



STATE OF WASHINGTON  
DEPARTMENT OF HEALTH  
*Olympia, Washington 98504*

November 15, 2019

CERTIFIED MAIL # 7016 3010 0001 0575 0389

Russell Hilliard, PhD  
Seasons Hospice & Palliative Care  
6400 Shafer Court, Suite 700  
Rosemont, Illinois 60018

RE: Certificate of Need Application #19-53

Dear Mr. Hilliard:

We have completed review of the Certificate of Need application submitted by Seasons Hospice & Palliative Care proposing to establish Medicare and Medicaid certified hospice services in Snohomish County, within Washington State. Enclosed is a written evaluation of the application.

For the reasons stated in this evaluation, the department has concluded that the project is not consistent with the Certificate of Need review criteria identified below, and a Certificate of Need is denied.

|  |                             |
|--|-----------------------------|
| Washington Administrative Code 246-310-210 | Need                        |
| Washington Administrative Code 246-310-220 | Financial Feasibility       |
| Washington Administrative Code 246-310-230 | Structure & Process of Care |
| Washington Administrative Code 246-310-240 | Cost Containment            |

This decision may be appealed. The two appeal options are listed below.

Appeal Option 1:

You or any person with standing may request a public hearing to reconsider this decision. The request must state the specific reasons for reconsideration in accordance with Washington Administrative Code 246-310-560. A reconsideration request must be received within 28 calendar days from the date of the decision 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

Appeal Option 2:

You or any person with standing may request an adjudicative proceeding to contest this decision within 28 calendar days from the date of this letter. The notice of appeal must be filed according to the provisions of Revised Code of Washington 34.05 and Washington Administrative Code 246-310-610. A request for an adjudicative proceeding must be received within the 28 days at one of the following addresses:

Mailing Address:

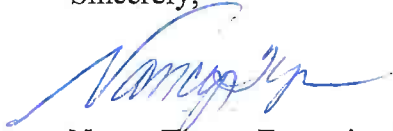
Department of Health  
Adjudicative Service Unit  
Mail Stop 47879  
Olympia, WA 98504-7879

Physical Address

Department of Health  
Adjudicative Service Unit  
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 NOVEMBER 15, 2019, FOR THE CERTIFICATE OF NEED APPLICATIONS SUBMITTED PROPOSING TO ESTABLISH A MEDICARE AND MEDICAID HOSPICE AGENCY IN SNOHOMISH COUNTY BY:**

- SEASONS HOSPICE & PALLIATIVE CARE OF SNOHOMISH COUNTY, LLC
- INSPIRING HOSPICE PARTNERS OF OREGON DBA HEART OF HOSPICE
- ENVISION HOSPICE OF WASHINGTON, LLC
- ENSIGN GROUP DBA GLACIER PEAK HEALTHCARE, INC/ALPHA HOSPICE

**APPLICANT DESCRIPTIONS**

**Seasons Hospice & Palliative Care Of Snohomish County, LLC**

Seasons Hospice & Palliative Care of Snohomish County, LLC, a for-profit, limited liability company, represents a newly created legal entity. Seasons Hospice & Palliative Care of Snohomish County, LLC ownership rests 100% with Seasons Hospice & Palliative Care of Snohomish County Holding, Inc. Both Illinois based corporations were created December 24, 2018 and are governed wholly by Todd Stern. [source: Season's Application, p2, Exhibit 1; Secretary of State website for UBIs #604 359 094 & 604 368 159]

Seasons Hospice proposes to establish a new Medicare and Medicaid certified hospice agency in Lynwood to serve Snohomish County. If this project is approved, Season's proposes that the new agency would be operating by July 2020. [Source: Seasons Screening Responses, p1]

The estimated capital expenditure for this project is \$86,117 which is solely related to office equipment and furnishings. [Source: Seasons Application, pp 58-59]

For this application, the applicant will be referenced as "Season's Hospice".

**Inspiring Hospice Partners of Oregon dba Heart of Hospice**

Inspiring Hospice Partners of Oregon dba Heart of Hospice (Heart of Hospice) is a Washington and Oregon limited liability corporation with administration offices located in Hood River, Oregon. The Hood River office is Medicare and Medicaid certified to provide hospice services in two counties in Oregon and in two counties within Washington State. The Washington State counties are Skamania and Klickitat. [source: Heart of Hospice website; Application, p4; Secretary of State website for UBI 604 303 556]

Heart of Hospice proposes to establish a new Medicare and Medicaid certified hospice agency in Everett to serve Snohomish County. If approved, Heart of Hospice expects the Medicare and Medicaid certified hospice agency would be available to the residents of Snohomish County by September 1, 2019. [Source: Heart of Hospice Application, p8]

The estimated capital expenditure for this project will be recorded to be \$28,032<sup>1</sup> which is solely related to office equipment and furnishings. [Source: Heart of Hospice Application, p21]

For this application, the applicant will be referenced as “Heart of Hospice”.

### **Envision Hospice of Washington, LLC**

Envision Hospice of Washington, LLC [Envision Hospice] is a Washington State limited liability corporation owned by private persons. Its parent, Envision Home Health of Washington, is located in King County. Envision Home Health of Washington provides Medicare and Medicaid home health services to residents of King and Pierce counties. Envision Hospice currently provides hospice services in Thurston County within Washington State. [source: Application, p2; Appendix B; Secretary of State website for UBI 604 174 080]

Envision Hospice proposes to establish a Medicare and Medicaid hospice agency in Marysville to serve Snohomish County. If approved, Envision expects the Medicare and Medicaid certified hospice agency would be available to the residents of Snohomish County by January, 2020. [Source: Envision Application, p13]

The estimated capital expenditure for this project is \$19,800 which is solely related to office equipment and furnishings. [Source: Envision Application, p12]

For this application, the applicant will be referenced as “Envision”.

### **Ensign Group dba Glacier Peak Healthcare, Inc/Alpha Hospice**

This application was submitted by a subsidiary of Ensign Group, Inc. known as Glacier Peak Healthcare, Inc. a Washington State corporation that is governed by four separate individuals. The four persons are: Brent Guerisoli, Lee Johnson, Elliot McMillan, and Daniel Walker. [source: Application, Exhibit 1; Secretary of State website for UBI #604 158 700]

Ensign, through Glacier Peak Healthcare proposes to establish a Medicare and Medicaid hospice agency in Marysville to serve Snohomish County. If approved, Envision expects the Medicare and Medicaid certified hospice agency would be available to the residents of Snohomish County by January, 2020. [Source: Envision Application, p13]

The estimated capital expenditure for this project is \$15,000 which is solely related to office equipment and furnishings. [Source: Glacier Peak Application, p5]

For this application, the applicant will be referenced as “Glacier Peak”.

### **Public Comments**

During the review of this project, Envision Hospice provided comments related to a potential ‘change of ownership’ that may occur either during this review or shortly thereafter. The comments are restated below. [source: Envision public comment, p12-13]

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<sup>1</sup> Estimated Capitol Cost total calculation removes the CoN fee and will be shown below in WAC246-310-220(1)

### “Ownership change

*On May 4, 2019, Ensign Group, Inc., Alpha Hospice's (PSH's) ultimate parent, announced its plan to change the ownership of its home health and hospice division, including its Pierce County home health agency, Alpha Home Health. Please see the Attachments 1 and 2, the Ensign press release and one from Home Health News. Before the end of 2019, it appears PSH will be owned by a new entity, Pennant Group, Inc. Essentially, Ensign is spinning off all of its home health and hospice agencies and putting them into a newly-created public company. The new entity will be Pennant Group, Inc. and it will be separately listed from Ensign on the NASDAQ stock exchange. Ensign anticipates that the spin-off will be completed in or before the fourth quarter of 2019.*

*Ensign makes clear that Pennant will be a separate entity and not owned by Ensign. The press release describes planned "preferred provider" relationships between Ensign and Pennant so that both can take advantage of the two companies' complementary roles in the healthcare system.*

*Based on Envision's understanding of WAC 246-310-100(l)(f), this change of ownership is a change in the applicant. Such a change requires an amended CON application to be filed. However, under the concurrent review rules applying to hospice, such an amendment was required to be filed during the first 30 days of the review process. Please see WAC 246-310-100(6)(i-iv). The next annual concurrent review cycle for Washington hospice CON applications takes place in the fall of 2020. If the applicant determines the best course is to reapply in the next cycle, it has until the concurrent review ex parte period ends to ask the Department to return half of the CON review fee.*

*It is possible the change of ownership could occur after a 2019 CON decision. But CON rules prohibit a transfer of a Certificate of Need to a new owner until after substantial completion of the project. Alpha Hospice has projected an ambitious 4-month start up period for the Snohomish County project and expects that Medicare certification will not be accomplished until April 2020. In light of that schedule it is quite unlikely a Snohomish CON issued to Glacier Peak/Alpha Hospice could be substantially completed and transferred to Pennant and, as a result, it would not be implemented”.*

Included with Envision Hospice of Washington, LLCs public comments on this topic is the following two articles obtained from the World Wide Web.

- Ensign Group Spins Off Hospice and Home Health Segment dated May 6, 2019
- Proposed Ensign Spin Off Won't Slow Acquisitions Activity dated May 7, 2019

### Rebuttal Comments

In response to the comments regarding a potential change of ownership, Glacier Peak provided the following rebuttal statements. [source: Glacier Peak rebuttal comments, p3-5]

### “A Potential Future Ownership Change of Alpha Hospice’s Ultimate Parent has no Bearing on this Application

*Envision argues that per WAC 246-310-100 a potential, future ownership change in our “ultimate parent” disqualifies our application. As set out below, Envision’s public comment is inapplicable because (1) Washington law does not require a CN review of a hospice in this circumstance; (2)*

*Ensign is not the applicant; (3) Ensign's proposed spin-off is not certain and even if it happened, it would likely not happen until after the CN determinations have been made and after the new agency is operational; and (4) Envision has not and cannot reference any specific regulation wherein the change of an agency's twice-removed indirect owner would jeopardize an agency's pending CN and 5) the proposed change is simply a change in investors.*

*WAC 246-310-100 suggests that a change in applicant **may** (not shall) be considered an amendment of an application. The definition of applicant is found at WAC 246-310-010:*

*(6) "Applicant," means:*

*(a) Any person proposing to engage in any undertaking subject to review under chapter 70.38 RCW; or*

*(b) Any person or individual with a ten percent or greater financial interest in a partnership or corporation or other comparable legal entity engaging in any undertaking subject to review under chapter 70.38 RCW.*

*There has not been, and is not proposed to be, any change in applicant. Glacier Peak Healthcare's parent corporation, Ensign (which is an indirect owner of the agency two "levels" above Alpha Hospice) is contemplating creating a new entity that would include Cornerstone Healthcare, Inc., which is Ensign's home health and hospice segment.*

*In addition, Envision misidentifies Ensign as the applicant. It is Glacier Peak Healthcare, Inc., that is engaging in the undertaking of operating Alpha Hospice; hence, by regulation it is Glacier Peak Healthcare, Inc., that is the applicant. See WAC 246-310-010(6). Under no reasonable reading of the CN regulations would Ensign qualify as the applicant. For this reason, Envision's public comment is clearly no applicable.*

*The only time a Washington law requires CN review relative to an ownership change is in the event of "the sale, purchase, or least of part or all of any existing hospital[.]" See RCW 70.38.105(4)(b). Nothing in Washington law requires a CN review of a hospice of a change in the indirect owner or ultimate parent of an organization such as Alpha Hospice. Additionally, even if a "sale, purchase, or lease" affect the review of a hospice agency's CN, Ensign's proposed spin-off would not qualify as such. Washington courts have interpreted "sale, purchase, or lease" in RCW 70.38.105(4) very narrowly. See *Washington State Hosp. Assn v. Washington State Dep't of Health*, 183 Wash. 2d 590, 353 P.3d 1285 (2015). For this reason alone, Envision's public comment on this topic is inapplicable.*

*In addition, it is also noted for the record, that this proposed change is not subject to the reporting requirements of SHB 1607 because it does not qualify as a material change.*

*Moreover, the Determination of Non-Reviewability #18-17 (DOR #18-17) issued in April 2018 to Kindred's In Home Services agencies specifically noted that a change in investors did not constitute a change that required prior CN review and approval. In DOR #18-17, included as Attachment 3, the Department concluded:*

*This transaction is a substitution of investors. One set of investors controls the corporation before the transaction, while another set of investors will control the corporation after the*

*transaction. The same corporate entity, however, will continue to own the hospitals to the same percentage as now owned. Certificate of Need regulations for hospice agencies consider a change of ownership subsequent to obtaining a CN, without disqualifying or prohibiting this occurrence.*

*This same investor change scenario would apply to the potential Ensign spin-off.*

*Further, even if Ensign's proposed spin-off were to affect Glacier Peak's status as the CN applicant, which it clearly does not, as Envision itself notes, the spin-off is regarded by Ensign as only "possible" at this point. Nothing in the WAC would disqualify an applicant because of a spin-off that is only proposed. For this reason, as well, Envision's public comment is inapplicable.*

*Based on the above, it is abundantly clear that Envision's comments on Ensign's proposed spin-off are inapplicable and should not be a consideration in the review of Alpha Hospice's application".*

Ensign Group also provided the following information in two footnotes associated with the rebuttal comments above.

*“Footnote #1*

*Importantly, Glacier Peak Healthcare, Inc., is the sole owner of Alpha Home Health and Hospice. If the proposed spin-off were to happen, there is no plan to change Glacier Peak from owning and operating Alpha Hospice or from being wholly owned by Cornerstone Healthcare. In other words, there would be no change of control or ownership involved the spin-off.*

*Footnote #2*

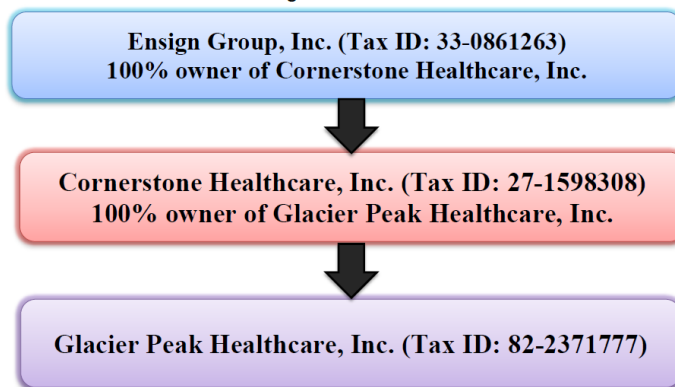
*Rather than go into detail, Alpha Hospice simply notes that Envision makes passing mention of “CON rules,” as a justification for the prohibition of a transfer of a CN subsequent to a proposed spin-off. Envision has cited nothing that would invalidate a CN post-determination based on a subsequent spin-off because it cannot. Even were it to be referencing rules regarding CN review, the Washington Supreme Court case cited above holds that those rules are to be interpreted narrowly—and even in that context, they only apply to hospitals”.*

**Department Evaluation**

In rebuttal responses to public comment on this application, Ensign provided information intended to demonstrate that the applicant should be Glacier Peak Healthcare, Inc. rather than the parent Ensign Group, Inc. After reviewing the application, comment, and responses, the department concludes that the applicant is Ensign Group, Inc. This conclusion is based on the organizational chart provided by the applicant in the application, reproduced below. [source: Glacier Peak Application, Appendix 1]

## Organizational Chart in Application

### Organizational Chart



In regards to the spin-off of a portion of the Ensign Group's operations into The Pennant Group, Inc., the information available supports the contention that there is no change of ownership. Details available regarding the spinoff indicate that it will include Ensign's current senior living activities, plus its home health and hospice operations. The benefits of this notwithstanding, the ownership will have the same interest in both companies. With Ensign stockholders receiving one share of Pennant common stock for every two shares of Ensign common stock, the ownership will mirror that of the Ensign Group. [source: The Pennant Group September 27, 2019 SEC Form 8-K]

The department concludes that the transaction that occurred on October 1, 2019, which transferred existing services to The Pennant Group, Inc. from the Ensign Group's current operations, does not constitute a change in ownership that would require an amendment under WAC 246-310-100. The Glacier Peak application can continue to be reviewed for qualifications under the certificate of need criteria for the proposed hospice services.

## **PROJECT DESCRIPTIONS**

Under the Medicare payment system, hospice care benefit consist of the following services: physician and clinical services, nursing care, medical equipment and supplies, symptoms control and pain relief management, hospital based short-term care, respite care, home health aide and homemaker services, physical and occupational therapy, social worker services, dietary counseling, grief and loss counseling. Respite care and outpatient drugs are each subject to a small co-payment and other services are covered in full<sup>2</sup>.

### **Seasons Hospice**

This project proposes to establish a Medicare and Medicaid certified hospice agency in Snohomish County. The Applicant proposes an integrated service delivery system that includes the capability to provide palliative care as well as end-of-life care. The service area for the hospice agency is Snohomish County. Seasons Hospice & Palliative Care of Snohomish County will be located at 3400 188th Street, Suite A241 Lynnwood, WA 98037. [Source: Seasons Application, pp6-7]

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<sup>2</sup> Medicare Hospice Benefits, page 8 Centers for Medicare & Medicaid Services. CMS Product No. 02154, Revised April 2017.



