



STATE OF WASHINGTON
DEPARTMENT OF HEALTH

August 22, 2013

CERTIFIED MAIL # 7011 1570 0002 7802 8355

Dan Dietz, President and CEO
CHI National Home Care
1700 Edison Drive, #300
Milford, Ohio 45150

RE: CN App #13-13

Dear Mr. Dietz:

We have completed review of the Certificate of Need application submitted by Catholic Health Initiative National Home Care proposing to establish a Medicare certified and Medicaid eligible home health agency in Pierce County. For the reasons stated in this evaluation, the application is consistent with applicable criteria of the Certificate of Need Program, provided Catholic Health Initiative National Home Care agrees to the following in its entirety.

Project Description:

Catholic Health Initiative National Health Care (CHI NHC) application proposes to establish a new Medicare certified home health agency to be known as CHI NHC Pierce Home Health. The new CHI NHC Pierce Home Health would share office space and administrative/support services with the existing Franciscan Hospice agency located at 2901 Bridgeport Way West in University Place, within Pierce County. The new agency intends to provide at least home health aide services, short term and intermittent skilled nursing care, physical therapy, occupational therapy, and speech therapy services to patients in their place of residence

Conditions:

1. Approval of the project description as stated above. Catholic Health Initiatives National Home Care 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. Prior to providing home health services, Catholic Health Initiatives National Home Care will provide an executed copy of the admission for care and services policy for the department's review and approval. The executed admission for care and services policy must be consistent with the draft provided in the application
3. Prior to providing home health services, Catholic Health Initiatives National Home Care will provide an executed copy of the charity care, uninsured/underinsure patient discount policy



Dan Dietz, President and CEO
CHI National Home Care
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- for the department's review and approval. The executed charity care, uninsured/underinsured patient discount policy must be consistent with the draft provided in the application
4. Prior to providing services, Catholic Health Initiatives National Home Care will provide an executed copy of the lease agreement for the department's review and approval. The executed lease agreement must be consistent with the draft copy provided in the application.
 5. Prior to providing home health services, Catholic Health Initiatives National Home Care will provide an executed copy of the medical director agreement provided within the application for the department's review and approval. The executed medical directors agreement must be consistent with the draft provided in the application

Approved Costs:

The approved capital expenditure associated with this project is \$97,984 and is solely related to moveable equipment and Certificate of Need review fees.

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 AUGUST 22, 2013, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY CATHOLIC HEALTH INITIATIVES NATIONAL HOME CARE PROPOSING TO ESTABLISH A MEDICARE CERTIFIED AND MEDICAID ELIGIBLE HOME HEALTH AGENCY IN PIERCE COUNTY

APPLICANT DESCRIPTION

Catholic Health Initiatives National Home Care (CHI NHC) is a wholly owned subsidiary of Catholic Health Initiatives (CHI). CHI is the parent entity of Franciscan Health System (FHS). [Source: Application page 1] CHI through its subsidiaries owns or operates home health agencies, hospitals and other allied healthcare services throughout the United States. Information within the application shows that in Washington, FHS owns or operates five hospitals, a medical group, ambulatory center, dialysis centers, and a hospice care center, and a hospice agency¹. Listed below are the healthcare facilities located in Washington State own or operated by Franciscan Health System. [Source: Application, page 1 and Exhibits 1 and 2]

Hospitals

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

Dialysis Centers

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

Hospice Care Center

FHS Hospice Care Center

Ambulatory Surgery Center

Gig Harbor Ambulatory Surgery Center

PROJECT DESCRIPTION

CHI NHC application proposes to establish a new Medicare certified² home health agency to be known as CHI NHC Pierce Home Health. The new CHI NHC Pierce Home Health would share office space and administrative/support services with the existing Franciscan Hospice agency located at 2901 Bridgeport Way West in University Place, within Pierce County. [Source: Application, page 5]

CHI NHC Pierce Home Health proposes to provide home health aide services, short term and intermittent skilled nursing care, physical therapy, occupational therapy, and speech therapy services to patients in their place of residence. [Source: Application, pages 5-7]

The estimated capital expenditure associated with the establishment of CHI NHC Pierce Home Health is \$97,984, which is solely related to moveable equipment and CN review fees. [Source: Application, page 19]

¹ On June 1, 1999, CN#905 was issued to the hospice agency. This CN was relinquished by FHS a few years later without action.

