hospital readmission rates, provides continuity of care for patients, and often results in shorter stays in hospitals and other institutional care setting.
- FHS also states that key initiatives being implemented under health reform encourage care that is integrated across primary care, specialists, hospitals, home health agencies, and other providers.

In addition to the information provided above, the department received and reviewed five letters of support for FHS's project. The letters of support were submitted by members of the health system, such as FHS's Inpatient Team and FHS's Therapy Services.

Careage Home Health provided comments related to the availability and accessibility of the existing providers. The comments are summarized below. [source: Careage Home Health public comments received September 22, 2011]

- New agencies in King County will not seek to serve the 'un-served' home health patients that the methodology may suggest exists, but to merely shift patients from existing providers to a new provider.
- The applications do not take into account the recent approval of two new agencies in the county. Neither agency has met their projected utilization.

All three applicants provided rebuttal statements to the comments provided by Careage Home Health. The rebuttal statements from FHS are summarized below.

- There is sufficient need in the county for CHH to continue to grow. FHS’s entrance into the market should not reduce CHH’s volumes. [source: FHS rebuttal comments, pp2-4]

Department’s Evaluation

To assist in its evaluation of the availability of the existing providers, the department reviewed capacity and current patient volumes for the home health providers in the planning area. Of the 38 providers identified, 26 are “licensed only” agencies and 12 are Medicare certified agencies. On April 29, 2011, the department sent a utilization survey to the 38 agencies requesting 2010 home health utilization data, average daily census, and maximum capacity. Of the 38 surveys, responses were received from 10 home health providers.¹¹ Below is a summary of the survey responses received by the department.

**Table 5
Summary King County Home Health Patients and Visits for Year 2010**

Name	Medicare Certified	# of Patients for Full Capacity	ADC	Average # of visits/pt	Maximum Capacity¹²
Children’s Country Home	No	8 ¹³	4	24/7 care	8 pts
Jodem Home Health Care ¹⁴	No	Not provided	2	1	???
Evergreen Home Health	Yes	875	785	11	9,625
Gentiva Health Services ¹⁵	Yes	Not provided	678	19	???
Group Health HH & Hospice	Yes	4,500	1,000	15	67,500
Harvard Partners	Yes	25	33	? ¹⁶	375
Wesley Home Community Health Svcs	Yes	140	140	12.4	1,736
MultiCare Health System	Yes	700	413	13	9,100
Swedish Health Services	Yes	1,600	970	12.2	19,520
Signature Home Health	Yes	200	12.5	11.8	2,360

In addition to the information provided in the surveys, some of the providers identified in the table above also submitted comments in their utilization survey. Those comments are summarized below.

¹¹ When an agency does not return a utilization survey, the department concludes that agency has made the determination that the proposed project will either not impact them or any impact the proposed new agency will have is not significant.

¹² Maximum capacity in this table is calculated by multiplying the number of home health patients considered to be full capacity [question #6] by the average number of visits per patient [question #8].

¹³ Children’s Country Home provides 24/7 care to pediatric patients in their home. Total number of visits cannot be calculated on this data. Maximum capacity is 8 patients.

¹⁴ Jodem Home Health Care indicates that it provides one visit daily that lasts for 8 hours. Full capacity was not identified.

¹⁵ Gentiva serves King County through three branch offices located in Bellevue, Kent, and Seattle and did not identify full capacity for the agency.

¹⁶ Harvard Partners did not provide this data. Maximum capacity was calculated using an average of 15 visits per patient.

- Group Health HH & Hospice – services are provided to patients who are Group Health physician client based.
- Wesley Home Community Health Services – Many King County agencies are below the 10,000 visit per year benchmark. It does not appear that there is an inadequate number of agencies to meet the current Medicare patients in King County.
- Harvard Partners – CN #1434 issued December 2010. As of May 18, 2011, they are still waiting to receive Medicare number to begin services as a Medicare/Medicaid agency. Expecting to start providing those services in October 2011.
- Evergreen Home Health – We are able to admit patients within 1-2 days and at this time have been able to hire staff to meet the community need for home health services. From our perspective, additional agencies in King County are not needed at this time.
- Signature Home Health – King County has an ample supply of home health providers at present. Currently licensed providers can do a variety of services from intermittent skilled care to 24/hour non-skilled care. The greater challenge is to hire skilled and trained personnel to provide the services.
- MultiCare Health System – The department’s survey requests the number of home health visits the agency needs to break even. This agency states that it is not the number of visits, but the cost per visits that makes the difference in today’s market and the number of admitted patients [ADC].
- Gentiva Health Services – Gentiva has continued to recruit clinicians while maintaining low turnover. This allows us to consistently maintain capacity to provide care to patients in less than 48 hours from referral. We currently have clinicians that are under productivity. An additional provider in King County would decrease available work for our clinicians. Our size and pool of clinicians throughout King County allows us to provide exceptional services to our patients.
- Children’s Country Home – we use our home health license to provide 24 hour skilled nursing care to medically fragile, technology-dependent pediatric patients only. Our capacity is 8.
- Jodem Home Health Care – We partner with a couple of other home care agencies on a reciprocal basis and sometimes pay the other agency full fee for the caregiver.