Seasons Snohomish County staff provide the federally mandated core services of routine home care, respite care, inpatient, and continuous care in conjunction with volunteers. [Source: Seasons Application, pp1 & 7]

If approved, Season's Hospice expects the Medicare and Medicaid certified hospice agency would be available to the residents of Snohomish County by July 1, 2020. Given this timing, year 2021 is the first calendar year of operation and year 2023 would be year three. [Source: Seasons Screening Responses, p1]

The estimated capital expenditure for this project is \$86,117 which is solely related to office equipment and furnishings. [Source: Seasons Application, pp 58-59]

### **Heart of Hospice**

Heart of Hospice proposes to extend their Medicare/Medicaid certified hospice services to Snohomish County. Heart of Hospice's Snohomish County office will be housed at 12625 4th Ave, Suite 203A Everett, WA 98204. [Source: Heart of Hospice Application, p6]

The applicant states, *“Consistent with the services provided by Heart of Hospice in Skamania County, Klickitat County and our Oregon Program, the services will focus on treating the whole person, not just their disease, and on the needs of both the patient and the family. Our health care team is specially trained in pain and disease management, as well as practical needs such as insurance coverage, transportation, and assistance with bathing. Additionally, they attend to the emotional and spiritual needs such as caregiver stress, grief, and fear of dying. Care is provided by an interdisciplinary team including the physician, medical director, nurse, social worker, chaplain, pharmacist, certified nursing assistant, volunteers, and other therapists.*

*We provide the following services to aid in the palliative care of our patients and their families:*

- *Pain and symptom management by skilled nurses and physicians.*
- *Counseling, including spiritual, nutritional and bereavement.*
- *Education on the disease process, coping skills and care planning.*
- *Assistance with personal care by hospice aides.*
- *Trained volunteer support.*
- *Physical, occupational and speech therapy, as needed.*
- *On-Call Interdisciplinary Team 24 hours a day.*
- *Availability of durable medical equipment, oxygen, medical supplies, and related medications.*

*All services are provided directly by our agency with the exception of physical and occupational therapy whom are contracted”.* [Source: Heart of Hospice Application, p7]

If approved, Heart of Hospice expects the Medicare and Medicaid certified hospice agency would be available to the residents of Snohomish County by September 1, 2019. Given this timing, year 2020 is the first calendar year of operation and year 2022 would be year three. [Source: Heart of Hospice Application, p8]

The estimated capital expenditure for this project will be recorded to be \$28,032 which is solely related to office equipment and furnishings. [Source: Heart of Hospice Application, p21]

### Public Comment

Glacier Peak included the following contention in Public Comment, “HOH assumed a 9/1/2019 start date with no time allowed for certification. While Alpha Hospice understand that HOH is already a licensed hospice, this does not mean that they can begin serving patients immediately upon CN award. HOH will still need to, at a minimum, add the practice location to its Medicare certification and be approved (which could require survey) prior to providing services in the new location (see 42 C.F.R. § 418.100(f)). In addition, HOH has not provided anything verifying the State of Washington Department of Health or the CMS Regional Office has approved HOH to provide services so far from its primary location in Hood River, Oregon. ... HOH has not built this timeline into their pro forma assumptions, nor have they adequately accounted for it in their representations related to structure and process of care”. [source: Glacier Peak Public Comment, p3]

### Rebuttal Comment [source: Heart of Hospice rebuttal, p4]

In response, Heart of Hospice states, “Heart of Hospice Is a Medicare licensed hospice, as correctly pointed out by Alpha Hospice/Glacier Peak. Adding an alternative delivery site is an administrative matter that does not require a survey, per HoH's discussions with the Department of Health”.

### Department Evaluation

Due to delays in releasing this evaluation, each applicant’s timeline may not be achievable or accurate. Regardless of which applicant is approved in this review, the department will adjust the operational timeline to account for the additional days of delay in the release of this evaluation.

Regarding the ability of Heart of Hospice to certify the agency after any potential approval, Department credentialing staff has confirmed that a survey is not required for a licensee to add a branch site. With this existing as a licensing option, the department does not identify any issues with the timeline or the other review criteria related to the Applicants anticipated timeline.

### Envision Hospice

Envision looks to extend their Medicare/Medicaid certified hospice services to Snohomish County. Envision Hospice of Washington - Snohomish County will be located at 1212 - 2nd Street, Unit B, Marysville, WA 98270. [Source: Envision Application, p8]

The applicant states, “In addition to the provision of Medicare and Medicaid hospice services typically provided, Envision has established four goals for serving Snohomish County residents with terminal illness:

*Goal 1: Respond with focused capabilities to specific clinical groups with special needs.*

*Goal 2: Make hospice care as accessible as possible in the broadest array of settings. Envision – Establish Medicare hospice in Snohomish County*

*Goal 3: Respond with cultural competence to the needs of special groups among Snohomish County residents.*

*Goal 4: Work to reduce suffering*". [Source: Envision Application, p8]

If approved, Envision expects the Medicare and Medicaid certified hospice agency would be available to the residents of Snohomish County by January, 2020. Given this timing, year 2020 is the first calendar year of operation and year 2022 would be year three. [Source: Envision Application, p13]

The estimated capital expenditure for this project is \$19,800 which is solely related to office equipment and furnishings. [Source: Envision Application, p12]

### **Glacier Peak**

The Applicant proposes a Medicare/Medicaid certified hospice agency in Snohomish County. The service area for the hospice agency is Snohomish County. The new agency will be based out of Glacier Peak's existing Snohomish County home health location (Alpha Home Health) located at 10530 19th Avenue SE, Suite 201 in Everett. [Source: Glacier Peak Application, p4]

*Glacier Peak states, "Alpha will be a Medicare/Medicaid certified hospice agency in Snohomish County. As with all Ensign hospice agencies, Alpha will provide exceptional care in the patient's home so that the patient is able to remain safely at home and live with quality and dignity. Home is defined as where a patient resides, whether in his or her own residence, a long-term care facility or in a temporary location such as an acute care hospital. The provision of exceptional care is accomplished via a team of experienced and specially trained professionals providing medical, physical, emotional, social and spiritual support to the patient and their family.*

*Each team will work in coordination with the patient's physician(s) and other caregivers in order to achieve specific, concrete goals in areas including pain and symptom management, use of necessary medications, medical supplies, and equipment, use of short-term inpatient care when necessary and respite for family caregivers. Bereavement support for family and friends is also provided".* [Source: Glacier Peak Application, p4]

If approved, Glacier Peak expects the Medicare and Medicaid certified hospice agency would be available to the residents of Snohomish County by January, 2020. Given this timing, year 2020 is the first calendar year of operation and year 2022 would be year three. [Source: Glacier Peak Application, p6]

The estimated capital expenditure for this project is \$15,000 which is solely related to office equipment and furnishings. [Source: Glacier Peak Application, p5]

### **DEPARTMENT INFORMATION ON TIMELINES FOR COMPLETION OF THE PROJECTS**

Each of the applicants identified a timeline for completion of their respective projects based on a September 2019 evaluation release date. Due to delays in releasing this evaluation, each applicant's timeline may not be achievable or accurate. Regardless of which applicant is approved in this review, the department will adjust the operational timeline to account for the additional days of delay in the release of this evaluation.

## **APPLICABILITY OF CERTIFICATE OF NEED LAW**

This application proposes to establish a Medicare and Medicaid certified hospice agency. This action is subject to review as the construction, development, or other establishment of new health care facility under Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code 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 , 246-310-220, 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 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 246-310-290 contains service or facility specific criteria for hospice projects and must be used to make the required determinations. To obtain Certificate of Need approval, the applicant must demonstrate compliance with the applicable criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment); and WAC 246-310-290 (hospice standards and forecasting method).

## **TYPE OF REVIEW**

As directed under WAC 246-310-290(3) the department accepted this application under the 2018 cycle 2 concurrent review timeline for Snohomish County. A chronological summary of the review is shown below.

## **APPLICATION CHRONOLOGY**

| <b>Action</b>   | <b>Season's</b>    | <b>Inspiring</b> | <b>Envision</b> | <b>Glacier Peak</b> |
|---|--------------------|------------------|-----------------|---------------------|
| Letter of Intent Submitted  | Nov 30, 2018       | Dec 12, 2018     | Dec 31, 2018    | Dec 31, 2018        |
| Application Submitted   | Jan 29, 2019       | Jan 30, 2019     | Jan 30, 2019    | Jan 31, 2019        |
| Department's pre-review activities  |                    |                  |                 |                     |
| DOH Screening Letter  | February 28, 2019  |                  |                 |                     |
| Applicant's Responses Rcv'd   | March 25, 2019     |                  |                 |                     |
| Beginning of Review   | April 16, 2019     |                  |                 |                     |
| Public Comments accepted through the end of public comment                | May 31, 2019       |                  |                 |                     |
| No public hearing conducted   |                    |                  |                 |                     |
| Rebuttal Comments Received  | July 1, 2019       |                  |                 |                     |
| Department's Anticipated Decision Date                                    | September 16, 2019 |                  |                 |                     |
| Department's Anticipated Decision Date with 30-day extension <sup>3</sup> | October 16, 2019   |                  |                 |                     |
| Department's Actual Decision Date   | November 15, 2019  |                  |                 |                     |

## **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".*

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;*

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<sup>3</sup> Thirty-day extension letter sent to the applicant on September 13, 2019

- (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;*
- (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.*

Under concurrent review, each applicant is an affected person for the other application. In addition to the each applicant, three persons/entities requested interested person status.

### **SOURCE INFORMATION REVIEWED**

- Seasons Hospice & Palliative Care of Snohomish County, LLC January 29, 2019 Application
- Inspiring Hospice Partners of Oregon LLC d/b/a Heart of Hospice January 30, 2019 Application
- Envision Hospice of Washington LLC January 31, 2019 Application
- Glacier Peak Healthcare, Inc., dba Alpha Hospice January 31, 2019 Application
- Seasons Hospice & Palliative Care of Snohomish County, LLC March 25, 2019 Screening Responses
- Inspiring Hospice Partners of Oregon LLC d/b/a Heart of Hospice March 25, 2019 Screening Responses
- Envision Hospice of Washington LLC March 25, 2019 Screening Responses
- Glacier Peak Healthcare, Inc., dba Alpha Hospice March 25, 2019 Screening Responses
- Public Comment received through May 31, 2019
- Inspiring Hospice Partners of Oregon LLC d/b/a Heart of Hospice July 1, 2019 Rebuttal Comments
- Envision Hospice of Washington LLC July 1, 2019 Rebuttal Comments
- Glacier Peak Healthcare, Inc., dba Alpha Hospice July 1, 2019 Rebuttal Comments
- Licensing and/or survey data provided by the Department of Health's Office of Health Systems Oversight
- Department of Health Integrated Licensing and Regulatory System database [ILRS]
- Licensing data provided by the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service
- Seasons Hospice & Palliative Care of Snohomish County, LLC Website (<https://www.seasons.org>)
- Inspiring Hospice Partners of Oregon LLC d/b/a Heart of Hospice Website (<http://inspiringhospice.com>)
- Envision Hospice of Washington LLC Website (<http://www.envisionhomehealth.com>)
- The Pennant Group's September 27, 2019 SEC Form 8-K
- CMS QCOR Compliance website: [https://qcor.cms.gov/index\\_new.jsp](https://qcor.cms.gov/index_new.jsp)
- International Organization for Standardization website <https://www.iso.org>
- Washington Secretary of State Corporation data
- Certificate of Need historical files

## **CONCLUSIONS**

### **Seasons Hospice & Palliative Care of Snohomish County, LLC**

For the reasons stated in this evaluation, the application submitted by Season's proposing to establish a Medicare and Medicaid certified hospice agency in Snohomish County is not consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need denied.

### **Inspiring Hospice Partners of Oregon DBA Heart Of Hospice**

For the reasons stated in this evaluation, the application submitted by Heart of Hospice proposing to establish a Medicare and Medicaid certified hospice agency in Snohomish County is consistent with applicable criteria of the Certificate of Need Program, provided Heart of Hospice agrees to the following in its entirety.

#### **Project Description:**

This certificate approves the establishment of a Medicare and Medicaid certified hospice agency in Everett, within Snohomish County. Hospice services provided at the new agency include physician and clinical services, nursing care, medical equipment and supplies, symptoms control and pain relief management, hospital based short-term care, respite care, home health aide and homemaker services, physical, speech and occupational therapy, social worker services, dietary counseling, grief and loss counseling. Respite care and outpatient drugs are each subject to a small co-payment and other services are covered in full. Hospice staff would be available 24/7 for emergencies. Additional hospice services include inpatient hospice services to nursing home residents.

#### **Conditions:**

1. Approval of the project description as stated above. Heart of Hospice 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. Heart of Hospice shall finance the project using cash reserves as described in the application.
3. Heart of Hospice will maintain Medicare and Medicaid certification regardless of ownership.
4. The service are for the Medicare and Medicaid certified hospice agency is Snohomish County. Consistent with Washington Administrative Code 246-310-290(13), Heart of Hospice must provide services to the entire county for which the certificate of need is granted.

#### **Approved Costs:**

The approved capital expenditure for the project is \$28,032 and is solely related to office equipment and furnishings.

### **Envision Hospice of Washington, LLC**

For the reasons stated in this evaluation, the application submitted by Envision proposing to establish a Medicare and Medicaid certified hospice agency in Snohomish County is consistent

with applicable criteria of the Certificate of Need Program, provided Envision agrees to the following in its entirety.

**Project Description:**

This certificate approves the establishment of a Medicare and Medicaid certified hospice agency in Marysville, within Snohomish County. Hospice services provided at the new agency include physician and clinical services, nursing care, medical equipment and supplies, symptoms control and pain relief management, hospital based short-term care, respite care, home health aide and homemaker services, physical, speech and occupational therapy, social worker services, dietary counseling, grief and loss counseling. Respite care and outpatient drugs are each subject to a small co-payment and other services are covered in full. Hospice staff would be available 24/7 for emergencies. Additional hospice services include inpatient hospice services to nursing home residents.

**Conditions:**

1. Approval of the project description as stated above. Envision 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. Envision shall finance the project using cash reserves as described in the application.
3. Prior to providing Medicare and Medicaid certified hospice services, Envision will provide a listing of its key staff to Certificate of Need Program for its review. The listing of key staff shall include the name and professional license number.
4. Envision will maintain Medicare and Medicaid certification regardless of ownership.
5. The service area for the Medicare and Medicaid certified hospice agency is Snohomish County. Consistent with Washington Administrative Code 246-310-290(13), Envision must provide services to the entire county for which the certificate of need is granted.

**Approved Costs:**

The approved capital expenditure for the project is \$19,800 and is solely related to office equipment and furnishings.

**Ensign Group DBA Glacier Peak Healthcare, Inc/Alpha Hospice**

For the reasons stated in this evaluation, the application submitted by Glacier Peak proposing to establish a Medicare and Medicaid certified hospice agency in Snohomish County is consistent with applicable criteria of the Certificate of Need Program, provided Glacier Peak agrees to the following in its entirety.

**Project Description:**

This certificate approves the establishment of a Medicare and Medicaid certified hospice agency in Everett, within Snohomish County. Hospice services provided at the new agency include physician and clinical services, nursing care, medical equipment and supplies, symptoms control and pain relief management, hospital based short-term care, respite care, home health aide and homemaker services, physical, speech and occupational therapy, social worker services, dietary counseling, grief and loss counseling. Respite care and outpatient drugs are each subject to a small co-payment and other services are covered in full. Hospice staff would be available 24/7 for



emergencies. Additional hospice services include inpatient hospice services to nursing home residents.

**Conditions:**

1. Approval of the project description as stated above. Glacier Peak 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. Glacier Peak shall finance the project using cash reserves as described in the application.
3. Glacier Peak will sustain adherence to the published policy stating that, regardless of age, the proposed agency will admit and provide the appropriate hospice related care.
4. Prior to execution of this certificate, Glacier Peak will submit a revised charity care policy which explicitly outlines the process steps currently used within its hospice operations.
5. Prior to providing Medicare and Medicaid certified hospice services, Glacier Peak will provide a listing of its key staff to Certificate of Need Program for its review. The listing of key staff shall include the name and professional license number.
6. Glacier Peak will maintain Medicare and Medicaid certification regardless of ownership.
7. The service are for the Medicare and Medicaid certified hospice agency is Snohomish County. Consistent with Washington Administrative Code 246-310-290(13), Glacier Peak must provide services to the entire county for which the certificate of need is granted.

**Approved Costs:**

The approved capital expenditure for the project is \$15,000 and is solely related to office equipment and furnishings.

## **CRITERIA DETERMINATIONS**

### **A. Need (WAC 246-310-210) and Hospice Services Standards and Need Forecasting Methodology (WAC 246-310-290)**

#### **Season's Hospice**

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that the Season's Hospice project **met the applicable need criteria** in WAC 246-310-210 and the availability and accessibility criteria in WAC 246-310-290(13).

#### **Heart of Hospice**

Based on the source information reviewed, the department determines that the Heart of Hospice project **met the applicable need criteria** in WAC 246-310-210 and the availability and accessibility criteria in WAC 246-310-290(13).

#### **Envision Hospice**

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that the Envision Hospice project **met the applicable need criteria** in WAC 246-310-210 and the availability and accessibility criteria in WAC 246-310-290(13).

#### **Glacier Peak**

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that the Glacier Peak project **met the applicable need criteria** in WAC 246-310-210 and the availability and accessibility criteria in WAC 246-310-290(13).

- (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 246-310-290(8)-Hospice Agency Numeric Methodology**

The numeric need methodology outlined in WAC 246-310-290(8) uses hospice admission statistics, death statistics, and county-level population projections to predict where hospice services will be needed in Washington State. If a planning area shows an average daily census of 35 unserved hospice patients three years after the application submission year, there is numeric need and the planning area is "open" for applications. The department published the step-by-step methodology in October 2018 – it is attached to this evaluation as Appendix A.

#### **Season's Hospice**

Season's Hospice provided the department's 2018 numeric need methodology posted to its website. The numeric methodology projected a need for three hospice agencies in Snohomish County. [Source: Season's Application, p49, Table 6]

Public Comment

None

Rebuttal Comment

None

**Heart of Hospice**

Heart of Hospice provided the department's 2018 numeric need methodology posted to its website. The numeric methodology projected a need for three hospice agencies in Snohomish County. [Source: Heart of Hospice Application, pp8-9]

Public Comment

Envision provided comment on the need methodology and its role in the utilization forecasts used as part of the Heart of Hospice application. These will be addressed in section 210(1).

Rebuttal Comment

Heart of Hospice rebuttal will be addressed in section 210(1).

**Envision Hospice**

Envision provided two methodologies. The first included the department's 2018 numeric need methodology posted to its website. The numeric methodology projected a need for three hospice agencies in Snohomish County. [Source: Envision Application, pp16-17]

The Envision application also included a variation on the Washington Hospice Method that considers the lag time between the department's planning horizon and the development of a new agency's third year workload.

Public Comment

None

Rebuttal Comment

None

**Department Evaluation**

The current rules regarding the calculation of the Hospice need forecasting method detailed under WAC 246-310-290 are clear about the base year and which years to include in the planning horizon. The related citations are:

WAC 246-310-290(1)(c): Base year means the most recent calendar year for which hospice survey data is available as of September 30th of each year.

WAC 246-310-290(1)(i): Projection year means the third calendar year after the base year. For example, reviews using 2016 survey data as the base year will use 2019 as the projection year.

The 2018 methodology posted by the department, and used by each applicant to satisfy the numeric need portion of this review, follows these standards as written. Any methodologies that consider an alternative to these stated rules will not be included in the review of the Envision application.

**Glacier Peak**

Glacier Peak provided breakdown of the department’s 2018 numeric need methodology posted to its website. The numeric methodology projected a need for three hospice agencies in Snohomish County. [Source: Glacier Peak Application, pp8-11]

**Public Comment**

None

**Rebuttal Comment**

None

**Department Evaluation-Numeric Methodology**

The numeric methodology identified a need for three Medicare and Medicaid certified hospice agencies within Snohomish County through projection year 2020. The results are shown in the table below.