² A Medicare certified agency is also Medicaid eligible, therefore, the term “Medicaid eligible will not be repeated throughout this evaluation. Those agencies that are Washington State licensed but not Medicare certified will be referred to as “licensed only.”

CHI NHC anticipates it would be providing home health services to Pierce County residents by January 2015. Under this timeline, the agency first full calendar year of operation is 2015 and year three is 2017. [Source: Supplemental information received March 4, 2013]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need review as the establishment of a new health care 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).

EVALUATION CRITERIA

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

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

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

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

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

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

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

WAC 246-310 does not contain service or facility standards for home health agencies. To obtain Certificate of Need approval, CHI NHC 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); 246-310-240 (cost containment).³ 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.

TYPE OF REVIEW

The department did not receive any other application for the planning area therefore; this application was reviewed under the regular schedule published under WAC 246-310-110.

APPLICATION CHRONOLOGY

Action	CHI NHC
Letter of Intent Submitted	June 21, 2012
Application Submitted	December 21, 2012
Department’s pre-review activities including screening and responses	December 22, 2012 through March 12, 2013
Beginning of Review	March 13, 2013
End of Public Comment <ul style="list-style-type: none"> • public comments accepted through the end of public comment • No public hearing requested or conducted 	April 16, 2013
Rebuttal Comments ⁴	May 1, 2013
Department's Anticipated Decision Date	June 18, 2013
Department's Actual Decision Date	August 22, 2013

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.”

No entities sought and received affected person status for this project⁵.

³ 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)

⁴ No public comments were submitted during the review of this project. As a result, CHI NHC did not provide rebuttal comments.

⁵ For this project, MultiCare Health Systems and Puget Sound Home Health Agency two Medicare certified and Medicaid eligible home health agencies located within Pierce County sought and received interested persons status, but did not provided public comments. Neither entity qualifies for affected person’s status under WAC 246-310-010

SOURCE INFORMATION REVIEWED

- Catholic Health Initiatives National Home Care application received December 21, 2012
- Catholic Health Initiatives National Home Care supplemental information received March 1, 2013
- Completed provider utilization surveys received from existing Pierce County home health providers for calendar year 2011
- Population data obtained from the Office of Financial Management based on year 2010 census and published May 2012.
- 1987 Washington State Health Plan Performance Standards for Health Facilities and Services, Home Health methodology and standards
- Licensing and survey data provided by the Department of Health's Investigations and Inspections Office
- Licensing and compliance history data provided by the Department of Health's Medical Quality Assurance Commission
- <http://www.jointcommission.org/> -- Joint Commission website

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Catholic Health Initiatives National Home Care proposing to establish a Medicare certified and Medicaid eligible home health agency to serve the residents of Pierce County is consistent with applicable criteria of the Certificate of Need Program, provided Catholic Health Initiatives National Home Care agrees to the following in its entirety.

Project Description

Catholic Health Initiative National Health Care (CHI NHC) application proposes to establish a new Medicare certified home health agency to be known as CHI NHC Pierce Home Health. The new CHI NHC Pierce Home Health would share office space and administrative/support services with the existing Franciscan Hospice agency located at 2901 Bridgeport Way West in University Place, within Pierce County. The new agency intends to provide at least home health aide services, short term and intermittent skilled nursing care, physical therapy, occupational therapy, and speech therapy services to patients in their place of residence

Conditions

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Approved Capital Costs:

The approved capital expenditure associated with this project is \$97,984 and is solely related to moveable equipment and Certificate of Need review fees.

CRITERIA DETERMINATIONS

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

Based on the source information reviewed and provided the applicant agrees to the conditions stated in the ‘conclusion’ section of this evaluation, the department determines Catholic Health Initiatives National Home Care 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 criteria. 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.

