



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

August 27, 2018

CERTIFIED MAIL # 7017 3380 0000 0863 8260

Craig Marks, CEO
Prosser Memorial Hospital
723 Memorial Street
Prosser, WA 98350

RE: CN Application #18-13

Dear Mr. Marks:

We have completed review of the Certificate of Need (CN) application submitted by Prosser Memorial Hospital for the establishment of a 36-bed nursing home.

For the reasons stated in the enclosed decision, this application is consistent with the applicable criteria of the Certificate of Need Program, provided that Prosser Memorial Hospital agrees to the following project description and conditions in their entirety.

Project Description

Prosser Memorial Hospital is approved to construct a 36-bed Medicare and Medicaid certified skilled nursing facility in the city of Richland within Benton County by converting 36 beds banked under the full facility closure provisions of Revised Code of Washington 70.38.115(13)(b). The 36-bed skilled nursing facility upon licensure will be managed by Prestige Care, Inc. under a management services agreement. Prosser Memorial Hospital will be the initial licensee of the 36-bed facility.

Conditions

1. Approval of the project description as stated above. Prosser Memorial Hospital 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. Prosser Memorial Hospital must be the entity to execute this Certificate of Need and will be the initial licensee of the facility.
3. Prior to licensing the facility, PMH will submit to the department for review and approval, a copy of its adopted admissions policy. This policy must be consistent with the draft provided in the application.
4. Prosser Memorial Hospital must obtain Medicare and Medicaid certification for all 36 beds, and will provide the Medicare and Medicaid numbers to the department within 60 days of licensure of the facility.

5. The nursing home must remain Medicare and Medicaid for all 36 beds certified regardless of ownership.
6. Prosser Memorial Hospital and any subsequent owners of the skilled nursing facility, must not develop any policies or practices that discriminate against admission of patients based on payer source.
7. Prosser Memorial Hospital will provide to the department an executed copy of the sublease agreement between Prosser Memorial Hospital and Northwest Care Ventures for review and approval. This sublease must be consistent with the draft provided in the application.
8. Prosser Memorial Hospital shall finance the project as described in the application.
9. Prosser Memorial Hospital will provide to the department an executed copy of the transfer agreement between Prosser Memorial Hospital and Kadlec Regional Medical Center for review and approval. This agreement must be consistent with the draft provided in the application.

Approved Costs

The approved capital expenditure for this project is \$8,681,168.

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

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

Send your written response to the Certificate of Need Program, at one of the following addresses.

Mailing Address:

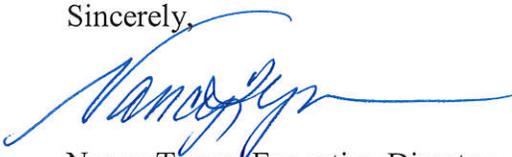
Department of Health
Certificate of Need Program
Mail Stop 47852
Olympia, WA 98504-7852

Physical Address:

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

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

Sincerely,



Nancy Tyson, Executive Director
Health Facilities and Certificate of Need

Enclosure

EVALUATION DATED AUGUST 27, 2018 OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY PROSSER MEMORIAL HOSPITAL PROPOSING TO CONSTRUCT A 36 BED NURSING HOME IN RICHLAND, WITHIN BENTON COUNTY

APPLICANT AND FACILITY MANAGER DESCRIPTIONS

Prosser Memorial Hospital

Prosser Memorial Hospital (PMH) is a 25-bed critical access hospital (CAH) that operates in Prosser, Washington, within Benton County. The hospital was established in 1947, and has remained under local control for its entire history. Seven elected community members make up the Prosser Memorial Health Board of Commissioners. All seven members are volunteers, and their duties include the governance of Prosser Memorial Health and providing direction for the organization. In addition to the acute care hospital, PMH also operates several medical clinics in Benton and Yakima counties. [source: ILRS, Application Attachment A.1, Prosser Memorial Hospital website]

Prestige Care, Inc.

Prestige Care, Inc. has been incorporated in the State of Washington since 1993, and operates primarily in the provision of senior care in the Western United States, including Alaska, Arizona, California, Idaho, Montana, Oregon, Nevada, and Washington. According to the Prestige Care website, they operate over 80 senior care communities in these states. This includes 15 Assisted Living Facilities, 17 Skilled Nursing Facilities, and 1 Home Health Agency in Washington State, for a total of 33. [source: Application Attachment A, Prestige website, Washington State Secretary of State website]

BACKGROUND INFORMATION

On September 2, 2010, the department approved Prosser Memorial Hospital to bank all 36 of its licensed nursing home beds under Revised Code of Washington (RCW) 70.38.115(13)(b) and Washington Administrative Code (WAC) 246-310-396 – commonly known as bed banking under full facility closure. Bed banking under full facility closure is allowable for up to eight years. The expiration date for these beds is September 2, 2018.

PROJECT DESCRIPTION

With this project, Prosser Memorial Hospital proposes to construct a new nursing home in Richland, Washington using the 36 banked beds referenced above. Though the facility would be owned by PMH, this application proposes that the facility would be operated under a management agreement with Prestige Care, Inc. Prosser Memorial Hospital has proposed to construct this facility adjacent to another Prestige Care, Inc. facility, Richland Rehabilitation Center. [source: Application pp4-5, 10]

Services proposed to be offered at this facility include, but are not limited to all routine services required of a nursing facility as outlined in WAC 388-97 and RCW 18.51. The facility also proposes to have a number of other services intended to enhance resident quality of life, including

physical therapy, occupational therapy, speech therapy, wound care, IV services, tube feeding, peritoneal dialysis support, tracheostomy care, pain management, regular podiatrist visits, a bistro, and the services of a licensed pedicurist and full-service beautician. [source: Application pp5-6]

The proposed facility would be approximately 30,989 square feet with a total of 36 beds. PMH anticipates construction will begin in mid-year 2019, and will complete in early 2020. The schedule identified in the application identifies that PMH anticipates licensure of this new facility by June of 2020. The first full year of operation is projected to be 2021 and 2023 would be year three. [source: Application p9; April 16, 2018 screening response p1]

The estimated capital expenditure associated with this project is \$8,681,168. Of that amount approximately 82% is related to building construction and site preparation, 8% is dedicated to consulting, design, and supervision/inspection, and 10% is dedicated to equipment.

The application and screening responses provided to the department referenced a potential change of ownership following the opening of this nursing home. Certificates of Need are not transferable except under very limited circumstances.¹ Therefore, if this project is approved, the department would attach a condition that requires Prosser Memorial Hospital to maintain ownership and control over these 36 beds at least through project completion. In other words, Prosser Memorial Hospital must execute the Certificate of Need as described in the application.

APPLICABILITY OF CERTIFICATE OF NEED LAW

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

EVALUATION CRITERIA

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

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

- (a) In the use of criteria for making the required determinations, the department shall consider:*
- (i) The consistency of the proposed project with service or facility standards contained in this chapter;*
 - (ii) In the event the standards contained in this chapter do not address in sufficient detail for a required determination the services or facilities for health services*

¹ WAC 246-310-500(7). Also, as noted in statute related to bed banking under full facility closure, the entity that “unbanks” beds must be the same entity that originally banked the beds. If Prestige were to execute the CN rather than PMH, this would not only require an amendment application, but Prestige would also be required to demonstrate numeric need.