**Department’s Table 1  
Snohomish County Hospice Methodology Summary**

|   | <b>Year 2018</b> | <b>Year 2019</b> | <b>Year 2020</b> |
|---|------------------|------------------|------------------|
| Unmet Need for Patients Days            | 28,686           | 37,548           | 46,411           |
| Unmet Patient Days divided by 365       | 79               | 103              | 127              |
| Number of Agencies Needed (subtract 35) | 2                | 2                | 3                |

In conclusion, the numeric methodology is a population-based assessment used to determine the projected need for hospice services in a county (planning area). Based solely on the numeric methodology applied by the department, need for three additional hospice agencies in Snohomish County is demonstrated.

The department concludes that each of the hospices application under consideration **have demonstrated numeric need** for this project based on published sources.

In addition to the numeric need, the department must determine whether other services and facilities of the type proposed are not or will not be sufficiently available and accessible to meet the planning area resident needs.

**Season’s Hospice**

In response to this sub-criterion, Season’s Hospice states. *“Seasons Hospice & Palliative Care's experience across the nation reflects the adage, the rising tide lifts all boats. A new market entrant brings additional resources in the county for education and case-finding. Additional marketing efforts and outreach benefit all hospices because greater knowledge occurs among residents. The*

*increase in promotion brings attention to hospice, and through the new entrant's efforts, increases awareness.*

*What Seasons Snohomish County offers the residents of Snohomish County is greater differentiation among services that validates the hospice end-of-life experience. Though a competitor in one sense, hospices with common missions create synergy as well as opportunities to reach farther into subpopulation groups.*

*As discussed within this application, Seasons Snohomish County's diversity programs and dedication to under-served populations like the homeless open doorways to greater cooperation among other social and advocacy organizations. Choice among providers allows residents to find a "hospice home" in which their needs find compatibility.*

Further, *“The distinctions that define particular hospices include, but are not limited to how services are provided, the use of volunteers, specific programs that enhance end of life care, how accessible and available the assessment, enrollment and services are, and how the hospice directs employees and contract staffs. Seasons Snohomish County's program offerings, particularly the electronic medical record and 24 hour, seven days a week call center, make accessible and available services that distinguish the programs. A review of the section on programs showcase the advantages that Seasons Snohomish County brings to residents”.* [source, Seasons Application, p53]

**Public Comment**

None

**Rebuttal**

None

**Department Evaluation**

The department considers the rationale and assumptions relied upon by Season’s Hospice to propose the establishment of an additional Medicare and Medicaid hospice agency in Snohomish County to be reasonable. Season’s Hospice anticipates that the new hospice agency would be located in Lynnwood and it will serve residents of Snohomish County.

The approval of additional providers in the planning area will result in an additional hospice option for many terminally ill home health patients in the area. Based on the information above, the department concludes that Season’s Hospice provided reasonable rationale to support its project and the statements in the application support need for this project. **This sub-criterion is met.**

**Heart of Hospice**

In response to the accessibility criteria, Heart of Hospice explains, *“We are able to justify that the proposed project does not constitute an unnecessary duplication of services. The data proves for itself that the 5 providers are not able to meet the need. Without knowing the focus of each of the organizations we can only assume that the listed providers have constraints as they are providing services to 48% of Snohomish County patients who died. Heart of Hospice is fully committed to providing Hospice care. Our focus has been outlined throughout this application. Heart of*

*Hospice, established in 2006, has been providing services in Washington State and is comfortable managing the Washington State Communities that are a true mix of rural and urban. Heart of Hospice has worked diligently to manage coverage of large geographic areas without compromising quality of care. Many of the rural communities we serve are underserved, given the wide and diverse geographic area and rural nature of much of the area. Through our strong community partnering, education, and marketing, Heart of Hospice has made significant impact in serving these communities.*

*Serving diverse populations is another strength of Heart of Hospice; minority populations, including Japanese, Hispanic and Native American; people of all socio-economic levels; even working with destitute and indigent people. Heart of Hospice works diligently to carry on the mission of Hospice, with the highest standards possible, to ensure that any person in need of Hospice Care receives it.*

*In March 2012, Heart of Hospice was the first Hospice on the West Coast, and the 9th hospice in the nation to achieve Four Stars from the Veteran's Administration for attaining their highest designation, Level 4. Heart of Hospice's We Honor Veteran's program is robust, and includes providing specialized training on veteran's issues at end of life to all staff, employing clinical staff who are veterans, our volunteer veteran to veteran program, and veteran service recognition. Heart of Hospice is proud to work closely with the local and regional Veterans Administration, and local community facilities which serve veterans, to provide the specialized hospice care that our service men and women deserve". [Source: Heart of Hospice Application, pp18-19]*

#### Public Comment

None

#### Rebuttal

None

#### Department Evaluation

The department considers the rationale and assumptions relied upon by Heart of Hospice to propose the establishment of an additional Medicare and Medicaid hospice agency in Snohomish County to be reasonable. Heart of Hospice anticipates that the new hospice agency would be located in Everett and it will serve residents of Snohomish County.

The approval of additional providers in the planning area will result in an additional hospice option for many terminally ill home health patients in the area. Based on the information above, the department concludes that Heart of Hospice provided reasonable rationale to support its project and the statements in the application support need for this project. **This sub-criterion is met.**

#### Envision Hospice

In response to the accessibility criteria, Envision reasons, *"As documented in the Department of Health's own 2018 calculation of 2020 Snohomish County hospice need, the proposed project is not an unnecessary duplication of services because it responds appropriately to an unmet need of 127 average daily patients per day in 2020.*

The Department has expressed interest in how applicants will address barriers to care beyond simple availability of service. Barriers to hospice access in Snohomish County are not significantly different from the barriers encountered nationally”. [source: Ensign Application, p28]

Envision summarized their efforts in removing these barriers with the following table.

**Applicants Table**  
**Envision’s Approach to Reducing Barriers to Hospice Access in Snohomish County**

| Envision Access Goals & Program Initiatives  | More patients using hospice | Persons enrolling in hospice earlier | Improved accessibility within hospice |
|--|-----------------------------|--------------------------------------|---------------------------------------|
| <b>Goal 1: Groups with specific clinical needs</b> <ul style="list-style-type: none"> <li>• Patients with Alzheimer’s or other dementias</li> <li>• “Pre-hospice” patients &amp; Advanced Care Planning</li> </ul> | <br>√<br><br>√              | <br>√<br><br>√                       |                                       |
| <b>Goal 2: Broadest array of settings</b> <ul style="list-style-type: none"> <li>• Telemedicine at home</li> <li>• Assisted living facilities</li> <li>• Adult family homes</li> <li>• Nursing homes</li> </ul>    | <br>√<br><br>√<br><br>√     | <br>√<br><br>√<br><br>√              | <br>√<br><br>√<br><br>√               |
| <b>Goal 3: Cultural competency</b> <ul style="list-style-type: none"> <li>• “We Honor Veterans”</li> <li>• Latino outreach</li> </ul>  | <br>√<br><br>√              | <br>√<br><br>√                       | <br>√<br><br>√                        |
| <b>Goal 4: Reducing suffering</b> <ul style="list-style-type: none"> <li>• Excellence in palliative care</li> <li>• “Your Hand in Mine”</li> <li>• Death with Dignity</li> </ul>                                   |                             |                                      | <br>√<br><br>√<br><br>√               |

**Public Comment**

None

**Rebuttal**

None

**Department Evaluation**

The department considers the rationale and assumptions relied upon by Envision to propose the establishment of an additional Medicare and Medicaid hospice agency in Snohomish County to be reasonable. Envision anticipates that the new hospice agency would be located in Marysville and it will serve residents of Snohomish County.

The approval of additional providers in the planning area will result in an additional hospice option for many terminally ill home health patients in the area. Based on the information above, the department concludes that Envision provided reasonable rationale to support its project and the statements in the application support need for this project. **This sub-criterion is met.**

### **Glacier Peak**

Glacier Peak considered the capacity of the current providers in the service area and provided the following response, *“Even before this substantial need was validated by the CN Program, the Snohomish County community was well aware and quite vocal regarding the significant unmet need. As noted above, in 2018, three applicants applied to meet a projected unmet need for one additional agency in Snohomish County (based on the previous and now outdated methodology). While none of these applications were approved, the Snohomish County community did come out in full force to provide input during this process substantiating the unmet need. At the public hearing for these applications, there were in excess of 20 letters from Snohomish County providers, churches, long-term care facilities, community advocacy agencies, hospitals, social service providers, and others documenting the need for additional hospice providers in the community. These letters specially identified instances of significant delays in initiating hospice services and a lack of access to particular populations including those in long-term care settings, racial and ethnic minorities and low-income populations. Now, well more than a years after the community so clearly advocated for additional hospice services in Snohomish County and with no additional agencies approved, the need is even greater”*.

*“Clearly, new providers will not be a duplication, but instead will be of great benefit to Snohomish County hospice patients and their families, providing additional choice and increased access. Importantly, the presence of numeric need in the methodology also indicates that an additional provider would not be considered unnecessary duplication. Alpha’s proposed agency will help meet unmet need, and will not oversupply hospice services in the County”*. [source: Glacier Peak Application, pp16-17]

### **Public Comment**

None

### **Rebuttal**

None

### **Department Evaluation**

The department considers the rationale and assumptions relied upon by Glacier Peak to propose the establishment of an additional Medicare and Medicaid hospice agency in Snohomish County to be reasonable. Glacier Peak anticipates that the new hospice agency would be located in Everett and it will serve residents of Snohomish County.

The approval of additional providers in the planning area will result in an additional hospice option for many terminally ill home health patients in the area. Based on the information above, the department concludes that Glacier Peak provided reasonable rationale to support its project and the statements in the application support need for this project. **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 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 do 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.

Charity care shows a willingness of a provider to provide services to individuals who do not have private insurance, do not qualify for Medicare, do not qualify for Medicaid, or are under insured. With the passage of the Affordable Care Act, the amount of charity care is expected to decrease, but not disappear.

### **Season's Hospice**

Season's Hospice provided copies of the following policies that are currently used by the home health agency and would also be used by the hospice agency. [source: Season's Screening Responses, Exhibit 1, Season's Application, Exhibit 12]

- Admission Criteria
- Patient Financial Assistance
- Referral Admission Process

The Admission Criteria includes the following non-discrimination language.

*"Patients will be accepted for care and treatment on the basis of reasonable criteria and under the expectation that the physical, emotional, social and spiritual needs of patients and families can be met adequately by Seasons Hospice, primarily in the patient's place of residence".* [source: Season's Application, p311]

The Patient Financial Assistance provided by Season's Hospice outlines the details and information used to establish a residents financial needs which are designed, *"To support access to hospice care for all eligible patients living within the community"*. [Source: Season's Screening Responses, p90]

For its proposed Snohomish County hospice agency, Season's Hospice would also be available for both Medicare and Medicaid patients. Season's Hospice provided the projected payer mix for hospice services in Snohomish County. [Source: Season's Application, p280]

**Table 2**  
**Season’s Hospice Projected Payer Mix and Percentage**

| <b>Payer</b>                       | <b>Percent</b> |
|------------------------------------|----------------|
| Medicare and Medicare Managed Care | 91%            |
| Medicaid                           | 1%             |
| Commercial, private etc.           | 8%             |
| <b>Total</b>                       | <b>100%</b>    |

Public Comment

Envision provided comment regarding service to low income persons and underserved groups by Season’s Hospice. [source: Envision public comment, pp18-19]

“Homeless

*While Season’s propose to “assure a shelter for the qualified homeless person to provide a home,” its plan as proposed is incomplete without a dollar commitment.*

*First, Season’s plan to “assure no homeless person dies on the streets” reflects an over reach of ambition. In light of the violence and drug overdose problems homeless persons face on the street, a hospice will have a limited role in preventing such deaths.*

*Second, while Seasons proposes to fund housing contributions to individuals via a local shelter, it provides no dollar amount.*

*Seasons states that it will serve children and “challenges” Providence. It reports it will serve all ages, including serving children through Kangaroo Kids, but it appears Kangaroo Kids is a camp for bereaved children.*

Charity care

*Screening questions 40 and 41 requested additional information about the Seasons Charity Care Policy, listing a number of required components that were missing from that provided initially. It is unclear how many of those missing components are present in the policy and procedure documents provided in response by Seasons. It is clear, however, that an appeals process and communication with the public are not included. The Season's practice of permitting a set dollar amount per year or a maximum of two patients at any given time does not likely conform to the Department's usual requirements. With a budget or quota, it seems a patient's ability to successfully apply for charity care could depend on the time of year or timing of other persons' requests. In that respect, the patient-related criteria would not be applied equitably”.*

Rebuttal Comment

Season’s Hospice did not submit rebuttal to address the topics presented in public comment.

Department Review

The admission policy provided by the applicant describes the process Season’s Hospice would use to admit a patient to its hospice agency and outlines rights and responsibilities for both Season’s Hospice and the patient. The policy includes language to ensure all patients would be admitted for treatment without discrimination.

Season's Hospice anticipates its Medicare and Medicaid revenues for the proposed hospice agency will be approximately 91% of its total revenues. Season's Hospice does not expect a significant change in its Medicare and Medicaid revenues over time. Additionally, the financial data provided in the application shows that Medicare and Medicaid revenue is expected.

Season's Hospice also provided a copy of its proposed Patient Financial Assistance policy that would be used at the hospice agency. The policy provides the circumstances that a patient may qualify for charity care. Additionally, the pro forma financial statements provided in the application show a charity care line item.

Comment provided took issue with no funds being allocated for the applicant's stated intentions to provide programs addressing homelessness and housing issues within the county. A review of the financial documents does show a projected profit for the agency in excess of \$375,000 in year one and continues to increase through the projection years. Spending of these funds is not part of this CN review and may well be used for such community services.

Comment also questioned the inclusion of Camp Kangaroo and "Kangaroo Kids" in the listing hospice programming. The application provides a description of the Season's Hospice logo in which they detail, "*The logo...shows a dove-a universal symbol of peace. The box surrounding the dove represents security. As the wing extends beyond the top border of the box, the symbolism represents the commitment to break out of routine applications and services and development innovations that expand care options for patients and their families*". The department can see a connection between these type of programs and the stated goals of the applicant and considers this complimentary to this review criteria. [source: Season's Application, p6]

Comment about the Patient Financial Assistance policy center around the details of the process involved. The policy provided in response to screening does include a modification in item #4 to address some of the items requested in screening. The policy is brief, but appears to embody the additional actions around communications and appeals in the subsequent steps #5-8. If this proposal is approved, a condition will be added requiring the receipt of a more detailed policy which explicitly outlines the process steps to provide a more clear communication of the procedure for residents to follow.

With the information provided in the application, and acceptance of the condition for a more explicit charity care policy, the department concludes **this sub-criterion is met.**

### **Heart of Hospice**

Heart of Hospice states, "*ALL individuals in need of, and electing to choose, hospice services will be served by this project*". The applicant also provided copies of the following policies that would be used by the hospice agency. [source: Heart of Hospice Application, p14; Attachments ]

- Admission to Hospice Care
- Referrals to Hospice Care
- Charity Care Policy

The Admission policy includes the following non-discrimination language.

*“Patients who meet the admission criteria are admitted to Heart of Hospice regardless of age, ethnicity, mental status, physical status, pre-existing condition, race, color, religion, sex (including gender identity and sexual orientation), national origin, disability or genetic information”.* [source: Heart of Hospice Application, p178]

The Charity Care policy provided by Heart of Hospice outlines the details and information used to establish a residents financial needs. The policy begins with the statement, *“Patients without third-party payer coverage and who are unable to obtain means to pay for hospice care will be accepted for charity care admission”.* [Source: Heart of Hospice Application, p182]

For its proposed Snohomish County hospice agency, Heart of Hospice would be available for both Medicare and Medicaid patients. Heart of Hospice provided the projected payer mix for hospice services in Snohomish County. [Source: Heart of Hospice Application, p25; Heart of Hospice Screening Responses, p5]

**Table 3**  
**Heart of Hospice Projected Payer Mix and Percentage**

| <b>Payer</b>    | <b>Percent</b> |
|-----------------|----------------|
| Medicare        | 95%            |
| Medicaid        | 3%             |
| Private/Charity | 7%             |
| <b>Total</b>    | <b>100%</b>    |

Public Comment

None

Rebuttal Comment

None

Department Review

The Admission to Hospice Care policy provided by the applicant describes the process Heart of Hospice would use to admit a patient to its hospice agency and outlines rights and responsibilities for both Heart of Hospice and the patient. The policy includes language to ensure all patients would be admitted for treatment without discrimination.

Heart of Hospice anticipates its Medicare and Medicaid revenues for the proposed hospice agency will be approximately 90% of its total revenues. Heart of Hospice does not expect a significant change in its Medicare and Medicaid revenues over time. Additionally, the financial data provided in the application shows that Medicare and Medicaid revenue is expected.

Heart of Hospice also provided a copy of it proposed charity care policy that would be used at the hospice agency. The policy provides the circumstances that a patient may qualify for charity care and outlines the process to be used to obtain charity care. Additionally, the pro forma financial statements provided in the application show a charity care line item.

The department concludes **this sub-criterion is met.**

**Envision Hospice**

Envision Hospice provided copies of the following policies that would be used by the hospice agency. [source: Envision Application, Appendixes G, H, I]

- Admission Policy/Human Rights Assurance
- Charity Care Policy
- Patient Referral Policy

The Admission policies include the following non-discrimination language.

*“Hospice will not discriminate against recipients of services on the basis of race, color, religion, national origin, sex, sexual preference; physical or mental handicap, political belief, veteran status or age”.* And, *“Patients are accepted for treatment on the basis of a reasonable expectation that the patient's needs can be met adequately by Hospice in the patient's place of residence. Patients will be accepted for care only if Hospice can meet a patient's identified needs”.* [source: Envision Application pdf, p129-130]

The Charity Care policy provided by Envision Hospice outlines the details and information used to establish a resident’s financial needs and states, *“To provide medically necessary hospice care at a reduced rate or without charge to patients or their legal financial sponsors, when adequate income or assets are not available to pay for hospice services. Hospice will provide charity care as dictated by its available resources and consistent with the following procedure. Hospice will not deny palliative or hospice care to any individual based on that individual's ability to pay, national origin, age physical disabilities, race, color, sex, or religion”.* [source: Envision Application pdf, p137]

For its proposed Snohomish County hospice agency, Envision Hospice would also be available for both Medicare and Medicaid patients. Envision Hospice provided the projected payer mix for hospice services in Snohomish County. [Source: Envision Application, p41]

**Table 4**  
**Envision Hospice Projected Payer Mix and Percentage**

| <b>Payer</b>                       | <b>Percent</b> |
|------------------------------------|----------------|
| Medicare and Medicare Managed Care | 85%            |
| Medicaid                           | 10%            |
| Commercial, Tricare, private etc.  | 5%             |
| <b>Total</b>                       | <b>100%</b>    |

**Public Comment**

None

**Rebuttal Comment**

None

### **Department Review**

The Admission policy provided by the applicant describes the process Envision Hospice would use to admit a patient to its hospice agency and outlines rights and responsibilities for both Envision and the patient. The policy includes language to ensure all patients would be admitted for treatment without discrimination.