In summary, all Medicare certified agencies that responded stated that there is no need for an additional Medicare certified home health agency in the county. One of the agencies—Harvard Partners—recently received CN approval and has yet to operate a full 12 months with Medicare certification.¹⁷ The two agencies that are not Medicare certified indicate that they provide services to a very select group of individuals in the county, which implies that approval of another home health agency would not negatively affect them.

The numeric methodology assumes that all 38 agencies operating in King County are providing at least 10,000 visits annually. Since only 10 of the 38 agencies provided a response to the utilization survey, it is difficult to determine how many of the 38 agencies are operating below 10,000 visits.

¹⁷ Although Amenity Home Health did not respond to the department’s utilization survey, this agency received CN approval at the same time as Harvard Partners—December 2010—and has yet to obtain Medicare certification and a Medicaid contract.

The table below shows the projected number of visits based on the department's methodology projections shown in Table 4 of this evaluation. Assuming all of the 38 agencies are providing 10,000 visits per year, the department subtracted 380,000 visits from the projections. The remainder is the un-served number of visits shown by year.

Table 6
Estimated Un-Services Visits for Years 2012 through 2014

Year	SHP Projected Number of Visits	Minus Existing Agency Visits	Un-served # of Visits
2012	450,196	380,000	(70,196)
2013	456,898	380,000	(76,898)
2014	463,600	380,000	(83,600)

The conclusions above assume all 38 agencies are providing 10,000 visits per year, and would continue to provide at least the same number of visits in year 2012, 2013, and 2014. Under this assumption, there are a projected 70,196 un-served visits in year 2012, increasing to 83,600 by the end of year 2014. The projected un-served visits do not take into account the closure of one of the largest home health providers in King County.

On April 2, 2012, Kline Galland Center (KGC) was issued CN #1466 approving the establishment of a Medicare certified home health agency in King County. The table below shows the projected un-served number of patients and subtracts both KGC's and FHS's projected number of visits in the first full year of operation.

Table 7
Estimated Un-Services Visits for Year 2014

Un-served # of Visits	Minus KGC # of Visits	Minus FHS # of Visits	Un-served # of Visits
(76,898)	4,500	3,236	(69,162)

As shown above, even with KGC's recent approval, the department calculates that there could be as many as 69,000 visits in year 2013 that would still be un-served if FHS was also approved. This demonstrates that the existing Medicare certified home health agencies could continue increasing patients and visits with additional providers in the planning area.

Based on the department's evaluation the department concludes that existing providers at their current capacity will not be sufficiently available to meet the projected need. **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.

FHS currently provides healthcare services to residents of Washington State through its nursing home, hospital, dialysis center, hospice agency, and hospice care center settings. To determine whether all residents of the service area would have access to the proposed home health services, the department requires applicants to provide a copy of its current or proposed admission policy. The admission policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and any assurances regarding access to treatment.

FHS provided a copy of its draft Admission Policy that would be used for the proposed home health agency. The draft policy includes the necessary language to demonstrate that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to FHS's services. The draft policy also provides FHS's home health admission criteria and outlines the process to be used for admission of patients appropriate for home health care.

To determine whether the elderly would have access or continue to have access to the proposed services, the department uses Medicare certification as the measure to make that determination.

FHS currently provides services to Medicare eligible patients through its nursing home, hospital, dialysis center, hospice care center, and hospice agency. For this project, a review of the policies and data provided in the application identifies the facility's financial pro forma includes Medicare revenues. Additionally, FHS provided the expected sources of revenue for the home health agency, which includes approximately 70% Medicare. [source: Application, p29 and August 1, 2011, supplemental information, Revised Attachment 3]

To determine whether low-income residents would have access to the proposed services, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination.