- 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.”*

The review for the establishment of a nursing home typically includes a demonstration need for the new nursing home beds within the county. However, RCW 70.38.115(13)(b) states:

“When an entire nursing home ceases operation, the licensee or any other party who has secured an interest in the beds may reserve his or her interest in the beds for eight years or until a certificate of need to replace them is issued, whichever occurs first. Certificate of need review shall be required for any party who has reserved the nursing home beds except that the need criteria shall be deemed met when the applicant is the licensee who had operated the beds for at least one year immediately preceding the reservation of the beds, and who is replacing the beds in the same planning area.”

According to the department historical records, Prosser Memorial Hospital was the licensee of the 36 skilled nursing beds for more than 12 months before the unit was closed. When the skilled nursing unit closed, Prosser Memorial Hospital banked all 36 beds appropriately. Furthermore, PMH proposes to establish this facility within Benton County – the same planning area. Therefore, consistent with the statute referenced above, numeric need is deemed met. The department’s evaluation will focus on the applicable portions under WAC 246-310-210 (Need), WAC 246-310-220 (Financial Feasibility), WAC 246-310-230 (Structure and Process of Care), and WAC 246-310-240 (Cost Containment).

TYPE OF REVIEW

This application was reviewed under the regular review timeline outlined in WAC 246-310-160, which is summarized below.

APPLICATION CHRONOLOGY

Action	Date
Letter of Intent Submitted	September 15, 2017
Application Submitted	December 1, 2017
Department's pre-review activities <ul style="list-style-type: none">• DOH's 1st Screening Letter• Applicant's Responses Received• DOH's 2nd Screening Letter• Applicant's Responses Received	December 22, 2017 March 1, 2018 ² March 22, 2018 April 16, 2018
Beginning of Review	April 23, 2018
Public Comment <ul style="list-style-type: none">• Public comments accepted through end of public comment• Public hearing conducted	May 8, 2018 N/A ³
Rebuttal Comments Due	May 28, 2018 ⁴
Department's Scheduled Decision Date	July 27, 2018
Department's Actual Decision Date	August 27, 2018

AFFECTED PERSONS

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

"...an "interested person" who:

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

As noted above, WAC 246-310-010(2) requires an affected person to first meet the definition of an "interested person." WAC 246-310-010(34) defines "interested person" as:

- (a) The applicant;*
- (b) Health care facilities and health maintenance organizations providing services similar to the services under review and located in the health service area;*
- (c) Third-party payers reimbursing health care facilities in the health service area;*
- (d) Any agency establishing rates for health care facilities and health maintenance organizations in the health service area where the proposed project is to be located;*
- (e) Health care facilities and health maintenance organizations which, in the twelve months prior to receipt of the application, have submitted a letter of intent to provide similar services in the same planning area;*

² Though originally due on February 5, 2018, the applicant requested an additional thirty days to provide responses.

³ A public hearing was neither requested nor conducted

⁴ The department did not receive any public comments related to this application. Therefore, the applicant was precluded from providing rebuttal comments.

- (f) Any person residing within the geographic area to be served by the applicant; and*
- (g) Any person regularly using health care facilities within the geographic area to be served by the applicant.*

Three representatives from Providence Health & Services requested interested person status as defined above. Two representatives from the larger entity of Providence Health & Services; and one from Kadlec Regional Medical Center, a Providence facility located in Benton County. Kadlec Regional Medical Center is a 270-bed hospital located in Richland, within Benton County.

Providence Health and Services is not located within the planning area, and did not provide written comments. Providence Health and Services did request to be informed of the department's decision, but does not qualify as an "affected person." Kadlec Regional Medical Center is located within the planning area, and requested to be informed of the department's decision. Kadlec Regional Medical Center did not provide written comments, and therefore does not qualify as an "affected person."

SOURCE INFORMATION REVIEWED

- Prosser Memorial Hospital's Certificate of Need Application
- Prosser Memorial Hospital's responses to screening questions
- Joint Commission website at www.jointcommission.org
- Prosser Memorial Hospital website at <https://prosserhealth.org/>
- Prestige Care website at <https://www.prestigecare.com/>
- Integrated Licensing & Regulatory System (ILRS)
- Washington State Department of Health Office of Investigations and Inspections data
- Washington State Department of Social and Health Services (DSHS) Aging and Long-Term Support Administration (AL TSA) data
- Washington State Department of Health Provider Credential Search
- Medicare Nursing Home Compare
- Washington State Healthcare Authority data
- Certificate of Need Historical Files

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Prosser Memorial Hospital proposing to construct a 36-bed nursing home is consistent with the applicable review criteria of the Certificate of Need Program, provided that Prosser Memorial Hospital agrees to the following in its entirety.

Project Description

Prosser Memorial Hospital is approved to construct a 36-bed Medicare and Medicaid certified nursing home in the city of Richland within Benton County by converting 36 beds banked under the full facility closure provisions of Revised Code of Washington 70.38.115(13)(b). The 36-bed nursing home, upon licensure, will be managed by Prestige Care, Inc. under a management services agreement. Prosser Memorial Hospital will be the initial licensee of the 36-bed facility.

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5. The nursing home must remain Medicare and Medicaid for all 36 beds certified regardless of ownership.
6. Prosser Memorial Hospital and any subsequent owners of the nursing, must not develop any policies or practices that discriminate against admission of patients based on payer source.
7. Prosser Memorial Hospital will provide to the department an executed copy of the sublease agreement between Prosser Memorial Hospital and Northwest Care Ventures for review and approval. This sublease must be consistent with the draft provided in the application.
8. Prosser Memorial Hospital shall finance the project as described in the application.
9. Prosser Memorial Hospital will provide to the department an executed copy of the transfer agreement between Prosser Memorial Hospital and Kadlec Regional Medical Center for review and approval. This agreement must be consistent with the draft provided in the application.

Approved Costs

The approved capital expenditure associated with this project is \$8,681,168

CRITERIA DETERMINATIONS

A. NEED (WAC 246-310-210)

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Prosser Memorial Hospital has met the applicable need criteria in WAC 246-310-210.

- (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.*

As stated above in the Background Information section of this evaluation, numeric need is deemed as met in nursing home projects that propose to establish a new healthcare facility using banked nursing home beds meeting specific criteria. Therefore, using its experience and expertise the department evaluates information from the application, as well as publically available utilization and occupancy data from the planning area to assess this sub-criterion.

Prosser Memorial Hospital

As stated above, Prosser Memorial Hospital was not required to provide a numeric need methodology, as statute dictates that this portion of need is met. However, the department solicited PMH to provide information regarding the availability and accessibility of existing services in the planning area in order to fully determine that WAC 246-310-210(1) has been met.

“The choices of the community cannot be met due to an absence of quality nursing facility beds. Quality nursing facility services are not readily available in the planning area or neighboring counties.

There are 4 nursing homes in Benton County. Canyon Lakes is a 53 bed facility that runs between 96% and 88.7% occupancy. This means on average they have just over 3 beds available. This is more of cyclical vacancy rate than a structural vacancy rate available to accommodate additional patients.

Aside from Richland Rehab which has operated at 90% occupancy and Canyon Lakes, a 53 bed facility operating at 96% to a low of 88.7% occupancy, only poor quality options remain in the planning area. The two Life Care facilities, are not considered a legitimate quality discharge destination by the majority of Benton County.