Envision Hospice anticipates its Medicare and Medicaid revenues for the proposed hospice agency will be approximately 85% of its total revenues. Envision Hospice does not expect a significant change in its Medicare and Medicaid revenues over time. Additionally, the financial data provided in the application shows that Medicare and Medicaid revenue is expected.

Envision Hospice also provided a copy of its proposed charity care policy that would be used at the hospice agency. The policy provides the circumstances that a patient may qualify for charity care and outlines the process to be used to obtain charity care. Additionally, the pro forma financial statements provided in the application show a charity care line item.

The department concludes **this sub-criterion is met.**

### **Glacier Peak**

Glacier Peak provided copies of the following policies that would be used by the hospice agency. [source: Glacier Peak Application, Exhibit 6]

- Admission Criteria and Process
- Charity Care Policy
- Patient Referral Policy

The Admission criteria includes the following non-discrimination language.

*“Patients will be accepted for care without discrimination on the basis of race, color, religion, age, gender, sexual orientation, disability (mental or physical), communicable disease, or place of national origin”.* [source: Glacier Peak Application, p84]

The Charity Care policy provided by Glacier Peak affirms, *“Patients without third-party payer coverage and who are unable to pay for medically necessary care will be accepted for charity care admission, per established criteria”.* [source: Glacier Peak Application, p90]

For its proposed Snohomish County hospice agency, Glacier Peak would also be available for both Medicare and Medicaid patients. Glacier Peak provided the projected payer mix for hospice services in Snohomish County. [Source: Glacier Peak Application, p21]

**Table 5**  
**Glacier Peak Projected Payer Mix and Percentage**

| <b>Payer</b>                       | <b>Percent</b> |
|------------------------------------|----------------|
| Medicare and Medicare Managed Care | 94.6%          |
| Medicaid                           | 4%             |
| Commercial, Tricare, private etc.  | 1.2%           |
| Self-Pay                           | 0.2            |
| <b>Total</b>                       | <b>100%</b>    |

### Public Comment

Envision provided the following comment in relation to the Glacier Peak charity care. [source: Envision Public Comment, p13]

*“In Alpha Hospice's Screening Question #25 regarding its original application's Exhibit 6, the Department stated:*

*25. The document is missing key determination processes that can be used to determine eligibility for charity care. For example, the policy does not have the following key processes:*

- 1. Documentation requirement*
- 2. Approval process to be used by the applicant*
- 3. Notification process to be used by the applicant*
- 4. Timelines to be used (such as pending in case of incomplete application)*
- 5. Denial process*
- 6. Appeals process*
- 7. Communication to the public*

*Please submit a revised charity care policy with the elements identified above.*

*Yet, in response, Alpha did not comply with the request for additional information, even deleting some key items included in the original. Moreover, Alpha explained that Washington law does not require it to include those elements in its charity care policy.*

*A comparison of the original Charity Care Policy and the one submitted in response to screening shows Alpha:*

- deleted its reference to its sliding fee scale for which more detail was requested*
- did not provide the hospice charity care criteria which are stated as the policy's purpose and which screening questions requested.*

*This lack of responsiveness, plus Alpha's offer to adopt a conforming approach only if required as a condition to CON approval, are not compatible with a serious commitment to provision of charity care on Alpha's part. In light of the fact that most of the existing Snohomish hospices are hospital-based, they will have more complete charity care policies and documentation thereof. Additionally, a CON condition requiring Alpha to provide for more acceptance of charity care patients would have financial results. Before the Department decides to grant a CON to Alpha based on a condition requiring a more complete charity care policy, it would need to determine that such an improvement would not have any financial impact on the applicant's revenue and expenses as portrayed in its application and related materials”.*

### Rebuttal Comment

Glacier Peak responded with the following statements, *“Envision mischaracterizes both applicable charity care requirements and Alpha Hospice's proposed policy. For instance, Envision cites a*

*"conforming approach" to charity care, but provides no reference to what that approach is required to be. It also fails to provide any examples of the "conforming approach".*

*The fact is that Alpha Hospice's Charity Care Policy ensures Alpha Hospice's ability to make significant contribution toward meeting the health-related needs of members of medically underserved low-income residents of Snohomish County. Alpha Hospice's policy is one born out of the vast experience of its affiliate hospice agencies, considering the function of an operational Charity Care Policy-one that provides the highest level of responsiveness to the patients that it would apply to.*

*Additionally, Envision's vague comment regarding "financial results," should be disregarded, as it is simply an unconvincing attempt to cite to some sort of financial impact in an effort to make its comment applicable to the CN program's review of Alpha Hospice's appropriate Charity Care Policy.*

*Finally, Alpha Hospice notes for the record that while it maintains its policy is satisfactory, it would be amenable to a condition on its certificate of need to provide a final charity care policy before becoming operational". [source: Glacier Peak Rebuttal, p5]*

### **Department Review**

The recently revised Admission Criteria and Process provided by the applicant describes the process Glacier Peak/Alpha Hospice would use to admit a patient to its hospice agency and outlines rights and responsibilities for both Glacier Peak and the patient. The policy includes language to ensure all patients would be admitted for treatment without discrimination.

In response to screening questions regarding the project description, Glacier Peak included a statement that the hospice (emp. added), *"plans to serve any individual, **over 18 years of age**, that meets hospice criteria and is desiring a more palliative approach to their care. It is our wish to serve the community need as best we can through an exemplary clinical team that attains the knowledge and compassion to support these individuals in their journey... At this time, given the availability in Snohomish County of the existing palliative and pediatric home health program at Providence Home Health and Hospice, we do not intend to provide these services at this time, but will monitor for need, and develop services accordingly". [source: Glacier Peak Screening Responses, p1]*

This statement is contradicted in the original application and the Admission Policy submitted for review which states (emp. added), *"Patients will be accepted for care without discrimination on the basis of race, color, religion, **age**, gender, sexual orientation, disability (mental or physical), communicable disease, or place of national origin". [source: Glacier Peak Application, pp 17 & 84]*

If this application is approved, the department will condition the approval on adherence to the published admission policy stating that, regardless of age, Glacier Peak will admit and provide the appropriate hospice related care.

Glacier Peak anticipates its Medicare and Medicaid revenues for the proposed hospice agency will be approximately 85% of its total revenues. Glacier Peak does not expect a significant change in



its Medicare and Medicaid revenues over time. Additionally, the financial data provided in the application shows that Medicare and Medicaid revenue is expected.

Glacier Peak also provided a revised version of its proposed Charity Care policy in screening that would be used at the hospice agency. The policy provides the circumstances that a patient may qualify for charity care. Additionally, the pro forma financial statements provided in the application show a charity care line item.

Comment about the Charity Care Policy center around the details of the process involved. The policy is brief, but appears to embody the additional actions around communications and appeals in the six steps. In relation to this topic, Glacier Peak's screening responses states, *"In terms of documentation, and as noted on page 1 of the charity care policy, the documentation to determine eligibility is maintained in the patient record. Our approval process includes a request being made by the referring agency, patient or family for assistance, and then a social worker meeting with the patient to assure they meet hospice admission criteria and to assess if they can be made eligible for Medicaid or other community resources. If not, the patient/family is supported in completing an application and in providing a financial declaration.*

*The Executive Director, clinical director and social worker review the file and determine eligibility including, sliding scale. This process is usually completed within a very few days. At this time, Alpha does not have an appeals process, and while we do not communicate per say to the public about our charity care, we do let referring sources know about our policy".*

Glacier Peak continues, *"While hospitals and ASCs are statutorily required to provide charity care in Washington, the record should reflect that there is no such requirement for hospice agencies. Nonetheless, we have a commitment to access for all, regardless of payer source or lack of payer. Our history demonstrates that we regularly serve patients without insurance. In fact, if a patient meets hospice criteria but is unable to pay and needs charity care, we will admit the patient. Should the Program continue to have concerns with our policy, and should we be issued a CN award, we would be amenable to that award including a condition related to specific requirements".* [source: Glacier Peak Screening Responses, pp22-23]

If this application is approved, a condition will be added requiring the receipt of a more detailed policy which explicitly outlines the process steps currently used as part of a patient's record. As this is reportedly already used, the details will provide a more clear communication of the procedure for residents to follow.

With the information provided in the application, and acceptance of the two conditions on the Admission age policy and for the Charity Care process details, the department concludes **this sub-criterion is met.**

- (3) *The applicant has substantiated any of the following special needs and circumstances the proposed project is to serve.*
  - (a) *The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their*

*services or resources, or both, to individuals not residing in the health service areas in which the entities are located or in adjacent health service areas.*

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

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

*(4) The project will not have an adverse effect on health professional schools and training programs. The assessment of the conformance of a project with this criterion shall include consideration of:*

*(a) The effect of the means proposed for the delivery of health services on the clinical needs of health professional training programs in the area in which the services are to be provided.*

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

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

### **Department Evaluation**

This sub-criterion under WAC 246-310-210(3), (4), and (5) is not applicable to these applications.

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

### **Season's Hospice**

Based on the source information reviewed, the department determines that the Season's Hospice project **has not met** the applicable financial feasibility criteria in WAC 246-310-220.

### **Heart of Hospice**

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that the Heart of Hospice project **has met** the applicable financial feasibility criteria in WAC 246-310-220.

### **Envision Hospice**

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that the Envision Hospice project **has met** the applicable financial feasibility criteria in WAC 246-310-220.

### **Glacier Peak**

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that the Glacier Peak project **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.

To evaluate this sub-criterion, the department reviews the assumptions provided by an applicant, projected revenue and expense (income) statements, and projected balance sheets. The assumptions are the foundation for the projected statements. The income statement is a financial statement that reports a company's financial performance over a specific period—either historical or projected. Projected financial performance is assessed by giving a summary of how the business expects its revenues to cover its expenses for both operating and non-operating activities. It also projects the net profit or loss incurred over a specific accounting period.<sup>4</sup>

The purpose of the balance sheet is to review the financial status of company at a specific point in time. The balance sheet shows what the company owns (assets) and how much it owes (liabilities), as well as the amount invested in the business (equity). This information is more valuable when the balance sheets for several consecutive periods are grouped together, so that trends in the different line items can be viewed.

In financial accounting, a cash flow statement, also known as statement of cash flows, is a financial statement that shows how changes in balance sheet accounts and income affect cash and cash equivalents, and breaks the analysis down to operating, investing and financing activities. Essentially, the cash flow statement is concerned with the flow of cash in and out of the business. The cash flow statement is typically distributed with a company's income statement and balance sheet.

### **Season's Hospice**

The Season's Hospice agency is not an existing facility. If approved, it will be operated as one of many Season's hospice agencies operated throughout the nation. Season's Hospice provided data showing the rates by diagnosis for patients using hospice services from the World Health Organization. With that information and the projected need in the planning area, Season's provided a 5-step method that produced the following breakdown of their projected their ADC for the first three full years of operation. [Source: Season's Application, p301; Season's Screening Responses Exhibit 9 & 11]

The applicant provided the following explanation of the steps and assumptions used:

**Step 1.** *The WHO (World Health Organization) age-adjusted death rates per 100,000 persons for each of the eleven top causes of death appropriate for hospice care are applied*

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<sup>4</sup> One purpose behind the income statement is to allow key decision makers to evaluate the company's current situation and make changes as needed. Creditors use these statements to make a decision on loans it might make to the company. Stock investors use these statements to determine whether the company represents a good investment.

to the Snohomish County population for each of the three years. The population comes from the state's methodology from those aged 0 to 64 years on page 4, and 65 years and older on page 5, and is added together for each of the three years.

For each cause of death for each year, the corresponding rate is multiplied by the population that is divided by 100,000. The resulting estimate for each of the terminal conditions is summed for each year yielding a total respectively of 4,311, 4,401, and 4,491. This methodology generates a lower estimate of deaths than does the state's methodology because it uses just the top eleven causes of death. However, this methodology validates the state's forecast in that it defines a subset of expected deaths that would qualify for hospice care at end of life.

**Step 2.** From Step 1, the percent of the total that the estimated numbers of deaths generates the percentage distribution for each of the eleven causes of death and for each year among the top eleven causes of death. From the state's methodology, the unmet need for each year respectively of 471, 617 and 763, is distributed among the top causes of death. (The methodology uses the top eleven causes of death to benchmark all deaths into these top causes as a proxy that provides a basis for determining length of stay, a reflection of intensity of care.)

The result distributes the state's forecasted caseload among the top eleven causes of death, and reflects the assumed patient days using a length of stay of 60.86, generating the state methodology's average daily census. (That method multiplies the unmet need by the weighted length of stay to generate patient days, and dividing the days by 365 yields the expected average daily census.)

**Step 3.** In this step, the state's methodology shows three years of potential volume from pages 4 and 5, with page 4 showing the potential volume for persons aged 0 to 64, and page 5, showing the potential volume for persons aged 65 years of age and older. Adding the two age cohorts for each year yields respectively potential hospice volumes of 3,107, 3,253, and 3,397.

Seasons Snohomish County's hospice program is expected to capture a percentage of the potential volume in its program. Therefore, the market share or capture rate is an assumed percentage that represents a reasonable expectation of future caseloads.

In step 3, Seasons Snohomish County's respective market shares are **39.5%, 40.0%, and 40.0%** of the potential volume from the state's methodology for each of the three years of unmet need market share. The result produces, respectively, estimates of 186, 247 and 305 admissions in each of the three years. These assumed market shares reflect a reasonable expectation of Seasons Snohomish County's caseloads.

To underscore the reasonableness of the Seasons Snohomish County's projected admissions and the calculated market share based on the number of admissions as it pertains to the need, the experience of two Seasons affiliates, one in California and one in Florida, provide benchmarks for estimation. The first two years' experience for the two affiliated hospices appears in the table below, along with the Snohomish projected

admissions. As shown, the Snohomish projections are aligned with the experience of other affiliated hospice startups.

**Step 4.** In this step, the distribution occurs of the caseloads in each respective year of 186, 247 and 305 admissions in Seasons Snohomish County's program using the proportion of the total associated with each cause of death calculated in Step 2. For example, the proportion of the total cases for cancer estimated is 32.4%, and so on for the remaining causes of death.

Thus, 32.4% of the caseload of 186 in year 1, 247 in year two, and 305 in year 3 could be expected to have a diagnosis of cancer, which produces as shown in the table respectively, 61, 80 and 99 cancer admissions in each of the three years. The method continues using the percentages of the distribution of cause of death from Step 2 to gauge an estimate of types of patients expected.

At the bottom of the table in Step 4 appears hospice length of stay based on disease type. The lengths of stay come from the publication, **Facts and Figures Hospice Care in America, National Hospice and Palliative Care Organization, 2017 edition**, Table 7. Days of Care by Principal Diagnosis, page 5.

The average length of stay for each of the major categories reflect the intensity of service. For Seasons Snohomish County's caseload, the following lengths of stay from the publication identified above provide the length of stay used to generate the forecast of patient days. [Results shown in Applicant Table 7, p62]

**Step 5.** The final step gauges a reasonable caseload for the new hospice program that reflects the Snohomish County experience, and generates patient days and the corresponding average daily census. For example, in Step 4, in year 3 for the new hospice, cancer represents 99 cases. From the table above (that is reproduced in Step 4 at the bottom of the table), the length of stay expected is 46 days.

The table in Step 5 shows the corresponding patient days using the published average length of stay from the table above applied to the forecasted cases appearing in Step 4 for the new hospice program. The result generates patient days by disease category for each year. After summing across each disease category within each year, a forecast is produced respectively of 12,582, 16,673, and 20,612 days for each of the three years. The patient days for each year are then divided by 365 to calculate the average daily census. Those results yield 34, 46 and 56 persons per day for each of the first three years expected in the hospice program for Seasons Snohomish County.

Thus, the forecast reflects a reasonable expectation of the mix of patients and caseloads for the first three years of operations based on the state's methodology. Using age-adjusted rates of death and benchmarking volume to the top eleven causes of death appropriate to hospice for residents of Snohomish County, the result produces a profile of a successful hospice program”.