FHS currently provides services to Medicaid eligible patients through its nursing homes, hospitals, dialysis centers, hospice care center, and hospice agency. For this project, a review of the policies and data provided in the application identifies the facility's financial pro forma includes Medicaid revenues. Additionally, FHS provided the expected sources of revenue for the home health agency, which includes approximately 12% Medicaid. [source: Application, p29 and August 1, 2011, supplemental information, Revised Attachment 3]

A facility's charity care policy should confirm that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to healthcare services of the applicant. The policy should also include the process one must use to access charity care at the facility.

FHS provided a copy of its Department of Health approved charity care policy that outlines the process a patient uses to access charity care by FHS for all healthcare settings. The policy includes the necessary language to demonstrate that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to FHS's charity care. The policy outlines the process a patient must use to access charity care. Additionally, FHS included charity care as a deduction from revenue within its pro forma financial statements.

No public comments were submitted for this sub-criterion.

Department's Evaluation

FHS's current Charity Care Policy and draft Admission Policy meet this sub-criterion. Since the Admission Policy is in draft format, if this project is approved, the department would attach a condition requiring FHS to submit final Admission Policy for review and approval.

Provided that FHS would agree to the condition, the department concludes that all residents of the service area would have access to the proposed home health services. **This sub-criterion is met.**

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

Based on the source information reviewed and provided that the applicant agrees to the conditions identified in the ‘conclusion’ section of this evaluation, the department concludes that Franciscan Health Systems’ project has met the financial feasibility criteria in WAC 245-310-220.

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

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

To evaluate this sub-criterion, the department first reviewed the assumptions used by FHS to determine the projected number of patients and patient days it would serve for King County. It is noted that FHS submitted three separate applications for Medicare certified home health services in three separate counties: King, Kitsap, and Pierce. Services for each county would be provided through one agency co-located with its hospice agency in University Place, within Pierce County. FHS provided its assumptions to determine the financial feasibility of the agency as a whole, and then provided a breakdown of patients, patient days, revenues, and expenses for just the King County portion of the agency.

The assumptions used by FHS are summarized below. [source: July 15 2011, supplemental information, Attachment 2]

- In the development of the utilization projections, FHS excluded Group Health referrals because the majority of these patients would continue to be referred to Group Health even with the establishment of FHS’s home health agency.
- In 2010, FHS’s five hospitals discharged approximately 2,500 non-Group Health patients from Pierce, King, and Kitsap counties to home health. FMG clinics referred over 1,000 patients directly from the clinics to home health. Combined these referrals result in 3,500 non-Group Health home health referrals from FHS related facilities.
- To project the number of home health visits for the 3,500 patients, FHS used an average of 13 visits per patient. This average is based on 2008 home health survey data obtained by DOH in year 2009 for King County providers. The average number of visits ranged from 12 to 22, with several agencies in the 12-13 range.
- A 2.5% annual increase in referrals was factored in due to continued growth of FHS hospitals and clinics and pressures of health care reform to more efficiently provide care.
- Using the 2.5% annual growth, FHS projected number of visits for years 2012 through 2015. FHS projected to serve approximately 10% of the patients in year 2012; 20% in full year one (2013), 29% in 2014, and 45% in 2015.

- FHS assumed that 95% of the home health agency’s volumes would come from FHS related hospital or clinics and the remaining 5% would come from sources other than those.
- Using all of the assumptions stated above, FHS’s projected number of visits by year is shown below.¹⁸

Year	# of visits	# of visits retained by FHS	With 5% from non FHS referral
2013	48,999	9,760	10,274
2014	50,223	14,770	15,547
2015	51,479	23,166	24,385

- By the end of year three, the distribution of the projected number of visits by county is projected to correspond to the current hospital and FMG patient origin breakdown. This is 66% of the visits would be for Pierce County patients; 24% King County; and the remaining 10% Kitsap County. The number of patients and visits proposed to be served for King County alone is shown in the summarized revenue and expense table.

FHS used its existing hospitals and clinics as a basis for its home health agency, and excluded Group Health patients. FHS did not assume it would retain 100% of its home health referrals. FHS’s assumptions are reasonable.