Richland Rehab is a 71 bed facility that runs 90% occupied. This means on average only 7 beds are available. There are numerous days when the facility is unable to admit additional resident because they do not have an available and suitable bed.

The remaining two facilities operated by Life Care have available beds but poor quality. Life Care Kennewick received 66 citations for the period January 1, 2015 through December 31, 2017. Of those there are 14 G level citations and 2 H level citations. Its sister facility received

42 total citations in that same time period with 5 G level citations. Clearly, these two providers are not providing adequate care.

For the two facilities in Benton County operated by Life Care; it seems evident that in reviewing survey outcomes next to declining occupancy from 2014 to 2016 it is not difficult to reach the conclusion there are no real quality options in Benton County.

It appears that patients are leaving as quickly as they can find better accommodation. In summary, service availability and accessibility for nursing facility residents is primarily governed by quality options and then whether a bed is available. In the case of Benton County, there are only two quality options and both of those are at or near capacity.” [source: March 1, 2018 screening response pp5-6]

Public Comment

The department did not receive any public comment related to this sub-criterion, however the application included a letter from Kadlec Regional Medical Center with some discussion of the availability and accessibility of nursing home beds in the planning area and the positive relationship Kadlec Regional Medical Center has with Prestige Care Inc.’s existing nursing home in the planning area. Relevant passages from this letter of support are highlighted below:

“I am writing this letter to express my support for the addition of 36 beds at Richland Rehabilitation Center. Our community is clearly in need of additional Skilled Nursing beds. We are frequently unable to place patients in Skilled Nursing Facilities, due to the lack of available beds. When we can find a bed, we often have to send our community members to distant facilities creating hardships for the patient and family members....”

“Kadlec Regional Medical Center is dedicated to providing safe compassionate care for our community. Adding these 36 additional beds is important to our mission and our community”
[source: Application Attachment L]

Rebuttal

Not applicable

Department Evaluation

In order to evaluate whether resources in the community are or are not sufficiently available, the department reviewed publically available information from the Department of Social and Health Services (DSHS). DSHS is the licensing entity responsible for skilled nursing facilities.⁵ Table 1, on the following page, identifies the existing facilities in Benton County:

⁵ For CN purposes, the terms “skilled nursing facility” and “nursing home” are interchangeable.

Table 1
Benton County Nursing Homes

Facility Name	Number of Beds	Enforcement Actions Since 2015⁶
Life Care Center of Kennewick	136	14
Life Care Center of Richland	104	6
Regency Canyon Lakes Rehabilitation and Nursing Center	53	0
Richland Rehabilitation Center	71	1

First, it should be noted that the department does not make determinations regarding the quality of providers under this sub-criterion, and would not ordinarily consider quality data in the context of access. This is ordinarily addressed under WAC 246-310-230(3). However, the applicant provided compelling information to support utilization in the planning area. The department was able to verify the volumes identified in the application, and was also able to substantiate the volume of enforcement actions at each of the planning area facilities.

Though the department will not definitively conclude that the existing providers could not absorb patient volumes throughout the projection period, it does appear that patients in Benton County have historically chosen to receive care at the two facilities with a lower volume of enforcement actions. Furthermore, the letter from a representative of Kadlec Regional Medical Center identifies that the largest local acute care hospital has experienced delays in transition from the acute to post-acute setting due to a lack of available beds. It is not clear why Kadlec would experience these delays based on the occupancy at the two Life Care facilities, but the fact remains that the department did not receive any documentation suggesting that the utilization and discharge patterns in the county will change.

Based on historical utilization statistics provided by the applicant, and the lack of public comment submitted opposing this project, the department assumes that the re-introduction of these 36 beds into Benton County would not have an unreasonable impact on the existing nursing homes and has the potential to increase patient choice and access. **This sub-criterion is met.**

- (2) All residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly are likely to have adequate access to the proposed health service or services.

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

The admission policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and assurances regarding access to treatment. The admission policy must also include language to ensure all residents of the planning area would have access to the proposed services. This is accomplished by providing

⁶ Note, this is counting enforcement letters – not total citations as referenced by the applicant.

an admission policy that states patients would be admitted without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status.

Medicare certification is a measure of an applicant’s willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals age 65 and over. It is also well recognized that women live longer than men and therefore more likely to be on Medicare longer.

Medicaid certification is a measure of an applicant’s willingness to serve low income persons and may include individuals with disabilities.

Prosser Memorial Hospital

Within their application, PMH identified that the policies in place at existing Prestige facilities would be implemented at this proposed facility. Therefore, PMH provided an Admission policy in order to demonstrate compliance to CN expectations. PMH also provided the projected payer mix they expect at the proposed nursing home, shown below. [source: Application p26, March 1, 2018 screening response Exhibit C]

**Table 2
Payer Mix**

Payer	Projected %
Medicare	72.88%
Medicaid	8.32%
Private Pay	3.37%
Other-HMO/PPO	15.43%
Total	100.0%

PMH made the following statement regarding this payer mix assumption.

“Census is projected based on a number of factors. In large part we relied on census mix at the Richland Rehab which is essentially the same model as proposed by the provider. In addition, we reviewed estimated population growth, hospital discharge data and discussions with local hospitals in order to assure we would have sufficient admissions to meet the demand.

Using estimated population growth rates we estimated the percentage of Benton County residents in Nursing Facility beds in 2015 at 1.27%. Assuming 1.27% of Benton County residents over the age of 70 will be in nursing homes in 2020 and 2025, we estimated total census in those years to be 116,105 in 2020 and 137,925 in 2025. Even with the estimated total census at Prosser LTC in year three of 12,410; Benton County will require space for an additional 10,318 resident days in 2020 and 32,318 in 2025.” [source: March 1, 2018 screening response pp11-12]

The applicant’s projections are captured below:

Figure 1

Benton County Growth Rate			
<u>Benton County Population</u>	<u>2015</u>	<u>2020</u>	<u>2025</u>
70-74	8,096	9,783	10,507
75-79	5,227	7,111	8,621
80-84	3,263	4,208	5,760
84+	3,484	3,945	4,866
	<u>20,070</u>	<u>25,047</u>	<u>29,754</u>
 <u>Total Resident Days by Provider</u>			
Canyon	18,100	18,100	18,100
Life Care Kennewick	28,808	28,808	28,808
Life Care Richland	23,269	23,269	23,269
Richland Rehab	23,200	23,200	23,200
Prosser -LTC		12,410	12,410
Unmet Capacity		10,318	32,138
Total Annual Census	<u>93,377</u>	<u>116,105</u>	<u>137,925</u>
Total Residents	256	318	378
Residents / 1000			
Total % over 70 in NH	1.27%	1.27%	1.27%
 Source Date: Washington State Office of Financial Management 2012 Projects			

[source: March 1, 2018 screening response Exhibit S]

Public Comment

The department did not receive any public comment related to this sub-criterion

Rebuttal

Not applicable

Department Evaluation

The Admission Policy proposed for this facility is currently in place at existing Prestige facilities, and, as mentioned above, PMH has identified this policy would be adopted at the proposed facility. The policy and associated admission paperwork includes all of the information the department would expect in such a document. It includes assurance that patients would be admitted without regard to “race, color, creed, national origin, ancestry, religion, sex, age, handicap, marital status, veteran status or sexual orientation and/or payment source.” The admission information provided also includes relevant discharge paperwork, and financial information. [source: March 1, 2018 screening response Attachment C]

Because this policy has not yet been adopted by the proposed facility and because the example provided to the department included references to Richland Rehabilitation Center, the department considers this document to be a draft. If this project is approved, the department would attach a condition requiring the applicant to provide a copy of the final Admission Policy consistent with the draft prior to opening.