CHI NHC

The applicant stated because CN rules do not contain specific home health methodology, it did not prepare a need methodology. Instead, it relied on the need methodology the department developed and used to evaluate the Certificate of Need application submitted by Franciscan Health System proposing to establish a home health agency in Pierce County in March 2012. [Source: Application, page 10] Below is a summary of the need methodology provided by CHI NHC.

**Table 1
Summary of CHI NHC’s 2015 Need Projections**

County	2015 Estimated Home Health Agency Need	Existing # of Medicare Certified /Medicaid Eligible Agencies	Net Need
Pierce	18.4	13.0	5.0

Based on its assessments CHI NHC concluded there is need for five additional home health agencies in Pierce County.

Department’s Numeric Methodology

The department used the SHP methodology to assist in determining need for home health agencies in Pierce County. There are 13 home health agencies currently providing services to the residents of Pierce County. The 13 home health agencies are listed below.

Name	Address	City
Advanced Healthcare	9116 Gravelly Lake Drive	Tacoma
Catholic Community Services of Western Washington	1323 Yakima Avenue	Tacoma
Northwest Medical Specialties, PLLC	1624 South I Street #305	Tacoma
On Your Own	1602 Peach Park Lane	Tacoma
ResCare Home Care	747 St. Helen Avenue	Tacoma
Right At Home In Home Care & Assistance	1702 S 72 nd Street #E	Tacoma
Gentiva Health Services	4020 S 56 th , #101	Tacoma
Puget Sound Home Health	1906 S 74 th Street, Suite 101	Tacoma
Group Health Home and Community Services	201-16 th Ave, E-CMB, C-140	Seattle
Signature Home Health	1510 – 140 th Avenue	Bellevue
LifeCare at Home of Washington	505 Cedar Avenue, B #1	Marysville
Wesley Homes at Home, LLC	815 South 216 th Street	Des Moines
MultiCare Good Samaritan Home Health	315 MLK Jr. Way	Tacoma

Of the 13 home health agencies, seven⁶ are Medicare certified providers and the remaining six agencies are licensed only providers. All 13 agencies provide home health services in Peirce County and are counted in the numeric methodology.

A summary of the department’s methodology is presented in the table below. The complete methodology is Appendix A attached to this evaluation.

**Table 2
Summary of Department of Health
Pierce County Home Health Need Projection**

	2013	2014	2015	2016
# Total Patient Visits	173,461.67	176,652.91	179,844.82	183,870.35
Divided by 10,000	17.35	17.67	17.98	18.39
Rounded down	17	17	17	18
Existing Home Health Agencies	13	13	13	13
Net Need per SHP	4	4	4	5

As shown in Table 2 above, need for four additional Medicare certified agencies is projected in year 2013, which increases to five in year 2016. Based solely on the numeric methodology need for an additional home health agency in Pierce County is demonstrated

⁶ Gentiva Health Services, Puget Sound Home Health, Group Health Home and Community Services, Signature Home Health, LifeCare at Home of Washington, Wesley Homes at Home, LLC, and MultiCare Good Samaritan Home Health.

In addition to the numeric methodology, an applicant must also demonstrate that existing providers would not be available and accessible to meet the projected need. To demonstrate that an unmet need exists, CHI NHC presented some of the planning area providers Medicare visits and stated, *“We have used data from the CN Program’s 2012 evaluation, the latest data available, for total agency volumes. We understand that the Department includes the licensed only agencies, however, by definition, these agencies are not “available” to the patients we proposed to serve because they do not provide care to Medicare and Medicaid patients”*. [Source: Application, page 16] Below is the Medicare visit data provided by the applicant.

**Table 3
Pierce County Certified Home Health Agencies Medicare Visits**

Medicare Certified Agencies	Medicare Only Visits
Gentiva Health Services/Tacoma	37,110
Group Health Home Health & Hospice	14,428
LifeCare at Home of Washington	No Data
MultiCare Health System	40,752
Puget Sound Home Health	27,991
Signature Home Health	20,523
Wesley Homes	6,414

Using the information from the table above, CHI NHC concluded Pierce County is not adequately served. CHI NHC supported this position with the following statements.