If approved, FHS anticipates commencement and completion within six months of approval. Under this timeline, year 2012 would be a partial year of operation, and 2013 would be the facility’s first full calendar year of operation; 2015 would be year three. Focusing on King County only, FHS’s projected its patients and patient days, revenue, expenses, and net income per patient visit using calendar years.

During the review of this application, the department noted that FHS’s table showing the projected number of patients and patient days, broken down by type of visit, did not add to the total shown in the table. Given the impending closure of one the largest home health providers in the county and the potential access to care issues for patients, the department elected to declare a pivotal unresolved issue (PUI), rather than deny the FHS project in its entirety. On March 12, 2012, the department declared a PUI to allow FHS to correct its projections. FHS provided the PUI documents on March 16, 2012, and the department allowed for public comment and rebuttal comments focused on PUI information. Two providers—Wesley Homes and Careage Home Health—requested a copy of the PUI documents, but did not provide comments.

The table on the following page shows the projected patients and patient days for calendar year one (2012) through calendar year four (2015) based on the PUI documents. [source: March 16, 2012, PUI submission p2]

¹⁸ The referrals shown combine all three counties.

Table 8
Calendar Years 2012 through 2015 Projected Patients and Patient Days

	CY 2012 9 months	CY 2013 Full Year	CY 2014 Full Year	CY 2015 Full Year
# of Patients	124	249	336	454
# of Visits Per Patient	13	13	13	13
# of Home Health Visits ¹⁹	1,610	3,236	4,369	5,898

As shown in the table above, FHS anticipates a substantial increase in the number of patients and patient days from partial year 2012 to the end of full year one (2013). This initial increase is based, in part, on FHS's current presence in King County as a provider of healthcare services and the anticipated expansion of that presence. From full year one (2013) through years two and three, FHS anticipates a 35% increase in patients and patient days. FHS's projections appear to be reasonable.

FHS used its projected patients and patient days shown in the table above to prepare its pro forma income statements for the proposed home health agency. In its PUI documents, FHS clarified that its total number of visits was correct in its initial submission; therefore, no corrections were needed in the income statement. The table below provides a summary of the statements. [source: August 1, 2011, supplemental information, Revised Attachment 3]

Table 9
Calendar Years 2012 through 2013 Projected Revenue and Expense Statements

	CY 2012 9 months	CY 2013 Full Year	CY 2014 Full Year	CY 2015 Full Year
Net Revenue	\$ 272,699	\$ 363,597	\$ 490,856	\$662,656
Total Expenses	\$ 359,605	\$ 479,473	\$ 542,193	\$626,863
Net Profit /(Loss)	(\$ 86,906)	(\$ 115,876)	(\$ 51,337)	\$ 35,793
Net Revenue Patient Per Visit	\$169.38	\$ 112.36	\$ 112.35	\$ 112.35
Operating Expenses Per Patient Visit	\$223.36	\$ 148.17	\$ 124.10	\$ 106.28
Net Profit (Loss) Per Patient Visit	(\$ 53.98)	(\$ 35.81)	(\$ 11.75)	\$ 6.07

The 'Net Revenue' line item is gross revenue minus any deductions for charity care, bad debt, and contractual allowances. The 'Total Expenses' line item includes salaries and wages, depreciation, and allocated costs for the King County agency. As shown in the table above, FHS projected its revenues from King County patients would not begin covering its expenses in the end of full year three (2015).

FHS intends to co-locate the new home health agency with its hospice agency in Pierce County. The site has been leased by FHS since year 2004. FHS provided a copy of its lease agreement between FHS and Bridgeport Center, LLC. [source: Application, Exhibit 6] The pro forma Revenue and Expense Statements do not include a 'rent' line item for the home health agency. The rent amount is noted in the financial statements to be 'allocated costs' solely attributed to the home health agency's portion of the square footage of space allocated to it.

¹⁹ Numbers may not add due to rounding.