PMH projects that Medicare revenues will make up approximately 73% of total revenues and Medicaid revenues will make up approximately 8% of total revenues at the proposed facility. These figures are generally consistent with the current payer mix at Prestige's existing facility in Benton County.

Apple Health statistics from the Washington State Health Care Authority show over 27,000 Adult Medicaid enrollees in Benton County. This comprises of approximately 20% of the adults in Benton County. These HCA statistics cannot be split based on age cohort other than "adult" versus "pediatric." Though the payer mix does not necessarily represent the distribution of Medicaid patients in Benton County, this does include programs such as Apple Health for Kids, Family Planning, and Pregnant Women's coverage – enrollees that are likely not utilizing nursing home services, and if they are, represent an outlier. Based on utilization statistics and payer mix at the other facilities in the planning area, this payer mix appears to be reasonable.

PMH identified in response to screening that they would accept all patients without regard to payer source. If this project is approved, the department would attach a condition reinforcing this statement, requiring that all 36 beds be certified for Medicare and Medicaid, and another condition ensuring that no "caps" would be established to favor one payer source over another.

Based on the information provided in the application and with PMH's agreement to the conditions above, **this sub-criterion is met.**

(3) The applicant has substantiated any of the following needs and circumstances the proposed project is to serve.

(a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both to individuals not residing in the health service areas in which the entities are located or in adjacent health service areas.

Department Evaluation

This sub-criterion is not applicable to this application

(b) The special needs and circumstances of biomedical and behavioral research projects designed to meet a national need and for which local conditions offer special advantages.

Department Evaluation

This sub-criterion is not applicable to this application

(c) The special needs and circumstances of osteopathic hospitals and non-allopathic services.

Department Evaluation

This sub-criterion is not applicable to this application

- (4) The project will not have an adverse effect on health professional schools and training programs. The assessment of the conformance of a project with this criterion shall include consideration of:
- (a) The effect of the means proposed for the delivery of health services on the clinical needs of health professional training programs in the area in which the services are to be provided.

Department Evaluation

This sub-criterion is not applicable to this application

- (b) If proposed health services are to be available in a limited number of facilities, the extent to which the health professions schools serving the area will have access to the services for training purposes.

Department Evaluation

This sub-criterion is not applicable to this application

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

Department Evaluation

This sub-criterion is not applicable to this application

B. FINANCIAL FEASIBILITY (WAC 246-310-220)

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Prosser Memorial Hospital has met the applicable financial feasibility criteria in WAC 246-310-220.

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

Prosser Memorial Hospital

PMH largely based their volumes on existing performance at Richland Rehabilitation Center – the existing adjacent nursing home owned and operated by Prestige Care, Inc. As noted earlier in this evaluation, PMH intends to contract with Richland Rehabilitation for a number of services. The volume projections, shown in the table below, rely on the payer mix discussed under the previous section and a total bed count of 36. All 36 beds would be available to Medicare and Medicaid patients. [source: April 16, 2018 screening response Attachment]

Table 3
Patient Days by Payer Source

Year⁷	Medicaid	Medicare	Private	Other	Total	Beds	Occupancy Rate
1	735	4,764	579	428	6,506	36	50%
2	1,825	8,030	730	1,825	12,410	36	94%
3	1,825	8,030	730	1,825	12,410	36	94%
4	1,825	8,030	730	1,825	12,410	36	94%
5	1,825	8,030	730	1,825	12,410	36	94%

PMH provided historical hospital discharge⁸ statistics to demonstrate that skilled nursing discharges have increased incrementally year by year since 2011 in order to support their volume projections. These statistics are summarized below. [source: Application Attachment H]

Table 4
Discharge Statistics

	2015	2014	2013	2012	2011
Kadlec Regional Medical Center	1,162	1,011	816	715	734
Trios Health	344	314	332	403	333
TOTAL	1,506	1,325	1,148	1,118	1,067
% Change from Previous Year	+14%	+15%	+3%	+5%	--

PMH provided the following financial assumptions to support their request. It should be noted, PMH provided two sets of financial assumptions. One set assumes that PMH would own the facility and that Prestige would operate the facility for the entire first three years of operation. Through screening, PMH disclosed that there is the possibility that Prestige may purchase the facility sometime during year two of operation in order to combine operations with Richland Rehabilitation Center. The second option outlines this scenario. As stated above under the Project Description section of this evaluation, if this Certificate of Need is granted, PMH must be the entity to execute the Certificate and must be the licensed and certified entity. The diverging revenue figures are meant to demonstrate financial feasibility of the project regardless of the outcome.

“To be clear; there are two potential scenarios. First, Prosser Memorial Hospital operates this 36 bed facility for the foreseeable future. Second, this 36 bed facility is “merged” within

⁷ Year 1 is projected to be 2021

⁸ Includes discharges to nursing homes from Kadlec Regional Medical Center in Richland and TRIOS Hospital in Kennewick.

the license of Richland Rehab. Scenario 2 is obviously subject to licensure approval. There is no contemplation of selling these 36 beds to any party other than Richland Rehab.

Scenario 2; a merger with Richland Rehab is the preferred outcome. We project that if this were to happen it would take until the beginning of year two after opening to gain licensure approval and essentially merge the operations.

As stated in the response to screening question #25, very little will change if the providers are merged. We have provided two sets of financials....

A merger will require no additional capital resources. The physical plant is designed in a way that no additional costs will be incurred. There will be operations changes that should be readily apparent to include:

- As previously discussed, the combined facility will need only one administrator. Essentially, there will be a cost savings in year two where the administrator will be converted to an assistance administrator.*

Revenue assumptions for the combined facility are very straightforward. Revenue assumptions for Prosser have been discussed previously. Revenue assumption for the 71 beds now known as Richland Rehab are based entirely on actual results for 2017. There is no expectation that a merger would change revenue, census or rates for any payer type.

Medicaid rates are very similar for both facilities and we do not anticipate any change in rate resulting from a merger.

Medicare rates are set based on the Resource Utilization Group (RUG) for each resident. Our rate projection is essentially an average of all residents. A merger does not change how rates are set nor does it change Medicare census mix, resident characteristics or overall revenue. Managed care contracts are similar in both facilities and therefore a merger will not impact average revenue per day for managed care contracts.

Private rates will not change in the event of a merger.

Again, we used actual financial results from Richland in 2017 in projecting future revenue, census and expense.