“Feedback from our sister organization’s discharge planners, referral specialist, and nursing staff has identified several key difficulties with home health referral. Many agencies are designed for Medicare patients, so it can be challenging to find an agency that will accept non-Medicare patients. Agencies are also often limited in the amount of physical therapy and occupational therapy services they have available. The need for these services often exceeds their staffing capabilities. Some agencies will only accept patients with a need for more than one care service, so are inaccessible for patients needing just one service.” [Source: Application, page 17]

To assist in its evaluation of the availability of the existing providers, the department reviewed the capacity and patient volumes for home health providers located within the planning area. Within the planning area, the department identified 13 home health agencies. Of the thirteen agencies, six are “licensed only” and seven are Medicare certified agencies. Franciscan Health System the applicant’s sister organization previously submitted an application in year 2011 to establish a home health agency within Pierce County. For that project, the department conducted a utilization survey of all the home health agencies serving the planning area.

The department used the results of that survey for this evaluation. The department’s year 2011 utilization survey requested the utilization data, average daily census, and maximum capacity of the thirteen home health agencies located in the planning area. For the year 2011 utilization surveys, responses were received from five agencies—MultiCare Good Samaritan Home Health, Group Health Home Health & Hospice, Puget Sound Home Health, LLC, Wesley Homes At Home, LLC and Signature Home Health. Summarized in the table on the following page is the utilization survey responses received by the department.

Table 4
Summary Pierce County Home Health Patient Visits

Name	Total Visits	ADC	Maximum Capacity of Patients
MultiCare Samaritan HH	40,752	418	700
Group Health	14,428	189	200
Puget Sound HH	27,991	235	300
Wesley Homes At Home	6,414	80	140
Signature HH	20,523	195	250
Totals	110,108		

Information in the table above shows five home health agencies located in the planning area provided 110,108 patient visits with MultiCare Good Samaritan providing almost 37% of those visits. Using the survey data, the department determined the potential number of patients and the number of visits these agencies would continue to serve with existing staffing pattern. Summarized in the table below is that information.

Table 5
Summary-Additional Patients to Reach Maximum Capacity and Estimated Number of Visits

Name	# of Patients to Reach Capacity	Average # of Visits Per Patient Reported in Surveys	Estimated # of Visits (rounded)
MultiCare	282	13	3,666
Group Health	11	14	154
Puget Sound Home Health, LLC	65	15	975
Signature Home Health	55	15	798
Wesley Homes At Home, LLC	60	12	744
Total (rounded)	473	13	6,337

As shown in the table above, with existing staffing pattern, the five home health agencies in Pierce County could provide an additional 6,337 visits. As shown in Table 2 of this evaluation, for year 2015 the department projected 179,844 visits, and for year 2016, the projected patient visit is 183,870.

Taking all visits reported by the existing agencies in their survey responses (110,108) and adding the additional estimated visits to reach capacity (6,337) results in 116,445, which is determined to be the total visits the existing agencies could provide with current staffing. By subtracting 116,445 from the projected 179,844 patients visits in year 2015 leaves 63,399 and doing the same for the projected 183,870 in year 2016 leaves 67,425 which represents the potential unmet numbers of visits in Pierce County in each year.

In its application, CHI NHC projected it would provide the number of visits stated in the table below. [Source: March 4, 2013, supplemental information, page 2]

Year 1-2015	Year 2-2016	Year 3-2017
6,219	9,951	16,040

Given the applicant projections, the department assumed the existing home health agencies in Pierce County would provide at least the same number of visits in 2015 through 2017 as they did in 2011. To this number the department added FHS’s years 2015 through 2017 projected number of visits. The total of these two numbers was then subtracted from the SHP projected visits for these same years. The results show that there are more than 51,000 visits per year projected as remaining un-served.

**Table 6
Projected Home Health Visits 2015 - 2017**

Year	Existing Agency Visits	CHI NHC Projected Visits	Total Visits	Minus Projected Visits	Un-served Visits
2015	116,445	6,219	122,664	179,844	57,180
2016	116,445	9,951	126,396	183,870	57,474
2017	116,445	16,040	132,485	187,900	55,415

As shown in the table above, the number of un-served visits within the planning area is significant to accommodate another provider. Base on the department’s evaluation the department concludes that existing providers at their current capacity may 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.