FHS identified Marilyn Pattison, MD as the medical director for the proposed home health agency and provided a signed and executed Physician Employment Agreement for the services. The agreement provided is stated to be effective on April 1, 2008, but is unsigned. As a result, the department would consider the agreement to be in draft format. The terms for the agreement are annual, with automatic annual renewals. It also identifies all roles and responsibilities of both FHS and the medical director. All costs associated with the medical director are identified in the agreement and King County's portion of the costs is substantiated in the pro forma Revenue and Expense Statements under the 'allocated costs' line item. [source: August 1, 2011, supplemental information, Revised Attachment 3]

In addition to the projected Revenue and Expense Statements, FHS provided the projected Balance Sheets using calendar years. Full year one, (2013) and three (2015) are shown below.²⁰ [source: August 1, 2011, Revised Attachment 5]

Tables 10
FHS King County Home Health Forecasted Balance Sheets
Calendar Year One - 2013

Assets		Liabilities	
Current Assets	\$ 114,312	Current Liabilities	\$ 336,900
Fixed Assets	\$ 19,807	Long Term Debt	\$ 0
Board Designated Assets	\$ 0	Equity	(\$ 202,781)
Total Assets	\$ 134,119	Total Liabilities and Equity	\$ 134,119

Calendar Year Three - 2015

Assets		Liabilities	
Current Assets	\$ 91,729	Current Liabilities	333,326
Fixed Assets	\$ 23,273	Long Term Debt	\$ 0
Board Designated Assets	\$ 0	Equity	(\$ 218,324)
Total Assets	\$ 115,002	Total Liabilities and Equity	\$ 115,002

As shown in the balance sheets above, FHS intends to operate the home health agency very lean, which is typical of this type of service. However it is clear that FHS would be financially stable through full calendar year 2015.

No public comments were submitted for this sub-criterion.

Department's Evaluation

Based on the source information above, the department concludes that the immediate and long range capital and operating costs of the project can be met. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-220(2) financial feasibility criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what an unreasonable impact on

²⁰ FHS noted that the balance sheets were created specifically for this Certificate of Need application. [source: July 15, 2011, supplemental information, p18]

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.

FHS identified the capital expenditure associated with this project to be \$70,429, which includes office equipment and CN review fees. Since the agency would be located within space at FHS’s hospice agency in University Place in Pierce County, there are no construction costs. [source: Application, p4]

FHS anticipates the majority of its revenue would come from Medicare. Medicare pays for home health care on a prospective payment system (PPS) basis. The table below shows the expected payer mix for the proposed home health agency. [source: Application, p29]

Table 11
FHS Home Health Agency Payer Mix

Payer Source	Percentage
Medicare	70%
Medicaid	12%
Commercial Insurance/All Other	18%
Total	100%

Since the applicant expects that majority of its payer source would be from Medicare, the proposed project is not expected to have any impact on the operating costs and charges for home health services in the planning area, because Medicare payments are prospective payments.

No public comments were submitted for this sub-criterion. Based on the above information, the department’s conclusion regarding this sub-criterion follows.

Department’s Evaluation

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

(3) The project can be appropriately financed.

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

FHS provided the following capital expenditure breakdown for the proposed project. [source: Application, p25]

Table 12
FHS Home Health Projected Capital Cost

Item	Cost	% of Total
Fixed and Moveable Equipment	\$ 49,428	70.2%
CN Application fees	\$ 21,001	29.8%
Total Project Cost	\$ 70,429	100.0%

FHS intends to finance the project through its reserves and submitted a letter of financial commitment from its chief financial officer. The letter confirms financial support for the project. FHS also provided a copy of its most recent audited financial statements (fiscal year 2009) for its parent corporation Catholic Health Initiatives’ demonstrating the financial capability to fund the project. [source: Application, Exhibit 11 and Appendix 1]

No public comments were submitted for this sub-criterion.

Department’s Evaluation

Based on the information, the department concludes the funding for this project is available. **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 concludes that Franciscan Health System’s project has met the structure and process of care criteria in WAC 246-310-230.

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

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs that should be employed for projects of this type or size.

As previously stated, FHS submitted three separate applications for Medicare certified home health services in three separate counties: King, Kitsap, and Pierce. Services for each county would be provided through one agency co-located with its hospice agency in University Place, within Pierce County. To demonstrate compliance with this sub-criterion, FHS submitted its projected number of FTEs (full-time equivalents) for King County patients only. The table on the following page summarizes FHS’s proposed FTEs for full years 2013 through 2015. [source: Application, p32]

Table 13
Franciscan Home Health Proposed FTEs Years 2013-2015

Staff	Year 1 2013	Year 2-2014 Increases	Year 3-2015 Increases	Total
Registered Nurse	1.10	0.30	0.30	1.70
Licensed Practical Nurse	0.50	0.10	0.20	0.80
Home Health Aide	1.00	0.30	0.30	1.60
Administrative	0.50	-0.10	0.00	0.40
Business/ Clerical	0.70	0.20	0.20	1.10
MSW/Therapies (Contracted)	0.60	0.10	0.10	0.80
Total FTE's	4.40	0.90	1.10	6.40

To further demonstrate compliance with this sub-criterion, FHS provided the following statements. [source: Application, p34]

“FHS is a well established, highly regarded health care provider in each of the communities for which we seek home health certification. Historically, FHS has not experienced any major difficulty recruiting personnel. Additionally, Franciscan Home Health will be sharing space, administration, and support staff with Franciscan Hospice and will likely also be able to utilize other staff from our hospice program in Pierce, King and Kitsap counties in our home program Therefore...we do not anticipate any significant problems recruiting.”