Just as rates will not change for either group of beds in the event of a merger, we do not anticipate a change in census. In the combined pro-forma beginning in year two we used actual census for Richland Rehab for 2017 and simply combined that with anticipated census for the 36 Prosser beds. There is no reason to believe census will change for the 71 bed at Richland imply because the facility now operates as one facility.” [source: April 16, 2018 screening response pp3-4]

The rates proposed by PMH are summarized below, and, as stated above, are based on actuals at Richland Rehabilitation Center. These rates are not expected to change year-by-year. [source: Application p26]

Table 5

Rate per Patient Day

Payer	Rate per Day
Medicare	\$500
Medicaid	\$251
Private Pay	\$281
Other – HMO/PPO	\$447

As noted in the Project Description section of this evaluation, the site for this proposed nursing home is immediately adjacent to Richland Rehabilitation Center, which is owned and operated by Prestige Care, Inc. Prestige Care, Inc. currently subleases part of the site for Richland Rehabilitation from Northwest Care Ventures. Northwest Care Ventures is owned by the same parties that own Prestige Care Inc. Northwest Care Ventures, LLC is currently leasing the site from Omega Healthcare Ventures, LLC. PMH provided the master lease and its four amendments. The master lease has already been executed, and is valid through September 2027, and has options to renew for three additional five year periods. To demonstrate site control, PMH provided a draft sublease agreement between PMH and Northwest Care Ventures, LLC. This draft lease is also valid through September of 2027, and fully outlines the costs associated with the agreement. [source: April 16, 2018 screening response attachments]

PMH also provided the proposed management agreement between PMH and Prestige Care, Inc. for the management of this proposed 36-bed facility. The agreement fully outlines the roles and responsibilities of each entity, as well as the costs associated with the agreement. The management fee is determined as a percentage of net revenue after expenses, at varying levels based on facility occupancy. The department was able to substantiate these costs in the evaluation of the pro forma financial projections. This agreement has already been executed with a contingency for CN approval. [source: Application Attachment E]

PMH provided an executed Medical Director Agreement with Dr. William Kalichman, MD, also with a CN approval contingency. All costs and responsibilities for both entities are identified in this agreement. [source: March 1, 2018 screening response Attachment F]

Using these assumptions identified above, PMH produced two sets of financial projections for the proposed facility. These projections are summarized below. As identified by the applicant, Scenario 1 assumes that PMH will remain the owner into the third year of operation. Scenario 2 assumes that PMH sells to Prestige sometime during year two. In both scenarios, Net Operating Revenue includes patient care revenue as well as contractual adjustments and other applicable deductions such as bad debt. The operating expenses include all expenses associated with operating the facility, including staff costs, management costs, site costs, etc. The full statement of operations with detailed line items can be found PMH's second screening response received on April 16, 2018.

Table 6
Projected Revenue and Expenses
Scenario 1

	Year 1	Year 2	Year 3
Net Revenue	\$2,955,202	\$5,646,235	\$5,783,948
Total Expenses	\$3,815,756	\$5,462,132	\$5,531,080
Total Profit/(Loss)	(\$860,554)	\$184,103	\$252,868

Table 7
Projected Revenue and Expenses
Scenario 2

	Year 1	Year 2	Year 3
Net Revenue	\$2,955,202	\$17,711,159	\$17,848,872
Total Expenses	\$3,815,756	\$16,034,845	\$16,103,792
Total Profit/(Loss)	(\$860,554)	\$1,676,314	\$1,745,080

Public Comment

The department did not receive any public comment related to this sub-criterion.

Rebuttal

Not applicable

Department Evaluation

To evaluate this sub-criterion, the department first reviewed the assumptions used by PMH to project the number of admissions, patient days, and occupancy of the proposed 36-bed nursing home. Though it is not typical for a facility to base its occupancy, volumes, revenues, and expenses on a facility that they do not own, it is perfectly acceptable in this context. Prestige, as the manager and operator of this facility, has statistics based on past performance. Using the assumption that Prestige would operate this facility in a manner consistent with its other facilities, these assumptions are reasonable.

The CN program was able to substantiate these lease costs in the pro forma financials. Because this lease is in draft form, the department would attach a condition requiring PMH to provide an executed copy of the agreement that is consistent with the draft following CN approval.

PMH also provided two executed agreements – the Medical Director Agreement and the Management Agreement. As noted above, both agreements have CN contingencies that indicated the agreement is only valid subject to CN approval. Both agreements fully outline the roles and responsibilities of all entities and the costs can be substantiated within the pro forma financial projections.

As noted in the above section, PMH provided pro forma financial projections that contemplate two scenarios. One, in which PMH owns the facility for the entire projection period. The other identifies that Richland Rehabilitation Center would absorb the 36 beds within their existing 71-bed nursing home. So long as PMH is the entity to execute the Certificate of Need and be the licensee of the facility, either option is acceptable. In order for the department to

fully determine that this sub-criterion can be satisfied, the department evaluated the financial feasibility of both scenarios. As shown in Table 6 the facility as a stand-alone shows a loss in year one, but shows revenue exceeding expenses in years two and three, with increasing margins. Similarly, the second scenario also shows a loss in year one. The reason for this is that year one is identical, regardless of scenario. When incorporated into the existing 71-bed facility, the facility shows revenue exceeding expenses in excess of \$1.6 million in year two and over \$1.7 million in year three.

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

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

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

Prosser Memorial Hospital

The capital expenditure associated with establishing this facility is \$8,681,168. Of this amount, approximately 82% is related to building construction and site preparation, 8% is dedicated to consulting, design, and supervision/inspection, and 10% is dedicated to equipment. The application included two letters, from the Architect and the Builder attesting to the reasonableness of these costs. [source: Application p17, Attachment I]

The Management Agreement in the section above includes information supporting that Prestige Care, Inc. will be responsible for all startup costs. [source: Application Attachment E]

As outlined under WAC 246-310-220(1), PMH indicated that nursing home rates were based on existing rates at Richland Rehabilitation Center, shown again below:

**Table 8
Rate per Patient Day**

Payer	Rate per Day
Medicare	\$500
Medicaid	\$251
Private Pay	\$281
Other – HMO/PPO	\$447

Public Comment

The department did not receive any public comment related to this sub-criterion

Rebuttal

Not applicable

Department Evaluation

As stated in this evaluation, the payer mix and reimbursement projected for this facility is based on actuals at Richland Rehabilitation Center. Information from DSHS ALTSA supports that this facility is available and accessible to Medicare and Medicaid patients. The applicant stated that this proposed 36-bed facility would not impose any “caps” on patient admissions by payer source. The department reached out to the Nursing Facilities Rates Manager with DSHS and received verification that the rates proposed in this application are reasonable.

The CN program verified the costs associated with this project with Construction Review Services (CRS) at DOH. CRS verified that the costs associated with this project are similar to costs seen in comparable nursing home projects.

Based on the above information, the department concludes that the establishment of this facility under Prestige Care, Inc.’s management would likely not have an unreasonable impact on the costs and charges for healthcare services in Benton County. **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.

Prosser Memorial Hospital

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

**Table 9
36-Bed Nursing Home Costs**

Item	Cost
Construction	\$6,133,883
Moveable Equipment	\$865,000
Architect Engineering	\$414,375
Consulting	\$234,000
Site Preparation	\$1,003,910
Supervision/Inspection	\$30,000
Total	\$8,681,168

The application identifies that the entirety of these costs will be funded by Omega Healthcare Investors, LLC – the owner of the site. PMH provided a letter of financial commitment from Omega Investors, LLC that shows commitment to funding the project in an amount up to \$10 million. [source: Application p17, Attachment J]

Public Comment

The department did not receive any public comment related to this sub-criterion

Rebuttal
Not applicable

Department Evaluation

Omega Healthcare Investors LLC is a real estate investment trust, or, REIT. It is not unusual for a healthcare project to be financed through a REIT. The department accessed Omega Healthcare Investors, LLC's audited financial statements and found assets in excess of \$8 billion at the end of 2017. This is far more than sufficient to finance this project without having an impact on the REIT's financial position.