**Table 6**  
**Season's Hospice Projected ADC**

| <b>Disease</b>     | <b>2020</b> | <b>2021</b> | <b>2022</b> |
|--------------------|-------------|-------------|-------------|
| Cancer             | 8           | 10          | 12          |
| Heart Disease      | 13          | 17          | 21          |
| Alzheimer's        | 4           | 6           | 7           |
| Lung Disease       | 3           | 4           | 5           |
| Stroke             | 3           | 4           | 5           |
| Diabetes           | 1           | 2           | 2           |
| Liver Disease      | 1           | 1           | 1           |
| Parkinson          | 1           | 1           | 1           |
| Hypertension/Renal | 0           | 1           | 1           |
| Nephritis/Kidney   | 0           | 0           | 1           |
| Blood Poisoning    | 0           | 1           | 1           |
| <b>Total</b>       | <b>34</b>   | <b>47</b>   | <b>57</b>   |

Season's Hospice also projected the number of admissions (unduplicated patients), patient's days, and average daily census for the proposed Snohomish County hospice agency. The applicant assumed the ability to capture 40% of the unmet need for the planning area. [Source: Seasons Application, p62; Season's Screening Responses, Exhibit 11]

**Table 7**  
**Season's Hospice Projected Utilization Years 2020 through 2022**

|                        | <b>2020</b> | <b>2021</b> | <b>2022</b> |
|------------------------|-------------|-------------|-------------|
| Unduplicated Patients  | 186         | 247         | 305         |
| Average Length of Stay | 46          | 46          | 46          |
| Patient Days           | 12,580      | 16,674      | 20,614      |
| Average Daily Census   | 34          | 47          | 57          |

The assumptions used by Season's Hospice to project revenue, expenses, and net income for the hospice agency for projection years 2020 through 2022 are below. [Source: Season's Screening Responses, pp65-66]

***“Projected Net Revenues by payer are projected as follow:***

- (1) Medicare and Medicare Managed Care: Medicare Rates are based on the most recent published rates for Snohomish County Washington. It is assumed that Medicare Managed Care groups will realize an average 5 percent discount to the standard Medicare Rates.*
- (2) Medicare and Medicaid will realize a 10 percent reduction relative to the published Medicare rates.*
- (3) Commercial Insurance: Commercial payers are expected to obtain a 5 percent discount relative to patient charges.*

*Charity Care: Services for Charity care patients will be provided at no cost. Charity care is captured as a revenue source to reflect the fact that charity care patients are receiving hospice services. Seasons records services provided to Charity Care patients in its charge master to support utilization review, compliance and quality assurance functions. Charity Care cannot appear solely as a revenue deduction. There must also be a revenue account against which to make the deduction. Net Revenues for Charity patients is zero.*

*(4) Private Pay: Private pay patients will be billed at charges. The Applicant expects that 80 percent of private pay patients will be written off to bad debts.*

***Non-Operating Revenues:***

*Non-Operating Revenues represent physician fees billed by the Medical Director. These fees are based on the experience of affiliates with existing programs.*

***EXPENSES***

***Salary and Benefits:***

*Seasons Health Care Management, Inc., the management company for Seasons Snohomish County, uses algorithms to determine appropriate levels of staffing by skill level at various census levels. The staffing levels and salary rates by FTE shown in the application are based upon these algorithms to the forecast of patient days developed for this application. Salary levels reflect the wages paid affiliates' operating hospice programs. Payroll taxes assume an equal 6.5 percent of salaries and that other benefits will equal 15 percent of salary expense. These percentages reflect the experience of affiliates. Expenses associated with salary and benefits are shown on the lines Employee Benefits, Payroll Taxes and Salaries and Wages.*

***Non-Salary Costs:***

*Interest: There is no long- or short-term debt to be issued in connection with this project.*

*Depreciation: Depreciation Expense is forecast on the basis of the depreciable assets to be acquired in connection with the project depreciated on a straight-line basis. Schedules of useful lives are provided by Northwestern University.*

***Lease Expense:*** *The Lease expense is composed of two elements. The base rent begins at \$23.00 per square foot in 2019 and will increase by 3.0 percent per annum in each succeeding year. In addition to the base rent, an additional \$5.76 per square foot will be charged in 2019 to cover utilities and waste management costs. This amount will also be increased by 3.0 percent per annum. Because the pro forma projections are for time periods that straddle calendar years, the rental rates and the utility and waste management rates are apportioned between the two years that are included in each projection period.*

***Other Non-Salary Costs:*** *Other non-salary costs are based on the experience of Seasons Hospice and Palliative Care of Oregon for 2017.*

*Purchased Services is an important line item. This expense refers to payments made by the hospice to hospitals or nursing homes with which the hospice will partner to provide general inpatient*

care. It is assumed that the hospice will pay these partners fees equal to 85 percent of GIP charges for their services”.

**Table 8**  
**Season’s Hospice Payer Mix**

| <b>Payor</b>          | <b>Percent</b> |
|-----------------------|----------------|
| Medicare              | 27.3%          |
| Medicare Managed Care | 63.7%          |
| Medicaid              | 1.0%           |
| Health Options (BHP)  | 2.0%           |
| Charity Care          | 1.0%           |
| Private Pay           | 1.5%           |
| Third Party Insurance | 3.0%           |
| Other (Champus, VA)   | 0.5%           |
| <b>Total</b>          | <b>100%</b>    |

As stated above, to complete its projected financial statements for this project, Season’s Hospice provided the proposed hospice agency’s projected revenue, expenses, and net income. [Source: Season’s Application, p60]

**Table 9**  
**Season’s Hospice Revenue and Expense Projections**

|                            | <b>2020</b>      | <b>2021</b>      | <b>2022</b>      |
|----------------------------|------------------|------------------|------------------|
| Total Revenue              | \$2,518,397      | \$3,337,249      | \$4,125,675      |
| Total Expenses             | \$2,142,764      | \$2,739,629      | \$3,165,122      |
| <b>Net Profit / (Loss)</b> | <b>\$375,633</b> | <b>\$597,620</b> | <b>\$960,553</b> |

Season’s Hospice also provided the projected balance sheets for the proposed Snohomish County hospice agency. The three-year summary is shown in the table below.



**Applicant's Table  
Seasons Snohomish County Balance Sheet**

| Current Assets                    | 12 Month Period Ending: |                |                  |                  |                  |
|-----------------------------------|-------------------------|----------------|------------------|------------------|------------------|
|                                   | 30-Jun-19               | 30-Jun-20      | 30-Jun-21        | 30-Jun-22        | 30-Jun-23        |
| Cash                              | 900,000                 | 621,945        | 706,294          | 1,213,080        | 2,072,361        |
| Accounts Receivable               |                         |                | 411,978          | 545,931          | 674,907          |
| <b>Total Current Assets</b>       | <b>900,000</b>          | <b>621,945</b> | <b>1,118,271</b> | <b>1,759,010</b> | <b>2,747,269</b> |
| Long Term Assets                  |                         |                |                  |                  |                  |
| Land                              |                         |                |                  |                  |                  |
| Buildings                         |                         |                |                  |                  |                  |
| Equipment                         |                         | 86,117         | 86,117           | 86,117           | 86,117           |
| <b>Total</b>                      |                         | <b>86,117</b>  | <b>86,117</b>    | <b>86,117</b>    | <b>86,117</b>    |
| Less Accumulated Depreciation     |                         | 7,131          | 16,639           | 26,146           | 35,654           |
| Net Long Term Assets              |                         | 78,986         | 69,478           | 59,970           | 50,463           |
| <b>Total Assets</b>               | <b>900,000</b>          | <b>700,931</b> | <b>1,187,749</b> | <b>1,818,981</b> | <b>2,797,731</b> |
| <b>Liabilities and Equity</b>     |                         |                |                  |                  |                  |
| Current Liabilities               |                         |                |                  |                  |                  |
| Accounts Payable                  |                         | 168            | 28,917           | 34,290           | 39,464           |
| Salaries Payable                  |                         | 8,742          | 96,162           | 131,549          | 149,875          |
| Current Portion of Long-Term Debt |                         |                |                  |                  |                  |
| <b>Total Current Liabilities</b>  |                         | <b>8,910</b>   | <b>125,079</b>   | <b>165,839</b>   | <b>189,340</b>   |
| Long Term Debt                    |                         |                |                  |                  |                  |
| <b>Total Liabilities</b>          |                         | <b>8,910</b>   | <b>125,079</b>   | <b>165,839</b>   | <b>189,340</b>   |
| <b>Equity</b>                     | <b>900,000</b>          | <b>692,020</b> | <b>1,062,670</b> | <b>1,653,141</b> | <b>2,608,392</b> |

Referencing the adjusted balance sheet, Season's states, "It reflects the balance sheet and cash flows based on the anticipated commencement date of operations July 1, 2020. A \$900,000 contribution of capital is made initially, to cover the expenses occurring during the start-up period from July 1, 2019 through June 30, 2020". [source: Season's Screening Responses, p72]

Public Comment

Glacier Peak, Continuum, and Envision each provided comment on the financial aspects of the Season's application.

Glacier Peak [source: Glacier Peak public comment, p7]

Financial Forecasting

"In its application, Seasons anticipated commencing operations in January 2020 and provided financial statements for the first three full calendar years as required by the Department. In its screening response, Seasons pushed back its start date until July 2020 but provided the same three years of financial data. In past CN applications, the CN Program has required applicants to provide three full years calendar year financials when there is a partial calendar year, as there is in this case".

Services Agreement

"More importantly, in the screening response, Seasons provided a services agreement with Seasons Healthcare Management, Inc. to provide consulting and financial services. While this is acceptable and not unlike the agreement Glacier Peak has with Cornerstone, Seasons has failed to document in the financials where these costs are and how they were calculated. The agreement

*states that the compensation for services to be based both on a percentage of gross revenue as well as a proportionate share of costs (see Section 5 of the agreement, p. 006 of the March 2019 screening response). Again, there is no exact match as required by CN standard practice”.*

Continuum [source: Continuum Public Comment pdf, p29]

#### Services Agreement

*Continuum states, “While Seasons generally put forth a responsive application, it contains several deficiencies. Specifically, in the Program’s request for supplemental information, it asked Seasons to provide a management contract with Seasons Healthcare Management, Inc. While this was provided, no assumption was provided for the associated fees (assumptions were provided in response to Question #16, pp. 066 and 067)”.*

#### Pro Forma

*The Continuum comment continues, “Furthermore, while the pro forma financial statement contains an “allocated cost line item,” this does not appear to be for the management services (Question #22 indicates that the allocated costs are for a 24-hour call center). While we concur that the agreement was provided it is not clear where or if these costs are included in the pro forma financials. Without a specific line item, no “exact match” – a Program standard requirement – can be confirmed.*

*“Seasons also stated that \$900,000 is required for startup (see page 071 of the screening response), but it failed to provide documentation that these funds are available. The application simply includes a letter from David Donenberg, CFO of Seasons Healthcare Management, Inc. No financial statements or other documentation was provided demonstrating the availability of funds”.*

Envision [source: Envision Public Comment, pp19-23]

#### “Season's ownership and financial information

*Financial and applicant information about Seasons is incomplete. Based on information available, it is not clear who owns the applicant or that the application is complete with regard to required information about ownership.*

- *The Seasons application did not provide a list of individuals that own 10% or more of the applicant, as required.*
- *The CFO letter confirming availability of funds is on consultant letterhead.*
- *Source of funding/owner provided no audited financial reports for last three years.*
- *Seasons' Snohomish balance sheet shows an apparent gift of \$900,000 to the local Snohomish agency for which there is no required repayment or interest rate. Based on the CON requirement that any entity that owns 10% or more of a CON applicant is also an applicant, it seems likely the funding source has a significant and undisclosed ownership interest in the local Seasons entity. It is likely that SHCM, styled as the "consultant" has financial control over the local Snohomish entity.*

*Envision notes many aspects of the agreement between the proposed Seasons hospice in Snohomish County and its "consultant" indicate the "consultant" controls the "client". One clear purpose of the "consulting" agreement is isolation of the Seasons parent from liability at the local*

*hospice level. The relative roles between client and consultant appear entirely reversed and clearly suggest control of the local hospice agency by the "consultant".*

- *The "consultant" receives the payments for the hospice services provided by the local hospice agency "client".*
- *A number of requirements by the "consultant" would not be within the purview of a normal client's consultant.*
- *The "consultant" can unilaterally assign the agreement to another party.*
- *The client must name the "consultant" as its insured.*
- *The local hospice/client pays its shares of its "consultant's" operating costs along with all the "consultant's" other "clients". The amount of these required payments, termed "hospice proportionate costs" are to be set solely by "consultant".*
- *Based on the signatures to the documents, Todd Stern is the CEO of both the "consultant" and the local hospice "client".*

#### *Proforma financials*

*To project three full years of workloads and corresponding revenue through June 2023, Seasons stated that it relied on the Department's Hospice Need Methodology. Yet, the Hospice Need Methodology only projects Snohomish County total admissions and unmet need admissions through 2020. Seasons does not explain how the need determined by the Department translates into its projected agency utilization in its financial projections. Seasons does not explain how it extrapolated from 2020 Need out to 2023. Since Seasons does not plan to initiate services until mid 2020, it must provide the assumptions and method by which it arrived at workload projections for 2.5 years beyond that, to mid 2023. It does not.*

*In screening, the Department asked Seasons to provide detailed assumptions and step by step methodology for developing its utilization projections. In response Season's provides Exhibit 11 of its Screening Response.*

- *At page 062, a table labeled Seasons Hospice Proposal provides figures for three years labeled Year 1, Year 2 and Year 3. The "Unmet Need" figures are the same as Seasons notes at page 059 are the Department's "Unmet Need". There is no explanation for the "Admits" Column. Nevertheless, assuming Seasons realizes the Department has identified "need" for three new hospice agencies, it is not stated why it would assume a 40% share of that need, leaving 60% for the existing and new agencies.*
- *The Year 1, 2, and 3 columns in Exhibit 11 contain the Department's interim years. 2018, 2019 and 2020 "potential volumes" for Snohomish County.*
- *Seasons does not connect its reference to those three interim years between the 2015-2017 historical data period and the Hospice Need Method's "projection year," 2020.*
- *Nor did Seasons provide its assumptions and step by step method for how it arrived at utilization projections for 2021-2023, three years beyond the department's 2020 "projection year" and for which Seasons' is projecting workload and revenue.*
- *A number of problems with Exhibit 11 leave it unclear how its figures relate to the period mid 2020 through mid 2023.*

*Putting the unclear and unsupported absolute numbers of admissions aside, Seasons states vaguely:*

*"Seasons is expected to capture a percentage of the potential volume in its program. Therefore, the market share or capture rate is an assumed percentage that represents a reasonable expectation of future caseloads".*

*Based on this, Seasons assumes it will achieve market shares of additional volume of 39.5%, 40% and 40% resulting in annual admissions of 186, 247, 305 admissions (approximately 30, 40, and 50 ADC). In light of the Department's Need Method identifying "need" for three additional hospice agencies at a minimum of 35ADC each, Seasons does not explain how it will achieve the greater 40% share in year 3, achieving a 25% greater market penetration than the other two new agencies and leaving smaller, 30% shares, for each of them, assuming three are approved.*

#### *Comparable start ups*

*While Season's Exhibit 11 is unconvincing regarding its assumptions and method for projecting workload through mid 2023, it provides experience in other markets as support for its workloads in Years 1-3. But, Seasons fails to show why the start-up experience of its San Jose CA Santa Clara County, (1.7 million population) or Broward County FL (1.9 million population) hospice agencies would be a basis for its Snohomish County (.8 million pop.) with less than half that population. It provides no information about the community served or market context in either situation that would explain why either are comparable to Snohomish County, with less than half the population of the exemplar counties.*

*In its 2017 review of Olympia Behavioral Health's psychiatric hospital proposal, the Department responded to the applicants' argument that start up volumes for that project would mirror those at another of its locations:*

*The department acknowledges it is appropriate for an applicant to use its past experience in developing hospitals as a starting point for preparing projections for other new hospital proposals. However, those projections must also be adjusted based on location of the new proposed hospital and any recent changes in the proposed service area. Page 39, April 24, 2017 letters to Ron Escarda and Medrice Collucio*

*Just as the Department did in the OBH review, Seasons must make any reasonable adjustments but did not.*

#### *Line Items*

- Season's startup schedule appears to start before the Certificate of Need decision due date*
- The FTE's in Season's staffing table assume full 12 months of staffing for startup year. This would require recruitment of more than one full time employee for each position in order to achieve the standard 2080 hours per year that is considered an FTE.*

#### *Washington B&O tax*

*While the CON application form, at Financial Feasibility, Question 4, requires an applicant to project three years of Washington B&O tax payments, Seasons does not provide those.*

- Beyond the item simply being missing, its absence in Seasons financial projections results in substantial error and suggests the application is not complete.
- While Seasons' Table 12 lists "Payroll Taxes," it lists no other taxes. The Washington B&O tax rate at the time of the 2019 application due date was 1.5% of gross revenue.

The table below compares Seasons' projected B&O taxes, 2021-2023 to Envision's estimate of the projected B&O amount for Seasons' Snohomish County agency. Shown in the right-hand column is Envision's estimate of WA B&O taxes required at 1.5% times the Seasons "Total Revenues" line as provided in its "Table 12 Adjusted, Operating Years Revenue for Seasons Snohomish County".

| Estimated WA B&O taxes at 2019 tax rate, 1.5% of revenue compared to Seasons Taxes projections<br>Snohomish County Hospice Application |                      |                 |
|--|----------------------|-----------------|
| Year   | Seasons "Taxes" line | 1.5% of revenue |
| 2021   | None Shown           | \$37,776        |
| 2022   | None Shown           | \$50,059        |
| 2023   | None Shown           | \$61,885        |

Allocated costs

Assumptions at page 288 of Seasons' application state Allocated Costs are estimated at \$22.18 per patient day and are a payment to "consultant" SHCM for Snohomish share of the services of the Seasons national call center. Envision calculates that this equals 11.08% of net revenue for each of the three years. At this large portion of annual operating expenses, further detailed information was required and is missing. Envision does not find it credible that the Snohomish County agency would pay nearly \$500,000 for 24-hour phone support. Based on a reading of the "consulting" contract between SHCM and the proposed Snohomish agency, this may be the line at which corporate costs including 1% of revenue plus additional "hospice proportionate costs" are shown. Considering the very large expense, at 11.08% of Seasons' net revenue, it has a responsibility to provide more detail about it.

Lease

Seasons provides insufficient and incorrect information regarding its control of the proposed office space. Envision's review of the Seasons application and related materials did not locate a signed lease or signed agreement to the basic terms of the lease. Seasons provides detailed monthly lease expenses in order to allocate them to mid-year fiscal years. The Season's rent figures per fiscal year used in its table are not correct. Please see Appendix PC-2 for a table showing corrected rents for Seasons' Snohomish lease and demonstrating the discrepancy between them and the amounts Seasons provides at its "Lease" line item of the Snohomish pro forma.

Medical Director

Seasons provides confusing and incomplete information about its proposed Snohomish County medical director. The medical director agreement Seasons provided indicates the medical director will be a contractor. Yet, Season's staffing table shows the medical director as 1.36 FTE in Year 3. And the medical director contract indicates medical director will be paid \$5,000 per year. Additionally, the Seasons proforma shows the medical director is billing non-operating revenues

*of \$76,000 and Seasons has not provided assurance that the arrangement permitting that is within the safe harbors required to avoid concerns about inducement.*

### Balance sheet

*The Seasons proforma balance shows a contribution of \$900,000 but with no defined terms of repayment and no interest expense on the \$900,000 contribution. Contribution of this scale suggests the contributor is at least a partial owner and the applicant is required to disclose such ownership by the CON rules and by Medicare. Is this income to the company with no defined terms for repayment or is it a loan? This adds to the concern that ownership of Seasons local holding company has not been disclosed. If there was a \$900,000 gift or contribution to the local Seasons holding company or Snohomish hospice, did it result in a federal income tax and Washington B&O tax liability which is not disclosed?"*

### Rebuttal Comment

Season's Hospice did not submit rebuttal to address the topics presented in public comment.

## **Department's Evaluation**

### Pro Forma Financial Statements

The applicant provided pro forma financial statements, including the Revenue and Expense Statements, Balance Sheets, and Cash Flow Statements, that allowed the department to evaluate the financial viability of the proposed hospice agency alone.