CHI NHC does not currently provide home health services in Washington, but its affiliates FHS currently provides health care services to residents of Washington State, including low-income, racial and ethnic minorities, handicapped and other underserved groups. To determine whether all residents of Pierce County would have access to an applicant’s proposed services, the department requires applicants to provide a copy of its current or proposed admission policy.

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

To demonstrate compliance with this sub-criterion, CHI NHC provided a draft Admission for Care and Services policy that would be use at the home health agency. The Admission for Care and

Services document states any patient needing treatment will be accepted for treatment without regard to race, creed, color, age, sex, or national origin. [Source: Application, Exhibit 9]

Because the Admission for Care and Services document is a draft, if this project is approved the department would attach a condition requiring an executed document be submitted to the department for review and approval.

The department uses the facility's Medicaid eligibility or contracting with Medicaid to determine whether low-income residents would have access to the proposed services. CHI NHC does not currently provide services in Washington. Information presented within the application stated the applicant would seek Medicare and Medicaid certification. A review of the anticipated revenue sources indicates that the applicant expects to receive Medicaid reimbursements. [Source: Application, page 3]

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. Information within the application indicates the applicant would provide services to Medicare patients if its application is approvable. A review of the anticipated revenue sources indicates that CHI NHC expects to receive Medicare reimbursements. [Source: Application, page 3 and Supplemental information received March 4, 2013, Attachment 2]

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. CHI NHC demonstrated its intent to provide charity care to home health patients in Pierce County by submitting a draft Charity Care Uninsured/Underinsured Patient Discounts Policy (Charity Care). The charity care policy outlines the process one would use to access services. Additionally, CHI HNC also included a 'charity care' line item as a deduction from revenue within its pro forma income statement. [Source: Supplemental information received March 4, 2013, Attachment 2]

If this application is approved, the department would attached a condition that the applicant provide for review and approval before it starts providing services an executed charity care policy. Based on the above information and standards, the department concludes **this sub-criterion is met.**

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

Based on the source information reviewed and provided the applicant agrees to the conditions identified in the 'conclusion' section of this evaluation, the department concludes Catholic Health Initiative National Home Care has met the financial feasibility criteria in WAC 246-310-220.

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

WAC 246-310 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 reviewed the assumptions used by CHI NHC to determine the projected number of patient’s days and patients that would be served.

- In the development of the utilization projections, CHI NHC excluded Group Health referrals because the majority of these patients would continue to be referred to Group Health even with the establishment of CHI NHC’s home health agency.
- In 2010, the five hospitals located in Washington owned or operated by FHS discharged approximately 2,500 non-Group Health patients. Additionally, Franciscan Medical Group clinics referred over 1,700 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, CHI NHC used an average of 13 visits per patient. This average is based on the 2010 home health survey data obtained by DOH in year 2011 for Pierce County providers.
- 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, CHI NHC projected number of visits for years 2015 through 2017. CHI NHC projected to serve approximately 15% of the patients in year 2015; 23% in year 2016 and 37% in 2017.
- CHI NHC 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 the assumptions summarized above, CHI NHC projected the number of visits summarized in the table below. [Source: Application, pages 14-15]

**Table 7
CHI NHC Projected Patients and Patient Visits**

	2015 - Full Year	2016 - Full Year	2017 - Full Year
# of Unduplicated Patients	478	765	1,234
# of Visits Per Patient (DOH) calculated)	13	13	13
# of Home Health Visits Per Year	6,219	9,951	16,040

In order to project the number of home health visits in a year, CHI NHC divided its projected estimated number of visits per patient by the unduplicated patients it would serve. The applicant assumed that 95% of its home health referrals would come from its affiliates. These assumptions appear to be reasonable.