If this project is approved, the department would attach a condition requiring that the project be financed consistent with the financing description in the application. With the financing condition, the department concludes **this sub-criterion is met.**

C. STRUCTURE AND PROCESS (QUALITY) OF CARE (WAC 246-310-230)

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Prosser Memorial Hospital has met the applicable structure and process (quality) of care criteria in WAC 246-310-230.

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

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

Prosser Memorial Hospital

PMH provided the following statement regarding the availability of quality staff for this project, below. [source: Application p28]

“Prestige Care Inc. has significant experience staffing its Richland skilled nursing facility and based on that experience over the past several years, while many facilities have struggled with licensed nurse staffing, Richland Rehabilitation has remained fairly stable.

Prestige Care Inc. maintains a staffing agency that works exclusively with facilities managed or operated by Prestige. We consider this a failsafe to assure adequate staffing in all affiliated facilities. In 2015, Richland had a couple of unexpected health issues arise for a couple of our nurses that didn't allow us to replace them and made staffing through the Prestige agency necessary.

With that exception, staffing has been very stable. Currently, Richland has no vacant care positions house wide. This includes RN, LPN, C.N.A. and P.C.A. (ALF). Richland has two licensed nurse applicants that have interviewed and stated if a position becomes available they

are willing to accept. Richland has experienced very low turnover rates in staffing with an annual rate of 15% one of the lowest in the company. We expect that same situation to occur at the Facility.

Our area has two very active nursing programs. WSU nursing programs recently received additional funds from Kadlec Regional Medical Center to increase classes. Kadlec also assisted WSU nursing program with a new physical plant which allows ample space to continue to grow the program.

The nature of the patients at Richland, and expected also at the Facility, offers a unique setting to nurses. As a facility that is definitely geared for short stay, acute patients, nurses are able to enhance their clinical skills in a skilled nursing setting. We also have providers in the building 6 days a week which provides nurses with the security of help right down the hallway.”

PMH provided the following statements related to the assumptions used to project staffing under this sub-criterion. [source: March 2, 2018 screening response p11]

“Staffing projections are largely based on Prestige’s experience in managing dozens of nursing homes including Richland Rehab in Benton County and on industry norms. FTE’s on page 27 are the result of budgeted hours divided by 2,080. Budgeted hours fall into two broad categories. Several areas, such as nursing, are budgeted on a per patient day basis and therefore vary based on census while others are based on fixed cost to operate a department.

Nursing staff of 16.5 FTE is based on projected census and the hours per patient day needed to adequately care for those residents. Nursing is budgeted at 4.12 hours per patient day. Prestige has experience working in other facilities and knows this to be accurate based on this census mix. This is very close to the statewide average of 4.15 based on CMS PBJ and reported on LTC-Analytics.com, please see Attachment SCR-N-E for PBJ staffing in Benton County.

Administrative and other staff FTE is budgeted based on industry norms for a building of this size and is not based on the number of patients. Example: the Department requires each nursing facility to have one administrator and one director of nursing.

For the remaining position, we reviewed not only Prestige’s experience at other facilities but statewide Medicaid cost report data to establish appropriate staffing.”

Prestige also provided a staffing table for the first three years of operation, shown below. It should be noted that if the proposed facility is merged with Richland Rehabilitation Center, staff are already in place at Richland Rehabilitation Center. If the facility is sold during the

first three years of operation, these figures can be considered the incremental increase for Richland Rehabilitation. [source: Application Attachment V]

**Table 10
Projected Staffing**

	Year 1		Year 2		Year 3	
	FTEs	Consultant hr/week	FTEs	Consultant hr/week	FTEs	Consultant hr/week
RN	2.90		3.90		3.90	
Resident Care Manager	1.50		2.00		2.00	
LPN	2.80		3.30		3.30	
Nurse Aides	9.30		14.40		14.40	
Nursing Total	16.50	0.00	23.60	0.00	23.60	0.00
Dietician	1.00	4.00	1.00	4.00	1.00	4.00
Aides Cooks	1.40		2.70		2.70	
Dietary Total	2.40	4.00	3.70	4.00	3.70	4.00
Administrator	1.00		1.00		1.00	
Activities Director	1.00		1.00		1.00	
Medical Director		4.00		4.00		4.00
Nursing Director	1.00		1.00		1.00	
Clerical	1.00		1.00		1.00	
Housekeeping	1.00		1.90		1.90	
Laundry	0.50		1.00		1.00	
Administration Total	5.50	4.00	6.90	4.00	6.90	4.00
Physical Therapist		100.00		100.00		100.00
Occupational Therapist		100.00		100.00		100.00
Pharmacist		1.00		1.00		1.00
Medical Records	0.50		0.50		0.50	
Social Worker	1.00		1.00		1.00	
Other	1.50		0.50		0.50	
Other Total	3.00	201.00	2.00	201.00	2.00	201.00
Total Staffing	27.40	209.00	36.20	209.00	36.20	209.00

Public Comment

The department did not receive any public comment related to this sub-criterion

Rebuttal

Not applicable

Department Evaluation

PMH provided sufficient information to demonstrate that Prestige has sufficient experience in staffing nursing homes in Washington State, and also provides assurance of staff availability through a staffing agency.

Based on the above information provided by the applicant, the department concludes that Prestige likely has the expertise and ability to staff this facility and has identified an appropriate contingency in the instance of a delay. **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.

Prosser Memorial Hospital

“Prestige Care, Inc. will contract on behalf of the Facility with affiliated companies for therapy services (Infinity Rehab) and pharmacy services (ProPac Pharmacy). Other ancillary services (i.e. lab, x-ray, infection control, ambulance, oxygen, DME, medical supplies, hospice, podiatry, language services, mental health) will be provided through Prestige Care, Inc. and their established network of contract services.” [source: Application p28]

PMH also provided an executed medical director agreement, which outlines the roles and responsibilities for the facility. The agreement is with Dr. William Kalichman, MD.

Public Comment

The department did not receive any public comment related to this sub-criterion

Rebuttal

Not applicable

Department Evaluation

Prestige Care, Inc. currently operates a facility in Benton County and has all of the necessary ancillary and support agreements in place. It is reasonable to assume that Prestige will be able to establish the same relationships for this new facility and that their infrastructure in Washington State is sufficient to accommodate a relatively small new facility that is geographically similar to existing facilities. As noted above under financial feasibility, the medical director agreement has already been executed with a contingency for CN approval.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that the facility will be able to establish the necessary relationships with 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 and Medicaid certified. 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.