Season's based the revenue and expenses for its hospice agency on the assumptions referenced above. The hospice agency's revenues are projected to cover expenses in year one (2020), and continue through year three (2022).

Comments regarding parts of the services agreement and Pro-Forma were reviewed. The costs of the project and related start-up costs were supported through a letter from the Season's CFO addressed above as well as confirmation from the managing director of commercial loans at CIBC Bank.

The costs associated with the services agreement with Season's Healthcare Management identifies a fee of 1% of gross revenues. A review of the Pro-Forma, as referenced in comment, does provide an allocated costs line for an amount that would satisfy this obligation, but with no rebuttal from the applicant to provide detail on this topic and the associated costs, the department cannot confirm these costs being accounted for in their agency expenses. [source: Season's Screening Responses pdf, p7]

Season's Hospice provided a signed medical director agreement with Dr. Amanda Keerbs for its prospective medical director. The medical director agreement identified the roles and responsibilities of both the hospice and proposed medical director, and the projected revenue and expense statements identify all costs associated with the position. The agreement Dr. Keerbs signed outlines an annual compensation of \$5000 annually for approximately 1 hour of services a week; for an approximate rate of \$96 per hour. This costs is accounted for in the applicant's expense projections. [Source: Season's Application, p148]

Topics raised during public comment for this application, and not addressed above, include specific line items in the Revenue and Expense statements. Envision, Continuum, and Glacier Peak criticize the assumptions used by Season's to determine a number of expenses, including allocated costs, administrative, management, and other items. Because Season's did not provide rebuttal comments to address the concerns raised, there is no available information in which the department can use to confirm that the financial provided accurately project the expenses presented by the applicant.

Given the department did not receive any rebuttal comments to address some of the issues regarding their projected revenues and expenses for the proposed hospice agency, the department has only the information provided in the initial application and screening responses for consideration under this sub-criterion. Based on the information available, the department cannot determine that the immediate and long-range operating costs of Season's Hospice can be met. **This sub-criterion is not met.**

### **Heart of Hospice**

Heart of Hospice operates in the states of Oregon and Washington. For Washington State, Heart of Hospice provided Medicare and Medicaid hospice services to the residents of Klickitat and Skamania counties through its hospice agency located in Hood River, Oregon. This proposed Snohomish County facility will have its own location in Washington, but will operate as a branch office of the Hood River facility.

Heart of Hospice provided the assumptions used to determine the projected number of patients and visits for the proposed Thurston County hospice agency. The assumptions are restated below. [source: Heart of Hospice Application, p22; Heart of Hospice Screening Responses, p3]

*“Step 1 Income is divided by patient days = Income Per Patient Day (IPPD)  
Step 2 Income Per Patient Day is multiplied by Forecasted Patient Days = Yearly Income  
Step 3 Expense is divided by patient days = Expense Per Patient Day (EPPD)  
Step 4 Expense Per Patient Day is multiplied by Forecasted Patient Days = Yearly Expense  
Step 5 Profit is Yearly Income- Yearly Expense = NET INCOME”*

As well as:

- a. *Heart of Hospice is making the assumptions based on experience in providing hospice in the State of Washington. The numbers we have used to forecast use rate, market share, intensity of service and all other data is based on our experience in Hospice in similar counties in both Washington and Oregon. These assumptions are based on Heart of Hospice's 2018 experience, we have extrapolated the data from our actual operation.*
- b. *Heart of Hospice has forecasted using the Department of Health's Certificate of Need Program Numeric Methodology outlined in WAC (246-310-290) providing hospice and also using the Methodology assumptions that the state has provided.*
- c. *Heart of Hospice has combined both the States Data and Heart of Hospice actual data throughout this application.*

d. *Heart of Hospice has great hospice experience in opening hospices in the State of Washington. Currently, Heart of Hospice provides Hospice in Klickitat and Skamania Counties. Our vast knowledge of that very special patient population has brought us to agreeing with the state and that the need for hospice care is most necessary. Heart of Hospice provides hospice also in the State of Oregon. Our experience in operating a Medicare Certified Hospice has led us to our assumptions of need. We have the knowledge to understand how to provide care when hospice is needed and how our unique geography and patient populations require a team with experience with many difference geographies of working in the mountains, rivers, and cities. Providing hospice in YURTS, Mansions, Nursing Homes, Assisted Living's, Forests, Riversides, Homes, Mobile Homes, Under Bridges and anywhere else someone calls home requires a very special team of professionals who agree that EVERYONE who meets the Medicare Guidelines deserves to receive hospice regardless of where they call home and regardless of their payer source. Each person who has a life limiting illness with six months or less if the disease follows its normal course has the right to receive hospice by a team of professionals. Until, we as, The State of Washington have reached each and every one of these individuals Heart of Hospice will continue to believe that NEED is necessary”.*

Based on the assumptions above, Heart of Hospice provided the following projections for utilization of the hospice agency. [source: Heart of Hospice Application, p16]

**Table 10**  
**Heart of Hospice Projected Utilization**

|                        | <b>Partial Year<br/>2019**</b> | <b>Year 1 –<br/>2020</b> | <b>Year 2 –<br/>2021</b> | <b>Year 3 -<br/>2022</b> |
|------------------------|--------------------------------|--------------------------|--------------------------|--------------------------|
| Admissions             | 17                             | 233                      | 300                      | 350                      |
| Total Days             | 1000                           | 14,000                   | 18,000                   | 21,000                   |
| Average Length of Stay | 60                             | 60                       | 60                       | 60                       |
| Average Daily Census   | 11.11                          | 38.36                    | 49.32                    | 57.53                    |

*\*\*Average Daily Census is calculated on 3 month period.*

*\*Partial year (data is dependent on date CN is granted).*

*Assumption: ALOS of 60 days as used by Washington state for Need Methodology.*

*Assumption: Total# of Patient Days and ADC is based on Heart of Hospice Experience in current counties.*

If this project is approved, the new hospice agency would be operated under Heart of Hospice’s agency located in Hood River, Oregon. In addition to this application submitted for Snohomish County, Heart of Hospice submitted an application under this 2018 hospice review cycle for Thurston and Clark counties. To assist in this evaluation, the applicant provided a pro forma financial statements for the Snohomish County hospice agency alone and Heart of Hospice as a whole, which incorporates the existing Hood River Oregon agency. Heart of Hospice also provided statements for both Clark and Thurston county services that could be incorporated into the statements if necessary. The pro forma statements to be reviewed below are:

- Projected Utilization of Heart of Hospice and Clark, Thurston, and Snohomish county services;
- Pro forma Operating Statement Snohomish County only;



- Pro forma Operating Statement combining Heart of Hospice and Clark, Thurston, and Snohomish county services;
- Pro forma Balance Sheet for Snohomish County only; and
- Pro forma Balance Sheet combining Heart of Hospice and Clark, Thurston, and Snohomish county services.

The table below shows the projected utilization for Heart of Hospice, plus its Clark, Thurston, and Snohomish county services for years 2019 through 2022. [source: Heart of Hospice Screening Responses, Excel Attachment]

**Table 11**  
**Heart of Hospice Projected Utilization with Current Operations and Clark, Snohomish and Thurston Counties**

|                        | Partial Year 2019 | Year 1 – 2020 | Year 2 – 2021 | Year 3 - 2022 |
|------------------------|-------------------|---------------|---------------|---------------|
| Admissions             | 464               | 1,083         | 1,283         | 1,467         |
| Total Days             | 27,800            | 60,300        | 74,000        | 88,000        |
| Average Length of Stay | 60.0              | 60.0          | 60.0          | 60.0          |
| Average Daily Census   | 99.6              | 165.2         | 202.7         | 241.1         |

Heart of Hospice also provided its assumptions used to project the pro forma statements referenced above. [source: Heart of Hospice Screening Responses, pp4, 14-15]

“Start Up Period

- *Heart of Hospice has included the Lease Payments for the Snohomish County office in the Financials provided. You will notice that these fees have been included in the Occupancy Expense for 2019. Under the tab OCCUPANCY in the excel spreadsheet that has been provided you see the note that outlines occupancy expenses that match the lease as provided. Snohomish County Occupancy cost of \$20,615.78 for 2019. February 2019- September 2019 have been included in the Perfonna for 2019. These are the start up cost (\$11,533.28). In the Excel Spreadsheet you will note Period February 2019-September 30, 2019 at a rate of \$1,441.66 per month (\$11,533.28). Next you will note Months 9-18 or October 2019 - July at a rate of \$3,027.50. This outlines the start of our operations that we believe will be October 01, 2019.*
- *Heart of Hospice is only identifying these expenses as START-UP for months of February 2019 - September 30, 2019. Snohomish County Project is under Heart of Hospice current operations. Because we are fully operational in other counties Heart of Hospice has a unique position for Cost-Savings. Heart of Hospice does not nor will not need Start Up Cost like other organizations might need due to the fact that they are not in operation and are not Medicare and or State Licensed. Operating a hospice in the State of Washington has three components. Heart of Hospice already has the first two parts (Medicare Certification and State Licensure). Heart of Hospice is seeking the third part which is the CN for Thurston County.*
- *Heart of Hospice has outlined in the above that we have only included occupancy rent as start up. The source for this is directly from the lease Heart of Hospice had executed in order to make this project application. Heart of Hospice does not have any other START-UP expenses.*

Gross Revenues

- *Medicaid \$5.37 per patient per day*

- Medicare \$164.78 per patient per day
- Private/Commercial/VA \$3.68 per patient per day

Net Revenue

- Charitable Care \$9.25 per patient per day

Expense Assumptions

- Medical Expenses \$17.82 per patient per day

Administrative Expense

- \$3.47 per patient per day
- Management Fee will not go into effect until the company is CASH Positive in 2020
- Medical Director Fee is an allocation for our full-time physician
- Professional Fees are related to C.P.A. and Lawyer expense
- Equipment Rental is related to the cost of Copies and Printers
- Insurance Expense is for professional liability insurance
- Taxes are taxes
- Lease Expense is pulled directly from the lease. The Pro Forma also shows the annual increase per the lease at 3 %
- No Depreciation, therefore not interest expense
- Management fee at \$10,000.00 per month once cash flow positive in January 2020
- Medical Director Allocation: Estimate 2019 to be 1/2 of the total payments of future year expense. Medical Director Allocation are 1/4 of the salary of our Washington Medical Director.
- Professional Fees: Estimate 2019 to be 1/2 of the total payments of future year expense
- Equipment fees: Estimate 2019 to be 1/2 of the total payments of future year expense
- Insurance fees: Estimate 2019 to be 1/4 of the total payments of future year expense
- Taxes: Estimate 2019 to be 1/2 of the total payments of future year expense
- Technology Expense \$3.55 per patient day”

Below is a summary of the projected Revenue and Expense Statement for the Snohomish County hospice agency. [source: Heart of Hospice Screening Responses, Excel File]

**Table 12**  
**Heart of Hospice Snohomish County Agency**

|                            | <b>CY 2019</b>    | <b>CY 2020</b>   | <b>CY 2021</b>   | <b>CY 2022</b>     |
|----------------------------|-------------------|------------------|------------------|--------------------|
| Net Revenue                | \$173,823         | \$2,433,525      | \$3,128,818      | \$3,650,288        |
| Total Expenses             | \$192,169         | \$1,778,530      | \$2,216,479      | \$2,545,176        |
| <b>Net Profit / (Loss)</b> | <b>(\$18,346)</b> | <b>\$654,995</b> | <b>\$912,339</b> | <b>\$1,105,112</b> |

\*All amounts rounded to nearest dollar by CN Program analyst

Heart of Hospice also provided the projected balance sheets for the proposed Snohomish County hospice agency for year 2019 through 2022. Years 2020 through 2022 is shown in the tables below. [March 28, 2019, Screening Responses, Excel File]

**Table 13**  
**Heart of Hospice Snohomish County Hospice Agency**  
**Balance Sheet for Projected Year 2020 through 2022**

**Year 2020**

| <b>Assets</b>        |                  | <b>Liabilities</b>                   |                  |
|----------------------|------------------|--------------------------------------|------------------|
| Current Assets       | \$689,278        | Current Liabilities                  | \$75,000         |
| Property & Equipment | \$0              | Long Term Debt                       | \$0              |
| Other Assets         | \$22,371         | Total Liabilities and Long Term Debt | <b>\$75,000</b>  |
|                      |                  | Equity                               | \$636,649        |
| <b>Total Assets</b>  | <b>\$711,649</b> | <b>Total Liabilities and Equity</b>  | <b>\$711,649</b> |

**Year 2021**

| <b>Assets</b>        |                    | <b>Liabilities</b>                   |                    |
|----------------------|--------------------|--------------------------------------|--------------------|
| Current Assets       | \$1,603,082        | Current Liabilities                  | \$75,000           |
| Property & Equipment | \$0                | Long Term Debt                       | \$0                |
| Other Assets         | \$20,907           | Total Liabilities and Long Term Debt | <b>\$75,000</b>    |
|                      |                    | Equity                               | \$1,548,988        |
| <b>Total Assets</b>  | <b>\$1,623,988</b> | <b>Total Liabilities and Equity</b>  | <b>\$1,623,988</b> |

**Year 2022**

| <b>Assets</b>        |                    | <b>Liabilities</b>                   |                    |
|----------------------|--------------------|--------------------------------------|--------------------|
| Current Assets       | \$2,709,658        | Current Liabilities                  | \$75,000           |
| Property & Equipment | \$0                | Long Term Debt                       | \$0                |
| Other Assets         | \$19,442           | Total Liabilities and Long Term Debt | <b>\$75,000</b>    |
|                      |                    | Equity                               | \$2,654,100        |
| <b>Total Assets</b>  | <b>\$2,729,100</b> | <b>Total Liabilities and Equity</b>  | <b>\$2,729,100</b> |

In response to the department's request, Heart of Hospice also provided a consolidated Revenue and Expense Statements and Balance Sheets. Those statements are summarized below and rely on the assumptions that its Clark, Snohomish and Thurston County projects will be approved. [source: Heart of Hospice Screening Response, Excel Attachment]

**Table 14**  
**Heart of Hospice Combined Statement**  
**Revenue and Expense Statement for Projected Years 2020 through 2022**

|                            | <b>CY 2020</b>     | <b>CY 2021</b>     | <b>CY 2022</b>     |
|----------------------------|--------------------|--------------------|--------------------|
| Net Revenue                | \$10,481,542       | \$12,862,920       | \$15,296,446       |
| Total Expenses             | \$7,779,526        | \$9,401,432        | \$10,936,149       |
| <b>Net Profit / (Loss)</b> | <b>\$2,702,016</b> | <b>\$3,461,489</b> | <b>\$4,360,297</b> |

**Table 15**  
**Heart of Hospice Combined Statements**  
**Balance Sheet for Projected Year 2020 through 2022**

**Year 2020**

| <b>Assets</b>        |                    | <b>Liabilities</b>                          |                    |
|----------------------|--------------------|---|--------------------|
| Current Assets       | \$4,894,416        | Current Liabilities                         | \$0                |
| Property & Equipment | \$7,410            | Long Term Debt                              | \$0                |
| Other Assets         | \$251,580          | <b>Total Liabilities and Long Term Debt</b> | <b>\$0</b>         |
|                      |                    | <b>Equity</b>                               | <b>\$5,153,407</b> |
| <b>Total Assets</b>  | <b>\$5,153,407</b> | <b>Total Liabilities and Equity</b>         | <b>\$5,153,407</b> |

**Year 2021**

| <b>Assets</b>        |                    | <b>Liabilities</b>                          |                    |
|----------------------|--------------------|---|--------------------|
| Current Assets       | \$8,380,018        | Current Liabilities                         | \$0                |
| Property & Equipment | \$7,410            | Long Term Debt                              | \$0                |
| Other Assets         | \$227,467          | <b>Total Liabilities and Long Term Debt</b> | <b>\$0</b>         |
|                      |                    | <b>Equity</b>                               | <b>\$8,614,895</b> |
| <b>Total Assets</b>  | <b>\$8,614,895</b> | <b>Total Liabilities and Equity</b>         | <b>\$8,614,895</b> |

**Year 2022**

| <b>Assets</b>        |                     | <b>Liabilities</b>                          |                     |
|----------------------|---------------------|---|---------------------|
| Current Assets       | \$12,764,429        | Current Liabilities                         | \$0                 |
| Property & Equipment | \$7,410             | Long Term Debt                              | \$0                 |
| Other Assets         | \$203,353           | <b>Total Liabilities and Long Term Debt</b> | <b>\$0</b>          |
|                      | \$12,764,429        | <b>Equity</b>                               | <b>\$12,975,192</b> |
| <b>Total Assets</b>  | <b>\$12,975,192</b> | <b>Total Liabilities and Equity</b>         | <b>\$12,975,192</b> |

Public Comment

Envision, Glacier Peak, and Continuum each submitted comment related to the Heart of Hospice application.

Envision Hospice

Envision provided comment on the utilization forecasts and its relationship to need used as part of the Heart of Hospice application. [source: Envision Public Comment, pp14-15]

Utilization Projections

In reference to the response provided by Heart of Hospice in their screening responses, Envision states, *“The Heart of Hospice response did not provide any additional numerical assumptions related to use rate or market share that support its projected agency utilization. Heart of Hospice indicates it relied on the Department's Numeric Methodology outlined at WAC 246-310-290 along with the ‘Methodology assumptions that the state has provided’”*.