FHS identified Marilyn Pattison, MD as the medical director for the proposed home health agency and provided a draft Physician Employment Agreement between Franciscan Health System and Dr. Pattison. The draft employment agreement outlines the medical director’s roles and responsibilities and identifies the annual compensation for services. FHS also submitted CN applications to establish Medicare certified home health services in Pierce and Kitsap counties. Dr. Pattison is the proposed medical director for the home health agency, which would cover all three counties. Since the medical director position is a shared administrative position, FHS provide a breakdown of the medical director time for each county proposed to be served. [source: Application, Exhibit 3]

No public comments were submitted for this sub-criterion.

Department’s Evaluation

FHS provided a draft Physician Employment Agreement. If this project is approved, the department would attach a condition related to the Physician Employment Agreement. Provided that FHS would agree to the condition, the department that sufficient staffing is available or can be recruited. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(2) as identified in WAC 246-310-200(2) (a) (i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what relationships, ancillary and support services should

be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials contained in the application.

FHS is an existing provider of healthcare services in Pierce County, and surrounding areas. This project proposes to establish a home health agency to be co-located with its existing hospice agency located in University Place, in Pierce County.

To address the sub-criterion, FHS provided the following statements. [source: Application, p35]

“Given Franciscan Medical Group, and Franciscan Hospice’s existing operations throughout Pierce, King and Kitsap County, necessary relationships with ancillary and support services are already in place. For this reason, Franciscan Home Health does not anticipate any difficulty in meeting the service demands of the proposed project. In fact, because of our access to qualified physical therapists and other services, we are confident that we will advance the availability of select support services in the three counties we propose to serve”

No public comments were submitted for this sub-criterion.

Department’s Evaluation

Based on the information, the department concludes that there is reasonable assurance the proposed home health agency will have appropriate ancillary and support services. **This sub-criterion is met.**

- (3) *There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or Medicare program, with the applicable conditions of participation related to those programs.*

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2) (a) (i). There are known recognized standards as identified in WAC 246-310-200(2) (a) (ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. As part of its review, the department must conclude that the proposed service would be operated in a manner that ensures safe and adequate care to the public.²¹ 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.

FHS is a provider of a variety of health care services in Washington State. Currently FHS owns or operates 11 healthcare facilities in Pierce and King counties. The Department of Health’s Investigations and Inspections Office (IIO) conducts quality of care and compliance surveys. Records indicate that since 2007, IIO completed compliance surveys for each of FHS own or operated healthcare facilities. Each of the compliance survey revealed deficiencies typical for the facility and FHS submitted acceptable plans of corrections and implemented the required actions. Additionally, all five FHS’s hospitals currently are accredited by the Joint Commission. [source: facility survey data provided by the Investigations and Inspections Office and Joint Commission website]

²¹ Also WAC 246-310-230(5).

FHS identified Marilyn Pattison, MD an employee of the hospital as the medical director for the proposed home health agency. A review of Dr. Pattison's compliance history did not show any current or past enforcement actions. [source: Compliance history provided by Medical Quality Assurance Commission]

FHS also provided the following statements related to this sub-criterion.

- FHS will offer programs that provide continuing education credits for staff. Opportunities for continuing education include independent study, on-line learning, specialized conferences, formal courses, and a mentoring program.
- FHS will use Press Ganey, a nationally recognized vendor for Customer Satisfaction Survey and Performance Improvement to access customer satisfaction and quality improvement.

No public comments were submitted for this sub-criterion.

Department's Evaluation

Given the compliance history of Franciscan Health System, its subsidiaries, and its proposed medical director, the department concludes there is reasonable assurance FHS's home health agency would be operated in conformance with state and federal regulations. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(4) criteria as identified in WAC 246-310-200(2)(a)(i). There are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs how to measure unwarranted fragmentation of services or what types of relationships with a services area's existing health care system should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials in the application.