Prosser Memorial Hospital

PMH made the following statement, related to their historical compliance with applicable state and federal requirements. This statement also includes information related to Prestige Care, Inc.'s programs that are designed to ensure compliance. [source: Application pp29-30]

“Prosser Memorial Hospital - LTC Unit closed in September 2010 and enjoyed a good survey record through that date. The new facility will be managed by Prestige Care, Inc. which has implemented a corporate compliance program, reiterating its commitment to operating in compliance with all federal and state rules and regulations. In addition, there are several specific procedures in place to assure quality:

- *Prestige Care, Inc. has standardized policies and procedures accessible for all facility nurses through the company website.*
- *Prestige Care, Inc. will hire a competent and experienced Director of Nursing at the facility to ensure policies and procedures are followed.*
- *Prestige Care, Inc. has a Regional Nurse Consultant (RNC) to support compliance. The RNC has a nursing center ratio of 1:4.*
- *Prestige Care, Inc. has a Regional Director of Operations (RDO) to support compliance. The RDO has a nursing center ratio of 1: 12.*
- *Prestige Care, Inc. operates a corporate office in Vancouver, WA to support compliance in the following areas: nursing, social services, dietary, pharmacy, activities, Medicare and managed care utilization, business office, IT, risk management operations, human resources, sales and marketing.*
- *Prestige Care, Inc. conducts at least monthly RNC, RDO, dietary, and pharmacy reviews of the care centers it manages. A yearly comprehensive review of all Federal F and K Tags is conducted by a corporate interdisciplinary team.*
- *Prestige Care, Inc. has an internal staffing agency (NAC's and licensed staff) to assist with staffing challenges, ensuring temporary staffing has been trained under the Facility's policies and procedures.*
- *Prestige Care, Inc. will utilize Abaqis (a quality management system) to monitor day-to-day quality assurance performance improvement in the Facility.*

- *Prestige Care, Inc. will utilize Matrixcare (an electronic medical record system), which includes point of care (QAPI - Quality Assurance and Performance Improvement) documentation by NAC staff.*
- *Prestige Care, Inc. will utilize Origami (a risk management software system) to track and trend incidents ensuring thorough investigations are completed and optimal interventions for resident safety.*
- *Prestige Care, Inc. will utilize the Check Up company-developed software program to monitor, track, and trend to prevent infections in the Facility.”*

Public Comment

The department did not receive any public comment related to this sub-criterion

Rebuttal

Not applicable

Department Evaluation

As part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.⁹ To accomplish this task, the department reviewed the quality of care compliance history for all healthcare facilities owned, operated, or managed by Prosser Memorial Hospital and Prestige Care, Inc. in Washington State. The department also reviewed the compliance history of a random selection of facilities owned by, operated by, or affiliated with Prestige Care, Inc. outside of Washington State.

The only licensed facility owned and operated by Prosser Memorial Hospital is the hospital itself. As noted in the Applicant Description section at the beginning of this evaluation, Prestige Care, Inc. owns and operates 15 assisted living facilities, 1 home health agency, and 17 skilled nursing facilities in Washington State. Using the department’s internal database, as well as publically available information from DSHS, the department reviewed survey and inspection data for all PMH and Prestige facilities.

It should be noted, it is fairly typical to see assorted enforcement actions at assisted living facilities and skilled nursing facilities that are not as a result of “immediate jeopardy” findings. If an enforcement action is noted in the table below, an asterisk designates that the issues leading up to the enforcement have already been resolved through an applicable plan of correction, and in some cases, a civil fine. Again, any facilities designated with an asterisk have corrected any issues and are currently in substantial compliance. If a facility has experienced an enforcement action due to immediate jeopardy with ongoing compliance concerns, this will be addressed following the table. CMS 5-star ratings are also included for the hospital, home health agency, and nursing homes. CMS does not calculate a rating for assisted living facilities, at present. [source: Department of Health Office of Investigation and Inspection, DSHS ALTSA]

⁹ WAC 246-310-230(5)

**Table 11
PMH and Prestige Facilities
Washington State**

Facility Name	Facility Type	County	Surveys Since 2015	Enforcement Action Since 2015?	CMS Star Rating
Prosser Memorial Hospital	Hospital	Benton	2	0	N/A ¹⁰
Prestige Care, Inc. Facilities					
Advanced Home Health Northwest of Wenatchee	Home Health Agency	Chelan	1	0	N/A ¹¹
Brighton Court Assisted Living Community	ALF ¹²	Spokane	5	2*	N/A
Prestige Senior Living - Auburn Meadows	ALF	King	1	2*	N/A
Prestige Senior Living - Monticello Park	ALF	Cowlitz	15	3*	N/A
Prestige Senior Living - Bridgewood	ALF	Clark	2	0	N/A
Prestige Senior Living - Rosemont	ALF	Thurston	3	0	N/A
Prestige Senior Living at East Wenatchee	ALF	Douglas	0	0	N/A
Prestige Senior Living at Hearthstone	ALF	Kittitas	0	0	N/A
Expressions at Enumclaw	ALF	King	4	2*	N/A
Olympic Alzheimer's Residence	ALF	Pierce	1	2*	N/A
Prestige Assisted Living at Hazel Dell	ALF	Clark	1	0	N/A
Living Court Assisted Living Community	ALF	King	1	0	N/A
Prestige Assisted Living at Richland	ALF	Benton	1	0	N/A
Sullivan Park Cottages	ALF	Spokane	1	0	N/A
Sullivan Park Assisted Living Community	ALF	Spokane	1	0	N/A
Prestige Senior Living at Colonial Vista	ALF	Chelan	0	0	N/A

¹⁰ Per CMS, no star rating has been calculated due to there being too few reportable measures in order to calculate a score.

¹¹ Not Medicare certified

¹² Assisted Living Facility

Facility Name	Facility Type	County	Surveys Since 2015	Enforcement Action Since 2015?	CMS Star Rating
Prestige Care and Rehabilitation - Burlington	SNF ¹³	Skagit	4	1*	3
Prestige Care and Rehabilitation - Camas	SNF	Clark	4	1*	5
Prestige Post-Acute and Rehabilitation Center - Centralia	SNF	Lewis	9	3*	2
Prestige Care and Rehabilitation - Clarkston	SNF	Asotin	10	3*	4
Prestige Care and Rehabilitation - Pinewood Terrace	SNF	Stevens	15	5*	4
Prestige Post-Acute and Rehabilitation Center - Edmonds	SNF	Snohomish	13	10*	2
Prestige Post-Acute and Rehabilitation Center - Kittitas Valley	SNF	Kittitas	14	3*	5
Discovery Nursing and Rehabilitation	SNF	Clark	5	2*	5
Richland Rehabilitation Center	SNF	Benton	6	1*	4
Sullivan Park Care Center	SNF	Spokane	5	1*	5
Prestige Care and Rehabilitation - Sunnyside	SNF	Yakima	9	3*	5
Toppenish Nursing and Rehabilitation	SNF	Yakima	13	3*	5
Prestige Care and Rehabilitation - Parkside	SNF	Yakima	16	2*	5
Colonial Vista Post-Acute and Rehabilitation Center	SNF	Chelan	12	6*	4
Puyallup Nursing and Rehabilitation Center	SNF	Pierce	8	2*	5
Renton Nursing and Rehabilitation Center	SNF	King	12	3*	2
Tacoma Nursing and Rehabilitation Center	SNF	Pierce	7	1*	5
Average CMS Star Rating	SNF	All	N/A	N/A	4.12

¹³ Skilled Nursing Facility.

As denoted above using an asterisk, all PMH and Prestige facilities are in substantial compliance and have resolved all enforcement actions. Furthermore, Prestige nursing homes in Washington State have an average quality score of 4.12 – considered to be “above average.”