CHI NHC used its projected number of patients and visits shown in the table above to prepare its projected revenue and expense statement for the home health agency. Summarized in table on the following page is that information. [Source: Supplemental information, received March 4, 2013, Attachment 2]

**Table 8
CHI NHC Projected Revenue and Expense Statements**

	CY 2015 Full Year	CY 2016 Full Year	CY 2017 Full Year
Net Revenue	\$725,154	\$1,160,247	\$1,872,495
Total Operating Expenses	\$990,172	\$1,329,916	\$1,830,849
Net Profit /(Loss)	(\$265,018)	(\$169,669)	\$41,646
Net Revenue Patient Per Visit	\$127.64	\$127.63	\$127.70
Operating Expenses Per Patient Visit	\$159.22	\$133.65	\$114.14
Net Profit (Loss) Per Patient Visit	(\$31.58)	(\$6.02)	\$13.56

The ‘Net Revenue’ line item is gross revenue and any deductions for charity care, bad debt, and contractual allowances. The ‘Total Operating Expenses’ line item includes salaries and wages, depreciation, and allocated costs for the proposed home health agency. As shown in the table above, CHI NHC projected the proposed home health agency would incur losses in years 2015 and 2016 and a profit in the third year of operation. CHI NHC intends to co-locate the home health agency within office spaces in a building owned by its sister organization Franciscan Hospice and Palliative Care. Within the application, CHI NHC provided a draft lease agreement. [Source: Application, Exhibit 7]

The pro forma revenue and expense statement includes a ‘rent’ line item for the home health agency identified as ‘administrative expenses’. This amount is the home health agency’s portion of rentable space to be used by the home health agency. If this project is approved, the department would attach a condition requiring the applicant to provide an executed lease agreement that is consistent with the draft provided in the application for the department review and approval.

CHI NHC 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 CHI NHC. The draft employment agreement outlines the medical director’s roles and responsibilities and it identifies the costs associated with the services. The cost associated with the medical director position are substantiated in the pro forma revenue and expense statement under the ‘Administrative Expenses’ line item.

[Source: Supplemental information, received March 4, 2013, Attachment 2] If this project is approved, the department would attach a condition requiring the applicant to provide an executed medical director agreement that is consistent with the draft provided in the application.

In addition to the projected revenue and expense statements, CHI NHC provided a projected balance sheets using calendar years 2015 through 2017 as shown in the table on the following page. [Source: Supplemental information, received March 4, 2013, Attachment 2]

Table 9
CHI NHC Pierce County Home Health Forecasted Balance Sheets
Calendar Year One - 2015

Assets		Liabilities	
Total Current Assets	\$147,320	Total Liabilities	\$623,472
Property Plant & Equipment	\$41,672	Equity	(\$434,461)
Total Assets	\$188,992	Total Liabilities and Equity	\$188,992

Calendar Year Three - 2017

Assets		Liabilities	
Total Current Assets	\$235,153	Total Liabilities	\$840,006
Property Plant & Equipment	\$42,348	Equity	(\$562,505)
Total Assets	\$277,501	Total Liabilities and Equity	\$277,501

As shown in the balance sheet information above, CHI NHC projected negative equity in years 2015 through 2017. However, CHI NHC would be financially stable in full calendar year 2017. A review of the applicant’s balance sheet did not show that it has any long-term debt. Since the applicant is an affiliate of the Catholic Health Initiatives and the Franciscan Health System, it is expected that funds would be available to the applicant given its association with larger healthcare systems. Based on the source information reviewed, the department concludes that the immediate and long-range capital and operating costs of the project can be substantiated. **This sub-criterion is met.**

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

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

CHI NHC identified the capital expenditure associated with this project to be \$97,984 and states, “The capital expenditure for this project is limited to moveable equipment and CN review fee.” [Source: Application, Page 19] CHI NHC anticipates the majority of its revenue would come from Medicare. The table below shows the expected payer mix for the proposed home health agency. [Source: Application, Page 23]

Table 10
CHI NHC Payer Mix

Payer	Payer Source Distribution
Medicare	70%
Medicaid	12%
Commercial Insurance	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. 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.