To demonstrate compliance with this sub-criterion, FHS provided the following statements. [source: Application, p36]

"Franciscan Home Health fully expects that our project will promote continuity in care delivery and support the needs of home health patients and their families. FHS, Franciscan Medical Group, and Franciscan Hospice already provide a wide range of inpatient and outpatient health care services throughout Pierce, King, and Kitsap counties. Because of this, we don't expect that offering home health services in these same counties will result in a need for additional agreements or contracts. Our existing comprehensive continuum of care has been an effective means of operating and has led to the provision of excellent, high quality, and comprehensive care. The expansion of the continuum to include home health will further our mission of fulfilling the total spiritual, emotional and physical needs of the patients we serve."

FHS also states that it intends to work with the existing home health providers in each of the three counties it proposes to serve to ensure that patients receive appropriate care in a timely manner. Additionally, nothing in the documents provided by FHS and reviewed by staff

suggests that approval of this project would change these relationships. [source: CN historical files]

No public comments were submitted for this sub-criterion.

Department's Evaluation

Based on the source information provided above, the department concludes that approval of this project would not cause unwarranted fragmentation of the existing healthcare system. **This sub-criterion is met.**

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

This sub-criterion is evaluated in sub-section (3) above, and no public comments were submitted for this sub-criterion for any of the three applications. Based on the above information, the department's concludes that **this sub-criterion is met.**

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

Based on the source information reviewed and the applicant's agreement with the conditions identified in the 'conclusion' section of this evaluation, the department concludes that Franciscan Health System's project has met the cost containment criteria in WAC 246-310-240.

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

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

If the project met the applicable criteria, the department would move to step two in the process and assess the other options the applicant or applicants considered prior to submitting the application under review. If the department determines the proposed project is better or equal to other options the applicant considered before submitting their application, the determination is either made that this criterion is met (regular or expedited reviews), or in the case of projects under concurrent review, move on to step three.

Step three of this assessment is to apply any service or facility specific criteria (tie-breaker) contained in WAC 246-310. The tiebreaker criteria are objective measures used to compare competing projects and make the determination between two or more approvable projects which is the best alternative. If WAC 246-310 does not contain any service or facility criteria as directed by WAC 246-310-200(2)(a)(i), then the department would look to WAC 246-310-240(2)(a)(ii) and (b) for criteria to make the assessment of the competing proposals. If there are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b), then using its experience and expertise, the department would assess the competing projects and determine which project should be approved.

Franciscan Health System

Step One

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

Step Two

Before submitting this application, FHS considered and rejected only the option of ‘do nothing’ or status quo. FHS states that despite having a number of quality home health providers in the county, FHS has increasing experienced delays and problems in discharging certain patient types to home health. Care Management staff at FHS provided documentation intended to demonstrate that the specific types of patients identified below were experiencing the most delays in referral. [source: July 15, 2011, supplemental information, pp20-22]

- **Patients requiring specific staff**

Delays in referral are commonly in the areas of wound care and therapies. The agency that would generally accept the referral is not typically staffed to meet the care needs of this type of patient, resulting in delays until the appropriate staff is available.

- **Patients with no insurance or ‘less desirable’ insurance source**

If a patient has no insurance, they are considered a charity care patient. Some of the agencies are slow to accept charity care patients with heavy care needs. Some insurers are considered ‘less desirable’ because they may be slow to reimburse. Some agencies are reluctant to accept a lot of patients with this type of insurer.

- **Patients who are ‘non-compliant’ with the recommended treatment**

If a patient is non-compliant with the recommended treatment, they may require more frequent visits to ensure appropriate treatment is provided. Agencies may not be staffed to provide the extra visits required for these patients.

FHS intends to ensure care for all of the difficult to place patients referenced above. There were no public comments submitted related to this sub-criterion or these assertions by FHS.

Step Three

Since the three home health projects were separated they are not undergoing concurrent review. As a result, step three is not evaluated under this sub-criterion for this project.

Department’s Evaluation

Taking into account the results of the numeric need methodology, the letters of support, and the information above, the department concludes that the establishment of a Medicare certified home health agency by FHS is the best alternative for the community. Based on the source information reviewed and the applicant’s agreement to the conditions identified in the ‘conclusion’ section of this evaluation, **this sub-criterion is met.**