Prestige operates throughout the western United States. The department randomly selected Prestige facilities in Alaska, Arizona, California, Idaho, Montana, Oregon, and Nevada to review their applicable quality information.

**Table 12
Prestige Facilities Outside of Washington**

Facility Name	State	Facility Type	CMS Star Rating
Prestige Care & Rehab Center of Anchorage	AK	SNF	3
Prestige Care and Rehabilitation – The Orchards	ID	SNF	3
Molalla Manor Care Center	OR	SNF	4
Hood River Care Center	OR	SNF	4

As shown above, out-of-state Prestige facilities have demonstrated quality standards that are consistent with those the department would expect out of a provider. A star rating of 3 is average, a star rating of 4 is considered above average, and a star rating of 5 is considered much above average. The random selection of facilities reviewed by the department all showed quality ratings that are average or better.

The department also completed a licensure verification of the proposed Medical Director, Dr. William Kalichman, MD. A review of Dr. Kalichman’s license shows no enforcement actions or restrictions.

Based on the above information, the department concludes that PMH demonstrated reasonable assurance that Prestige Care would operate this proposed facility in compliance with state and federal requirements if this project is approved. **This sub criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(4) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that direct 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.

Prosser Memorial Hospital

“Prestige Care, Inc. is fully committed to working with our community partners for continuity of care and decreasing avoidable returns to the hospital. The facility staff will work with established community physicians, assisted living facilities, adult family homes, home care and various other partners to ensure the residents are receiving the care they need in the appropriate setting. When the clinical needs of the resident becomes too acute, the facility will work with physicians and emergency personnel to transport residents to the local hospital, as deemed necessary. This will include the implementation of our Transition's Program that focused on continuity of care through smooth transitions in the healthcare environment. This program was developed with empirical evidence and incorporates many elements of the widely accepted best practice Interact Program.” [source: Application p30]

To address this sub-criterion, PMH provided a copy of a draft transfer agreement with Kadlec Regional Medical Center. [source: March 2, 2018 screening response Attachment A]

Public Comment

The department did not receive any public comment related to this sub-criterion

Rebuttal

Not applicable

Department Evaluation

Within the application, PMH stated that Prestige, as an existing member of the region’s healthcare system, already has relationships with the community and is a common referral location for the acute care hospitals in the region. In addition to this, the PMH provided a draft transfer agreement between the proposed facility and Kadlec Regional Medical Center. IF this project is approved, the department would attach a condition requiring PMH to submit a copy of this executed agreement consistent with the draft in the application.

Information within the application demonstrates that PMH, with Prestige, has the ability to operate with the necessary relationships that will foster continuity in the provision of health care services in Benton County.

Based on the information provided in the application, the department concludes there is reasonable assurance that this project will promote continuity in the provision of health care services in the community. **This sub-criterion is met.**

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

Department Evaluation

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

D. COST CONTAINMENT (WAC 246-310-240)

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Prosser Memorial Hospital has met the applicable cost containment criteria in WAC 246-310-240.

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

To determine if a proposed project is the best alternative, in terms of cost, efficiency, or effectiveness, the department takes a multi-step approach. First the department determines if the application has met the other criteria of WAC 246-310-210 thru 230. If the project has failed to meet one or more of these criteria then the project cannot be considered to be the best alternative in terms of cost, efficiency, or effectiveness as a result the application would fail this sub-criterion.

If the project has met the applicable criteria in WAC 246-310-210 through 230 criteria, the department then assesses the other options considered by the applicant. If the department determines the proposed project is better or equal to other options considered by the applicant and the department has not identified any other better options this criterion is determined to be met unless there are multiple applications.

If there are multiple applications, the department's assessment is to apply any service or facility superiority criteria contained throughout WAC 246-310 related to the specific project type. The adopted superiority 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 type superiority 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:

Prosser Memorial Hospital met the applicable review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two below.

STEP TWO:

Prosser Memorial Hospital

The only options PMH considered were the proposed project, and no project:

“The alternative is to do nothing, allowing the banked beds to expire in 8 years from the date of banking. While this was considered, with the rapid growth rate experiences in Benton County and the clear convincing need for additional post-acute care beds, we feel that the new facility will be operating in a physical plant designed and specifically constructed for efficiency and effectiveness under today's community expectations of long term care. The advantage of the applicant's project is it achieves these advantages through highly efficient and

technologically proficient services in a home-like setting desired by today's resident” [source: Application p31]

Public Comment

The department did not receive any public comment related to this sub-criterion

Rebuttal

Not applicable

Department Evaluation

The utilization statistics and population growth identified from the application both support that a “do nothing” option was appropriately rejected by PMH.

The department did not identify any alternative that was superior in terms of cost, efficiency, or effectiveness that is available or practicable. Furthermore, PMH is the only entity permitted to “unbank” these beds, as they are the only entity with rights to these beds.

Taking all of this into account, the department concurs that the requested project is reasonable and a quality available option for the planning area. **This sub-criterion is met.**

STEP THREE:

This application was evaluated on its own without any competing applications. As such, this step does not apply.

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

(a) *The costs, scope, and methods of construction and energy conservation are reasonable;*

Prosser Memorial Hospital

As noted under WAC 246-310-220(2), PMH provided contractors letters attesting to the reasonableness of costs. [source: Application Attachment I]

Public Comment

The department did not receive any public comment related to this sub-criterion

Rebuttal

Not applicable

Department Evaluation

As noted in the evaluation of WAC 246-310-220(2), the letters provided by PMH attest to the reasonableness of the cost estimates in the application. Furthermore, the CN program verified these amounts with the Office of Construction Review Services. The costs appear to be reasonable and comparable to costs associated with facilities of a similar size and scope. **This sub-criterion is met.**

(b) The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.

Prosser Memorial Hospital

As noted under WAC 246-310-220(2), PMH based all costs and charges on existing performance of Richland Rehabilitation Center – a facility owned and operated by Prestige within the planning area.

Public Comment

The department did not receive any public comment related to this sub-criterion

Rebuttal

Not applicable

Department Evaluation

As noted in the evaluation of WAC 246-310-220(2), the basis for PMH’s assumptions related to costs and charges was reasonable, as Prestige will manage this facility. **This sub-criterion is met.**

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

Prosser Memorial Hospital

PMH provided the following comments related to this sub-criterion:

“In conjunction with Prosser Memorial Hospital, Prestige Care, Inc. and our consulting architects designed a modern, attractive facility that would appeal to and meet the needs of our clients for many years to come. The center is physically attached to Richland Rehabilitation Center yet operates as a separately licensed nursing home. The closeness of the two facilities allows Prosser Memorial Hospital to take advantage of food preparation services and maintenance services [under contract] already established thus reducing the overall expense for both entities. In addition, ancillary contracted vendors and doctors will be able to access both locations with one stop.

The facility is also designed to be efficient for operation with the layout to most effectively utilize nursing care, dietary, housekeeping and therapy staff.” [source: Application p31]

Public Comment

The department did not receive any public comment related to this sub-criterion

Rebuttal

Not applicable

Department Evaluation

As stated under the analysis of WAC 246-310-220(2), this department does not expect this project would have an unreasonable impact on costs and charges for healthcare services in the planning area.

The department is satisfied the project is appropriate. This **sub-criterion is met.**