CHI NHC provided the following capital expenditure breakdown for the proposed project. [Source: Application, Page 19]

Table 11
CHI NHC Projected Capital Cost

Item	Cost	% of Total
Fixed & Moveable Equipment	\$73,318	75%
CN Application fees	\$24,666	25%
Total Project Cost	\$97,984	100%

The department received a letter of financial commitment from the applicant’s chief financial officer. [Source: Application, Page 93, Exhibit 11] Based on the information, the department concludes the proposed source of funding for this project is appropriate. **This sub-criterion is met.**

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

Based on the source information reviewed and provided the applicant agree to the conditions identified in the ‘conclusion’ section of this evaluation, the department concludes Catholic Health Initiative National Home Care 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.

CHI NHC expects to hire 17.80 FTE’s and 2.10 contracted/allocated additional FTE’s. The table on the following page summarizes CHI NHC’s proposed full time FTE’s for years 2015 to 2017. [Source: Application, Page 26]

Table 12
CHI NHC Proposed FTEs Years 2015-2017

Category	Year 1-2015 Increases	Year 2 -2016 Increases	Year 3-2017 Total
Physical/Occupational and Speech Therapies	Professional Services Contracted/Allocated		
Registered Nurse	2.20	2.70	4.90
Licensed Practical Nurse	1.00	1.30	2.30
Home Health Aide	2.10	2.50	4.60
Administrative	2.00	0.00	2.00
Business/ Clerical	3.00	1.00	4.00
Total FTE's	10.30	7.50	17.80

To further demonstrate compliance with this sub-criterion, CHI NHC provided the following statements. [Source: Application, Page 28]

CHI NHC operates throughout the country and it has the ability to recruit both nationally and locally. CHI NHC, through its organizational connection to FHS will rely on some of the local resource available from which to recruit staff. In addition, CHI NHC, in Milford, Ohio office maintains a human resources office for recruiting staff on a national basis. Since employee recruitment and retention is critical to the success of CHI NHC, we offer a competitive salary, competitive paid time off programs, benefit packages and tuition reimbursement programs. And, given that CHI NHC Pierce Home Health will not need a significant number of new employees, we do not anticipate any difficulty in recruiting staff for the home health agency.”

CHI NHC identified Marilyn Pattison, MD as the medical director for the proposed home health agency and provided a draft physician employment agreement between CHI-National Home Care and Dr. Pattison. [Source: Application, Page 3 and Exhibit 4] The draft employment agreement outlines the medical director’s roles and responsibilities and identifies the annual compensation for services. If this application is approved, the department would attached a condition requiring CHI NHC to provide for review and approval an executed copy of the medical director contract that is consistent with draft provided in the application.

Since the medical director position is a shared administrative position, CHI NHC provided a breakdown of the medical director costs, which are substantiated in revenue and expense statement. Based on the source information reviewed the department concludes 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.

To address the sub-criterion, CHI NHC stated it would work with FHS to ensure that the ancillary and support services needed to support the patients are in place. CHI NHC will rely on the existing relationships in existence at FHS. Additionally, CHI NHC stated it does not anticipate any difficulty in meeting the service demands of the proposed project if this application is approved. [Source: Application, page 29]

Based on the source information reviewed, the department concludes 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. 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.

CHI NHC does not currently provide healthcare services in Washington, but its sister organization 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. 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.⁷

The Department of Health's Investigations and Inspections Office (IIO) conducts quality of care and compliance surveys. Records indicate that since 2010, IIO completed compliance surveys for each of FHS's owned 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 hospitals currently are accredited by the Joint Commission. [Source: facility survey data provided by the Investigations and Inspections Office and Joint Commission website] CHI NHC identified Marilyn Pattison, MD 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]

Given the compliance history of CHI NHC, its subsidiaries, and that of its proposed medical director, the department concludes there is reasonable assurance Franciscan Home Health Agency would be operated in conformance with state and federal regulations. **This sub-criterion is met.**

⁷ WAC 246-310-230(5).

- (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, CHI NHC stated it fully expects that the proposed project will promote continuity in care delivery and support the needs of home health patients and their families. Additionally, CHI NHC stated its sister organizations, Franciscan Medical Groups, and Franciscan Hospice, already provide a wide range of inpatient and outpatient health care services throughout the planning area. Further, CHI NHC stated it anticipates that CHI NHC will become part of the existing comprehensive continuum of care in Pierce County because it will coordinate with existing local providers. [Source: Application, Page 29]

Based on the source information reviewed, 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 based on that evaluation; the department concludes that **this sub-criterion is met.**

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

Based on the source information reviewed and provided the applicant agrees to the conditions identified in the 'conclusion' section of this evaluation, the department concludes Catholic Health Initiatives National Home Care 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.