Regarding the utilization forecast, envision reasons, *“Since the question does not ask about "need" but rather asks about the applicant's "agency utilization forecast," Heart of Hospice does not adequately respond to it. Specifically:*

1. *The Department's Method on which Heart of Hospice relied projects only through 2020 while the Heart of Hospice "utilization forecast" goes through 2022. Heart of Hospice provides no basis for its projected workload for the Years 2021 or 2022.*
2. *The Department's Method only quantifies community need for hospice. It does not provide a basis for any specific agency's expectation that it will effectively meet that need and, therefore, generate the revenues projected in its pro forma financial statements.*
3. *Heart of Hospice provided Oregon and Washington historical volumes for its hospice agency. In neither did it show agency growth but rather showed flat numbers of admissions over the three years for which data was provided. To achieve the rapid increases in Snohomish County utilization 2020-2022 that Heart of Hospice projects, an explanation was required of the differences between its existing programs in those markets and a comparison to more aggressive results it expects in Snohomish County”.*

Envision also provided comment on the financial feasibility of the Heart of Hospice application. The comments include the following areas: [source: Envision Public Comment, p15-18]

“Revenue projections

*Heart of Hospice develops its line item revenue and expense "assumptions" by simply dividing combined Oregon and Washington dollar amounts for a given line item by the total number of patient days, regardless of payment source. While this math appears logical, it assumes that revenue and expense in its preponderantly Oregon reimbursement environment will be duplicated in Snohomish and other counties in Washington. With regard to revenue, Heart of Hospice does not provide its published and expected county-specific reimbursement rates by Medicare or by Medicaid in Snohomish County. It cannot say whether that reimbursement will be higher or lower than its experience in its existing agency. This leaves the Department without that ability as well.*

Equipment list

*Screening Question #7 asked for a list of equipment to be leased and the cost of "certain" equipment. Heart of Hospice did not respond with a list of item and specific costs.*

Revised FTE Table

*Screening Question #13 asked Heart of Hospice to clarify its table depicting its projected Snohomish County FTE's through 2022. Incorporated in its response to Question #13 is a table showing that every Heart of Hospice position is filled only with full time equivalents for every year. This table is the basis for a number of concerns:*

1. *Heart of Hospice FTE's for 2019 are shown for a partial year with an asterisk for the partial year; but the number of months is not provided. If one assumes Heart of Hospice's partial is 3 months, then "3 FTE's" means Heart of Hospice plans to start paying 12 full time nurses on its first day of operations in 2019. This portrayal of 2019 staffing is not credible. Heart of Hospice does not provide the required table combining FTE's per year with annual salaries in order to generate a line item that correctly shows staff salaries and wages for its projected operating statement.*

2. At its response to Screening Question #15, Heart of Hospice detailed plan showing the sequence of its hiring processes at start-up does not support the FTE table it provides at its response to Question #13. If only three nurses are going to be hired in the fall of 2019, this may amount to 1 FTE in 2019, depending on the timing of the hiring. But hiring three staff late in the year certainly cannot result in the 3 FTE's portrayed by Heart of Hospice given that 1 FTE is equal to 2080 hours per year per position. If Heart of Hospice is not really using FTE's in its standard meaning - 2080 hours per year - and it does not provide an alternate definition unique to Heart of Hospice, then it has not provided its actual staffing plan nor its staffing additions in Years 2020-2022. Without such a plan, its CON application is incomplete and does not respond to the Department's requirements.

Medical Director.

Heart of Hospice's expenses for one or more medical directors are not clearly presented or justified. The lack of clarity prevents the Department from determining the Heart of Hospice project is financially feasible.

Based on the customary definition that an FTE (full time equivalent) represents 2080 hours of employee time per year, Heart of Hospice plans to have 1 FTE or 2080 hours of Medical Director services in partial year, 2019. This means Heart of Hospice must hire or contract with at two or more individuals in order to reach 1 full time equivalent medical director in order to provide 2080 hours of medical director time over that partial year.

Envision has not been able to locate the salaries of, nor has Heart of Hospice said who the other medical director(s) will be to augment Dr. McLennon's role in order to add up to 1 FTE (2080 hours annually) for the four years it plans to have 1 FTE medical director, 2019-2022”.

The Envision comment continues:

“Washington B&O tax

While the CON application form, at Financial Feasibility, Question 4, requires an applicant to project three years of Washington B&O tax payments, Heart of Hospice does not provide those.

- Beyond the item simply being missing, its absence in Heart of Hospice financial projections results in substantial error and suggests the application is not complete.
- While Heart of Hospice assumption about Taxes states "Taxes are taxes," the Washington B&O tax rate at the time of the 2019 application due date was 1.5% of revenue.

The table below compares Heart of Hospice projected Taxes, 2019-2020 to Envision's estimate of the projected B&O amount for Heart of Hospice in Snohomish County. The table shows, for each year of Heart of Hospice operations, its projected Snohomish "Taxes" line item amounts and, in the right-hand column, Envision's calculation of estimated WA B&O taxes required at 1.5% times the Heart of Hospice "Net Revenues" line as provided in its untitled "Snohomish" spreadsheet at page 117 of the 296-page application pdf.

| <i>Estimated WA B&amp;O taxes at 2019 tax rate, 1.5% of revenue compared to Heart of Hospice Taxes projections<br/>Snohomish County Hospice Application</i> |                             |                        |
|---|-----------------------------|------------------------|
| <i>Year</i>   | <i>Seasons "Taxes" line</i> | <i>1.5% of revenue</i> |
| 2019  | \$5,132.40                  | \$2,607                |
| 2020  | \$10,264.80                 | \$36,502               |
| 2021  | \$10,264.80                 | \$46,932               |
| 2022  | \$10,264.80                 | \$54,754               |

Low Medicaid Revenue

*At Screening Questions# 11 and 12, Heart of Hospice was asked to elaborate on its proposed payer mix for Snohomish County. Based on its "vast experience and knowledge" Heart of Hospice confirmed it expects only 3% Medicaid patients in Snohomish County. This projected share of Heart of Hospice revenue coming from Medicaid is surprisingly low. In light of the relatively low incomes in Klickitat and Skamania Counties where Heart of Hospice operates in Washington, this suggests limited penetration of the Medicaid market by Heart of Hospice agencies there.*

Cash basis, no cash flow statement and incomplete balance sheet

*Heart of Hospice uses a "cash basis" accounting system for its projected balance sheet. This practice does not conform to GAAP, did not provide the required cash flow statement, and its balance sheet provides no information regarding Accounts Receivable or Accounts Payable. Without providing projected cash flow or balance sheets showing AR or AP, the Department is unable to determine the financial condition of the applicant. Especially in a healthcare environment where reimbursement is not immediate, each year shown in the operating statement will reflect "cash" that will not come in until the following year. This further adds to the lack of clarity regarding Heart of Hospice's financial picture. The Department requires applicants provide balance sheets as a snap shot of the entity's financial situation. Heart of Hospice provision of cash basis balance sheet does not permit such an evaluation".*

Glacier Peak

Glacier Peak identified reference errors in the Heart of Hospice application and discussed the following topics regarding the Heart of Hospice pro forma. [source: Glacier Peak Public Comment, pp4-5]

Revenue per Patient Day

*In Question 11 of its screening response, HOH provided a breakout of patients by revenue. In this response, 3% of patients were assumed to be Medicaid and another 2% were Commercial payers. Rather than estimate the number of patient days attributed to each payer, HOH used its total patient days projections and multiplied this by a 'price per patient day' for each payer. This has the potential to overstate revenue. This methodology also effectively quadrupled patient days within their revenue projections as each patient day was assigned revenue from Medicare, Medicaid, Private and Charity Care. The gross revenue assumptions for Medicaid (\$5.37 /per patient day) and Private/Commercial/VA (\$3.68/per patient day) simply do not make sense.*

### Medical Director Identification and Expense

While HOH indicates that the medical director will be employed, HOH at Question #1 to its screening apparently named its Thurston County medical director by name, not its Snohomish County medical director.

In addition, Question #15 of its screening response indicates that a medical director will be hired at the end of Month 1. No costs for this expense appear to have been included in the pro forma. In response to Question #12, HOH revised its FTE table and shows a 1.0 FTE for Snohomish County. When the table was revised, HOH noted that current HOH staff were no longer included in the FTE table. Thereby suggesting that a new medical director would be added in Snohomish County. The staffing table in the application also indicated the addition of a 1.0 FTE medical director. No documentation regarding who this person is and/ or how the costs for this position were determined have been provided.

Given that HOH has not identified a medical director, HOH's application does not meet the requirements of WAC 246-310-230.

Lastly, the law in Washington indicates that an LLC cannot employ a physician without violating the corporate practice of medicine doctrine. As such, HO H's medical director services would need to be provided under contract. With a completely different compensation structure needed, it is impossible for the State to determine whether HOH has adequately met the certificate of need requirements related to, among other things, cost containment.

### Administrative Expenses

On page 14 of the screening response, HOH provided its proforma assumptions. Listed in the assumptions is a \$3.47 administrative expense per patient day. The administrative expense category includes expenses that when calculated exceed this amount.

Additionally, HOH is proposing on extending its services two counties north of where it currently provides services in Washington and even further from its primary location in Hood River, Oregon. It has not adequately taken into account the travel expenses it would incur due to its intention on staffing the proposed location with existing HOH staff located in remote locations.

### Management Fee

The pro forma assumptions (described on page 14 of the screening response) state that the management fee is \$10,000/month once cash flow is positive in January 2020. Further compounding the issue is that the management services agreement does not include a fee that can be tied to the proforma. The specific language in the agreement is vague and states: '...proportionate share (relative to all hospice programs for which IHR provides services) of the invoiced cost of Services provided by third parties to IHPO through IHR and (ii) IHPO's proportionate share [in proportion, according to size, to the other hospice programs for which IHR provides services) of the cost of staffing and operating IHR.

The above language suggests that the management services fee would vary monthly based on actual costs. However, no specific estimates or documentation was provided with the screening response. The costs cannot be verified”.



Continuum [source: Continuum Public Comment pdf, pp27-28]  
Continuum provided comments on the following topics:

“Medical Director:

*As it did in its 2017 application, the information that HOH provided regarding medical directorship is both confusing and inadequate. In the Program’s letter requesting supplemental information, HOH was asked to identify the medical director for Snohomish County (Question #1). In response, HOH identified a provider that they intended to use in their currently pending Thurston County Hospice application. No provider was identified for Snohomish County.*

*In response to questions 13 and 15, HOH stated that a 1.0 FTE medical director had been assumed and that recruiting for this position will begin at the end of Month 1. The pro forma assumptions reference the medical director allocation as being a “1/2 of the total payments of future year expense. Medical Director allocation are ¼ of the salary of our Washington Medical Director”.*

*In addition, in response to questions #23 and #24, HOH stated that a Dr. McLennon would be the Snohomish County medical director, and further states: “the amounts in the medical director line are the allocated amount for Dr. McLennon. Dr. McLennon’s time and allocation is split between offices”.*

*We frankly cannot make heads or tails of these various and inconsistent decisions. Once again, it is too late in the process for HOH to make changes. With the information currently in the record, neither the medical director nor the fees can be identified, much less verified.*

Management fee:

*As with the 2017 application, HOH includes a management fee in its pro forma financials. In response to supplemental screening Question #20, the Program requested a copy of the executed management contract or a draft agreement. The agreement was provided, and is dated 1/1/2019. The agreement states that payment will be for:*

*A monthly service, consulting and management fee representing (i) IHPO’s (Inspiring Hospice Partners of Oregon) proportionate share (relative to all hospice programs for which IHR (Inspiring Healthcare Resources, LLC) provides services) of the invoiced cost of Services provided by third parties to IHPO through IHR and (ii) IHPO’s proportionate share (in proportion, according to size, to the other hospice programs for which IHR provides services) of the cost of staffing and operating IHR.*

*In the pro forma financials, a flat fee of \$10,000 per month is assumed beginning in 2020. There is no cost included in 2019, the first year of proposed operation. Furthermore, HOH has not provided any information regarding the assumption for the monthly fee. For example, Continuum would expect, based on the management agreement, that the monthly fee would increase as HOH Hospice’s census increases.*

Other Expenses (Professional Fees, Equipment Fee, Insurance Fees and Taxes):

*In its letter requesting supplemental information, the CN Program requested clarification regarding the assumptions for several lines of the proforma. The responses are still unclear and confusing. The responses provided by HOH were:*

- *Professional fees: Estimate 2019 to be ½ of the total payments of future year expense*
- *Equipment fees: Estimate 2019 to be ½ of the total payments of future year expense*
- *Insurance fees: Estimate 2019 to be ¼ of the total payments of future year expense*
- *Taxes: Estimate 2019 to be ½ of the total payments of future year expense*

*It is not clear what the assumption is for the future year expense nor why some are only ¼ or ½ of the projected expense.*

*HOH's application is not competitive. Despite having spent literally hours reviewing it, Continuum cannot connect the dots nor derive the nexus of the underlying assumptions. The information needed to render a positive determination on this application is not in the record, and It is simply too late for HOH to attempt any further modifications.*

Rebuttal Comment

The Heart of Hospice rebuttal responses are cited below. [source: Heart of Hospice Rebuttal Comments, pp1-4]

Response to Envision

*"1. Envision makes the following points with respect to HoH's utilization forecast:*

- a. "The Department's Method on which HOH relied projects only through 2020 while the HOH utilization forecast goes through 2022. Heart of Hospice provides no basis for its projected workload for the Years 2021 or 2022". This is inaccurate. Please see HoH's response to Screening Question #6, where HoH refers to its own 2018 operating experience as the basis for forecasting.*
- b. "The Department's Method only quantifies community need for hospice. It does not provide a basis for any specific agency's expectation that it will effectively meet that need, and, therefore, generate the revenues projected in its proforma financial statements". Again, this is inaccurate. Please see HoH's responses to the Screening Questions.*
- c. "Heart of Hospice provided Oregon and Washington historical volumes for its hospice agency. In neither did it show agency growth but rather showed flat numbers of admissions over the three years for which data was provided. To achieve the rapid increases in Snohomish County utilization 2020-2022 that Heart of Hospice projects, an explanation was required of the differences between its existing programs in those markets and a comparison to more aggressive results it expects in Snohomish Co". HoH is meeting the need for hospice in its existing counties of operation -Klickitat and Skamania -as evidenced by the fact that no current need is identified in either one of those counties by the Department. In Snohomish County, the unmet need which triggered this certificate of need process will fuel much more explosive growth in Heart of Hospice's Snohomish County operations than has been possible in its other Washington counties in recent times".*

## 2. Financial Feasibility

- a. *Revenue Projections: Heart of Hospice has followed the methodology prescribed by the Department, and reiterated in Technical Assistance, in making assumptions.*
- b. *Equipment List. This is inaccurate. Heart of Hospice has provided this list in the response to Screening Question #7.*
- c. *Revised FTE Table.*

- i. *Heart of Hospice provides, in its FTE table, that projections are to be adjusted for the 2019 partial year-this clearly means that HOH will only employ FTEs in Snohomish for the portion of the year during which it has a Certificate of Need for operation in the county. This will mostly likely be three months, but depending upon timing with the award of the Certificate of Need, it may be less. Regardless, Heart of Hospice has provided the full-year cost of an FTE and provided that the cost will be pro-rated for 2019. This is adequate to give the Department an accurate picture of Heart of Hospice's projected payroll expense.*

- ii. *Envision in needlessly nitpicking Heart of Hospice's use of the term "FTE", and splitting hairs to cast HoH's application in a nonsensical light. This is a tiresome waste of the Department's resources, and also of Heart of Hospice's resources, which would be better used providing hospice care, frankly. A FTE is a Full Time Employee. In order to be a Full Time Employee from the moment the Certificate of Need is granted, through the end of 2019, a nurse need only be employed on a full time/40-hour/week basis. This is the common understanding of the term "FTEN, and Heart of Hospice trusts that the Department and all of the other applicants share this understanding.*

*Medical Director. The expenses related to the Medical Director are clearly set forth in Please see Attachment 11- Pro Forma Assumptions in HoH's screening questions responses: in 2019, the Medical Director expenses will conservatively cost half of what they would in future years (because we'll only be operating for a few months in Snohomish County, at most). The Washington Medical Director (previously defined as Dr. Mclennon) will have ¼ of his salary allocated to Snohomish County operations.*

*d. B&O Tax. Heart of Hospice is currently licensed and operating in the State of Washington; to date, we have always filed and paid all applicable taxes on time, and our pro forma has been calculated accurately to take real-world experience of Washington taxes into account.*

*e. Low Medicaid Revenue: Heart of Hospice has done its best to make conservative and reasonable revenue projections, based on its actual experience of operating in Washington, throughout its application; the same applies to its 3% Medicaid revenue share.*

*f. Cash basis, cash flow statement and balance sheet. Nowhere in the regulations is Heart of Hospice required to confirm its accounting systems to GAAP. Heart of Hospice worked intimately with the Department through the Technical Assistance program, to provide the required financials including cash flow statements in the correct format. Please refer to our Screening Question responses.*

*g. Cost Containment/Superiority: Heart of Hospice is 100% Medicare certified and Licensed by the Washington Department of Health. Adding an alternative delivery site is an administrative matter that does not require a survey, per HoH's discussions with the Department of Health”.*

#### Response to Glacier Peak

*“1. We acknowledge references to Thurston County in our Snohomish screening responses. This is typographical error; as the other applicants are aware, HOH has submitted a Thurston application simultaneously, and some cross-over took place in preparing the responses to the screening questions.*

*2. Heart of Hospice Is a Medicare licensed hospice, as correctly pointed out by Alpha Hospice/Glacier Peak. Adding an alternative delivery site is an administrative matter that does not require a survey, per HoH's discussions with the Department of Health.*

*3. Glacier Peak is alleging that the gross revenue assumptions for Medicaid (\$5.37 /per patient day) and Private/Commercial/VA (\$3.68/patient day) simply do not make sense. These numbers are based on Heart of Hospice's payer mix from actual experience operating in similar, nearby counties.*

*4. Medical Director. Heart of Hospice's Washington Medical Director is clearly identified in response #1 to the screening questions, and medical director-related expenses are set forth clearly between the application and the screening questions responses (see Page 22 of the Application and Screening Question response #1.*

*Washington law has not considered the applicability of the corporate practice of medicine doctrine to LLCs. It is disingenuous of Glacier Peak/Alpha Hospice to assert that Heart of Hospice's proposed arrangement with its medical director is legally problematic.*

*5. Administrative expenses. Glacier Peak/Alpha Hospice is making its own erroneous assumptions about Heart of Hospice's administrative expenses in connection with Snohomish County; it really has no basis, and has stated no basis, for these assumptions about Heart of Hospice's travel expenses, etc.*

*6. Management Fee. The terms of HOH's Management Agreement allow for no management fees to be levied against the Snohomish County operations until such time as it is cash positive; it also allows for management fees to be charged on a flat-fee/non-fluctuating basis based on projections”.*

#### Response to Continuum

*“In its comments to the competing applications, Continuum Hospice has made much of errors made by the Department, and the Department's inefficiency in conducting Continuum's reconsideration proceedings in a timeframe satisfactory to Continuum. Perhaps were Continuum not so preoccupied with making inaccurate criticisms of the other applicants' applications, the Department's resources would not be so tied up In wading through volumes of ineffectual public comments. Heart of Hospice has deliberately refrained from adding to this volume in the public*

*comment process. However, we must respond to the enumerated points made by Continuum in its written public comments, with respect to Heart of Hospice's application:*

*1. Please see Attachment 11-Pro Forma Assumptions in HoH's screening questions responses: in 2019, the Medical Director expenses will conservatively cost half of what they would in future years (because we'll only be operating for a few months in Snohomish County, at most). The Washington Medical Director (previously defined as Dr. McLennon) will have 1/4 of his salary allocated to Snohomish County operations.*

*2. The terms of HOH's Management Agreement allow for no management fees to be levied against the Snohomish County operations until such time as it is cash positive; it also allows for management fees to be charged on a flat-fee/non-fluctuating basis based on projections.*

*3. Continuum expresses confusion over the meaning of "1/2 of the total payments for future year expense". It is, simply, what it says: it is estimated to be one-half of the future year-2020's-expense. Continuum asks why some expenses -like professional fees -will double in the following year, while insurance will quadruple. Certain expenses {like insurance} are allocated differently to other expenses, between Heart of Hospice and its affiliated entities, pursuant to the Management Agreement. HoH is required only to make reasonable assumptions with respect to its cost allocations for the purposes of the application, and this, it has done".*

## **Department's Evaluation**

### **Utilization Assumptions**

An applicant's utilization assumptions are the foundation for the financial review under this sub-criterion. Heart of Hospice based its projected utilization of the hospice agency on specific factors:

- The numeric methodology showing an unmet need of 127 patients in Snohomish County by the end of year 2021.
- Average length of stay at 60 days.
- Estimated number of admissions and patient days for the Snohomish County planning area for the projection years 2020 through 2022.
- The applicant's experience providing hospice services in both Washington and Oregon to determine the new agency's projected patient days for years one through three.