Step One

For this project, CHI NHC proposed home health agency met the review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two below

Step Two

CHI NHC did not consider any other option before submitting its application. [Source: Application, Page 32]

The applicant asserted that due to health care reform, its proposed project is needed so it submitted an application to establish a home health agency. Given the applicant did not consider any other alternative and since the department's methodology shows that an additional capacity can be added within the planning area, the department concludes **this sub-criterion is met.**

Step Three

This step is used to determine the best available alternative between two or more approvable projects. The department did not receive any other application proposing to establish a home health agency in Pierce County. Therefore, this step is not applicable to this project.

APPENDIX A

**State Health Plan Home Health Methodology-Pierce County
CHI - National Home Care (CN13-13)**

Population by age group by year						
	2012	2013	2014	2015	2016	2017
Total County Population	809,911	817,258	824,600	831,944	840,867	849,793
Population 0-64	715,749	719,904	724,058	728,213	732,454	736,695
Population 65-79	70,464	73,339	76,211	79,084	83,478	87,874
65-69	32,341	34,034	35,726	37,419	38,904	40,389
70-74	22,051	23,102	24,152	25,202	27,066	28,931
75-79	16,072	16,203	16,333	16,463	17,508	18,554
Total Population 65-79	70,464	73,339	76,211	79,084	83,478	87,874
Population 80 +	23,698	24,015	24,647	28,647	24,935	25,051
80-84	11,959	11,996	12,033	12,070	12,186	12,302
85+	11,739	12,019	12,298	12,577	12,749	12,922
Total Population 80+	23,698	24,015	24,331	24,647	24,935	25,224
Pop. Calc. test back	809,911	817,258	824,600	831,944	840,867	849,793

**State Health Plan Home Health Methodology-Pierce County
CHI - National Home Care (CN13-13)**

Step 1-Population by Age Cohort	2012	2013	2014	2015	2016	2017
0-64	715,749	719,904	724,058	728,213	732,454	736,695
65-79	70,464	73,339	76,211	79,084	83,478	87,874
80+	23,698	24,015	24,331	24,647	24,935	25,224
Step 2-Projected Home Health Patients by Age Cohort						
0-64 X 0.005	3,578.75	3,599.52	3,620.29	3,641.07	3,662.27	3,683.48
65-79 X 0.044	3,100.42	3,226.92	3,353.28	3,479.70	3,673.03	3,866.46
80+ X 0.183	4,336.73	4,394.75	4,452.57	4,510.40	4,563.11	4,615.99
Step 3-Projected Home Health visits by age cohort						
0-64	3,578.75	3,599.52	3,620.29	3,641.07	3,662.27	3,683.48
Multiplier	10	10	10	10	10	10
Subtotal 0-64	35,787.45	35,995.20	36,202.90	36,410.65	36,622.70	36,834.75
65-79	3,100.42	3,226.92	3,353.28	3,479.70	3,673.03	3,866.46
Multiplier	14	14	14	14	14	14
Subtotal 65-79	43,405.82	45,176.82	46,945.98	48,715.74	51,422.45	54,130.38
80+	4,336.73	4,394.75	4,452.57	4,510.40	4,563.11	4,615.99
Multiplier	21	21	21	21	21	21
Subtotal 80+	91,071.41	92,289.65	93,504.03	94,718.42	95,825.21	96,935.83
Total Projected Home Health Visits	170,264.69	173,461.67	176,652.91	179,844.82	183,870.35	187,900.97
Step 4-Gross Need (Step 3 Total Visits /10,000)						
	17.03	17.35	17.67	17.98	18.39	18.79
Step 5- No. of Home Health Agencies						
	13	13	13	13	13	13
Step 6 Net Need (Per Method, Fractions are rounded down)						
	4	4	4	4	5	5
A negative number means there is a surplus						