The department concludes that Heart of Hospice's utilization assumptions are reasonable.

### **Pro Forma Financial Statements**

The applicant provided pro forma financial statements, including the Revenue and Expense Statements, Balance Sheets, and Cash Flow Statements, that allowed the department to evaluate the financial viability of the proposed hospice agency alone. Given that the agency would be operated under the parent corporation, Inspiring Hospice Partners of Oregon, LLC, the applicant also provided pro forma financial statements that show combined operations. Further, Heart of Hospice also submitted Certificate of Need applications for both Clark and Thurston counties in addition to this Snohomish County project. To ensure a thorough financial review of the applicant, the department requested Heart of Hospice to provide pro forma statements for the agency as a whole. These statements should rely on the assumption that all submitted applications under the

2018 review cycles are approved. Heart of Hospice complied with this request. This ‘all inclusive’ approach is consistent with projects that are operated under a parent agency or corporation.

Heart of Hospice based the revenue and expenses for its hospice agency on the assumptions referenced above. The hospice agency’s revenues do not cover expenses in year 2019. This is the agency’s start-up year and is not a full year of operation. The projected operating loss is approximately \$18,000. For full year one (2020) revenues are projected to cover expenses. The projected financial viability is continued through years two and three (2021 and 2022, respectively).

The hospice agency would be located in a new site in Snohomish County. Heart of Hospice provided a copy of the executed lease agreement between Coast Real Estate (landlord) and itself as tenant. The agreement is for five years and identifies all costs associated with the lease. Further, Heart of Hospice provided a table showing the costs for each of the five years covered in the lease. The costs are identified in the pro forma Revenue and Expense Statement for years 2019 through 2022.

The applicant states that the medical director is an employee of the hospice agency, so no medical director agreement is necessary. Heart of Hospice provided a copy of the Medical Director job description that provides roles and responsibilities of both the agency and the physician. The costs for the medical director are included in the pro forma Revenue and Expense Statement using the assumptions referenced above.

Topics raised during public comment for this application and not addressed above include specific line items in the Revenue and Expense Statement. Envision, Continuum, and Glacier Peak criticize the assumptions used by Heart of Hospice to determine a number of expenses, including medical director, administrative, management, and Washington B & O tax. Heart of Hospice adequately addressed the concerns in its rebuttal statements. As previously stated, many of Heart of Hospice’s expenses are based on actual expenses experienced by the agency in its current Washington State operations (Klickitat and Skamania counties). The department previously concluded that the assumptions are reasonable.

In addition to the pro forma financial statements for the Snohomish County agency, Heart of Hospice provided a variety of combined statements. The combined statements were used to determine the current and projected financial health of this applicant, with and without this proposed project. Given the Heart of Hospice provided separate pro forma statements for each of its 2018 hospice applications (Clark, Snohomish, and Thurston), the department was able to evaluate any combination of approvals for this applicant.

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

### **Envision Hospice**

The Envision Hospice agency is not an existing facility but the applicant does provide hospice services in the state. Envision provided utilization forecasts and explains, “*It is important to note that Envision is providing a conservative projection of volume, one that meets the Hospice Need*”

*Method's projection of 127 in 2020 and has minimum impact on existing providers. This conservative approach to volume is carried into the pro forma operating statement and thus provides for a rigorous test of financial feasibility of the proposed agency expansion".*

Further, Envision states, *"Based on its Utah experience and its understanding of the opportunities it will pursue in Snohomish County, the table below estimates the multiple sources of admissions the Envision Hospice in Snohomish County can expect".* [source: Envision Application, pp23-24]

If approved, it will be operated as a branch of the Thurston County hospice operations currently under development. Envision projected the number of admission (unduplicated patient), patient's days, and average daily census for the proposed Snohomish County hospice agency. [Source: Envision Application pdf, p145]

**Table 16  
Envision Snohomish County Utilization Forecasts**

|                        | <b>Year 1 –<br/>2020</b> | <b>Year 2 –<br/>2021</b> | <b>Year 3 -<br/>2022</b> |
|------------------------|--------------------------|--------------------------|--------------------------|
| Admissions             | 114                      | 219                      | 275                      |
| Total Days             | 6,840                    | 13,140                   | 16,524                   |
| Average Length of Stay | 60.0                     | 60.0                     | 60.0                     |
| Average Daily Census   | 18.7                     | 36                       | 45.3                     |

The assumptions used by Envision to project revenue, expenses, and net income for the hospice agency are below. [Source: Envision Application, pp36-37]

|                                |   |
|--------------------------------|---|
| <b>Revenue</b>                 |   |
| Medicaid                       | includes Healthy Options                                      |
| Commercial/Other               | Commercial, BHP, TriCare, CHAMPUS                             |
| <b>Deductions from Revenue</b> |   |
| Contractual Allowances         | 2% of gross revenue   |
| Bad Debt                       | 1% of gross revenue   |
| Adj. For Charity Care          | 2% of Total Net Revenue                                       |
| <b>Patient Care Costs</b>      |   |
| <b>Salaries and Benefits:</b>  |   |
| Payroll Taxes & Benefits       | 30% of Salaries   |
| <b>Contract Labor:</b>         |   |
| Physician (Medical Director)   | See calculations at Question K, Applicant Description Section |
| Physical Therapy               | \$0.09 per DOC  |
| Occupational Therapy           | \$0.03 per DOC  |
| Speech/Language                | \$0.02 per DOC  |
| Dietary Counseling             | \$0.08 per DOC  |

|  |   |
|--|---|
| <b>Other Administrative Line Items</b> |   |
| Physician Consulting Fees              | 1% of net revenue   |
| Pharmacy/IV's                          | \$8.66 per DOC  |
| DME Costs                              | \$5.05 per DOC  |
| Medical Supplies                       | \$2.38 per DOC  |
| Lab Costs                              | \$0.12 per DOC  |
| Chemotherapy                           | \$0.21 per DOC  |
| Radiation Therapy                      | \$0.12 per DOC  |
| Imaging Services                       | \$0.08 per DOC  |
| Ambulance Costs                        | \$0.35 per DOC  |
| General Inpatient Costs                | \$735.54 per General inpatient day                                |
| Inpatient Respite                      | \$151.00 per inpatient respite day                                |
| Nursing Home Revenue (net)             | DOC x \$12 x 5%, 10%, 15%, or 20%, 2018;21                        |
| Mileage                                | \$3.35 per DOC  |
| <b>Administrative Costs</b>            |   |
| Payroll Taxes & Benefits               | 30% of Administrative Salaries                                    |
| B&O Taxes                              | 1.5% of gross revenue   |
| Mileage                                | \$800/month   |
| Advertising                            | \$3,000/month   |
| Travel ; admin                         | \$20,000/Year 1, \$10,000 afterward                               |
| Legal & Professional                   | \$1,000/month   |
| Consulting Fees                        | \$250/month   |
| Software Costs                         | \$2,000/month   |
| Computer & Software Maintenance        | \$1250/month  |
| Office rent                            | See calculations for each year at Question E, Project Description |
| Repairs/Maintenance                    | \$150/month   |
| Cleaning                               | \$50/month  |
| Insurance                              | \$250/month   |
| Office Supplies                        | \$125/month   |
| Equipment Rental                       | \$2,000/year  |
| Postage                                | \$50/month  |
| Telephones/Pagers                      | \$1200/month  |
| Purchased Services/Utilities           | \$500/month   |
| Books & References Materials           | \$100/month   |
| Printing                               | \$125/month   |



|                          |   |
|--------------------------|---|
| Licenses & Certification | \$1400/year for WA license; 10,000 in 2020 for Palliative Care Certification    |
| Education and Training   | \$10,000/year including palliative care, cultural competence, volunteer program |
| Dues and Subscriptions   | \$200/month   |
| Corporate Allocation     | Lesser of 5% or \$60,000/year; includes billing, HR, payroll, recruiting        |

Below is a summary of the projected Revenue and Expense Statement for the proposed Snohomish County hospice agency. [source: Envision Application pdf, p143]

**Table 17**  
**Envision Revenue and Expense Statement for Projected Years 2020 through 2022**

|                            | 2020              | 2021             | 2022             |
|----------------------------|-------------------|------------------|------------------|
| Net Revenue                | \$1,444,229       | \$2,774,440      | \$3,488,954      |
| Total Expenses             | \$1,453,207       | \$2,305,993      | \$2,856,552      |
| <b>Net Profit / (Loss)</b> | <b>(\$12,338)</b> | <b>\$465,087</b> | <b>\$629,041</b> |

Envision Hospice also provided the projected balance sheets for the proposed Snohomish County hospice agency. The three-year summary is shown in the table below. [source: Envision Application pdf, p149]

**Table 18**  
**Envision Snohomish County (only) Balance Sheet**

|  | 2020           | 2021           | 2022           |
|--|----------------|----------------|----------------|
| <b>ASSETS</b>                          |                |                |                |
| Current Assets                         |                |                |                |
| Cash & Cash Equivalents                | 6,305          | 352,729        | 524,012        |
| Accounts Receivable (Net)              | 180,529        | 346,805        | 436,119        |
| Total Current Assets                   | 186,834        | 699,534        | 960,131        |
| Property and Equipment                 |                |                |                |
| Fixed Assets                           | 19,800         | 19,800         | 19,800         |
| Accumulated Depreciation               | (3,360)        | (6,720)        | (10,080)       |
| Total Property and Equipment           | 16,440         | 13,080         | 9,720          |
| Other Assets                           | -              | -              | -              |
| <b>Total Assets</b>                    | <b>203,274</b> | <b>712,614</b> | <b>969,851</b> |
| <b>LIABILITIES AND CAPITAL</b>         |                |                |                |
| Current Liabilities                    |                |                |                |
| Accounts Payable & Accrued Expenses    | 40,160         | 56,139         | 66,333         |
| Accrued Payroll & Related Payables     | 40,452         | 68,727         | 86,728         |
| Total Current Liabilities              | 80,612         | 124,866        | 153,061        |
| Long-Term Liabilities                  | -              | -              | -              |
| Total Liabilities                      | 80,612         | 124,866        | 153,061        |
| Shareholder Equity (Deficit)           | 122,662        | 587,749        | 816,790        |
| <b>Total Liabilities &amp; Capital</b> | <b>203,274</b> | <b>712,614</b> | <b>969,851</b> |

## Public Comment

Both Continuum and Glacier Peak provided the following statement regarding the medical director compensation.

Glacier Peak [source: Glacier Peak Public Comment, p6]

*“Envision Hospice's application is structured such that it is inconsistent with the Federal Anti-kickback statute. As such, the Department cannot make a finding of financial feasibility or quality of care.*

*Envision Snohomish County Hospice's medical director compensation structure is inconsistent with the Federal Anti-kickback Statute and cannot be relied on in determining its financial projections. Envision states, “The Medical Director Agreement requires a base payment of \$2,000 per month then pays per monthly ADC over 6 once ADC reach 7 or greater”. This stipend arrangement, which provides a payment of \$2,000 even if no services are performed, does not comply with the Anti-kickback Safe Harbor provisions requiring compensation to be fair market value. Even more important, the additional compensation provided to the medical director that is tied directly to Envision's ADC provides a structure that would incentivize the physician to refer patients to Envision.*

*This comment is not intended to be an accusation that Envision is in violation of Federal criminal law or has any intention to violate Federal law. Only, that its proposed medical director compensation is not allowed under the law; which means it must provide a compensation structure that is different from the one it has presented. In lieu of this, there is no way for the State to accurately analyze the costs presented by Envision in its application and its application must be denied”.*

Continuum [source: Continuum Public Comment pdf, p25]

*“Envision also submitted a CN application in the 2017 cycle and was denied because of problems with their lease and other revenue and expense line items that were not defined. As we noted in our public comment and rebuttal of the Envision 2017 application, the structure of its medical director agreement – payments to physicians based on volume – is highly problematic and raises serious questions about Envision’s ability to maintain compliance with state and federal laws. The CN Program did not address the kick-back concerns we raised in the 2017 application during their analysis, and this year we are respectfully requesting that they ask their Counsel to review the application. The federal Anti-Kickback Statute makes it a criminal offense knowingly and willfully to offer, pay, solicit, or receive any remuneration to induce or reward referrals of items or services reimbursable by a Federal health care program. Washington’s Anti-Rebate statute extends that prohibition to all medical services provided by Washington practitioners.*

*The Anti-Kickback Statute has been interpreted to cover any arrangement where even one purpose of the remuneration is to obtain money for the referral of services or to induce further referrals. The U.S. Department of Health and Human Services (Health and Human Services) Office of the Inspector General (OIG) has made clear that “[p]ercentage compensation arrangements are inherently problematic under the Anti-Kickback Statute, because they relate to the volume or value of business generated between the parties”. That judgment reflects OIG’s longstanding concern that percentage billing arrangements increase the risk of upcoding and similar abusive billing practices, and create improper incentives for medical providers to refer patients to particular providers of federally-reimbursed services. By linking the compensation of its medical director to*

*the agency’s average daily census, rather than neutral factors such as time spent or medical services provided to patients, Envision’s operations are predicated on a business relationship that raises serious Anti-Kickback concerns.*

*HHS has promulgated safe harbor regulations that define practices that are not subject to the Anti-Kickback Statute because such practices are unlikely to result in fraud or abuse. But Envision’s medical director contract does not fit within any of the safe harbors; in particular, it falls outside the personal services safe harbor because it is based on the volume of patients at the agency. Such an arrangement is exactly what concerns OIG: that a medical provider be given a financial incentive to steer her patients to a particular service provider, in this case from the physician’s hospital practice into Envision’s hospice program. That compensation improperly aligns the medical practitioner’s interests with Envision’s financial success, rather than the patient’s well-being. Without additional details about those arrangements, the Program cannot adequately analyze Envision’s financial projections or its ability to provide quality care in full compliance with all state and federal laws.*

*Perhaps not coincidentally, then, Envision’s medical director fees are also significantly higher than Continuum’s. That high compensation raises the possibility that the medical director is being paid more than the arms-length market rate for professional services, and that those excess payments are intended to induce referrals of hospice business to Envision’s agency.*

*In fact, unlike Continuum’s medical director agreement, Envision’s proposed medical director compensation increases as census grows. Envision, in particular, does not achieve any efficiencies for medical directorship with census. The following table illustrates this disparity by way of medical director fees per patient day:*

***Continuum table reproduced***

**Table 1  
Medical Director Fees - Comparison**

|                                  | <b>Continuum</b>                         | <b>Envision</b> |
|----------------------------------|--|-----------------|
|                                  | <b>2022 (2nd full year of operation)</b> | <b>2022</b>     |
| <b>Medical Director Fees/PPD</b> | <b>2.74</b>                              | <b>9.86</b>     |

*Source: Applicant Screening Response and Envision Appendix J*

*Thus, even if such volume-based compensation were not legally problematic, the failure of Envision to plan for and capture efficiencies of scale renders its financial projections suspect, and indeed undermines one of the central justifications for its project, which is that regional growth will promote efficient care.*

*The issues with the structure of its proposed Medical Director Agreement mean that the Program cannot determine the consistency of the application to the requirements of WAC 246-310-220. In*

*addition, the Program must seek an opinion on the conformance of the agreement to the Stark rules; if not, it will be hampered in making any findings related to WAC 246-310-230”.*

### Rebuttal Comment

Envision provided the following responses to the issues presented in comment. [source; Envision Rebuttal, pp1-3]

*“...public comments question whether Envision Hospice of Washington's contractual agreement with its Medical Director, Dr. Susan Pearson, may fall outside of the safe harbor provisions of Anti-Kickback laws. Their concerns are misplaced. In response to Continuum and Alpha's public comments on the matter, Envision makes the following points:*

- 1. Envision's contract with its Medical Director was recently approved and accepted by the Department without any conditions when granting Envision's Thurston County hospice application. See Department's October 2018 evaluation of Envision's CON application to establish a Medicare certified hospice in Thurston County. In effect, Continuum is falsely accusing the Department of condoning or allowing Envision to violate federal and state Anti-Kickback laws. Continuum's false accusation of misconduct is just as unfair to the Department as it is to Envision.*
- 2. Envision's contract with Dr. Pearson meets all seven requirements of the safe harbor provisions listed in 42 C.F.R. § 1001.952(d) and 42 CFR 411.354(d)(l), which defines "set amount". (Please see Appendix R-1 for excerpts from relevant CFR's.) Envision consulted with its health care attorney to verify this point. Continuum and Alpha specifically allege Envision's contract with Dr. Pearson violates 42 C.F.R. § 1001.952(d)(S) because Dr. Pearson's compensation is determined by the volume or value of referrals she generates for Envision. Not true. Dr. Pearson has no patients to refer. Contrary to Continuum's accusation, Dr. Pearson is not in a position to refer patients to Envision or any other hospice. As described in Dr. Pearson's resume provided as Appendix C to Envision's initial application, she serves as a palliative care consultant on a hospitalist team for a Snohomish County hospital. As the resume shows, she does not have her own office practice or any other physician practice. Instead, as a member of the hospitalist team, she provides consulting services regarding the inpatients of other physicians. She is not the attending physician for any of the hospital's patients for which she provides palliative care consultation. She also is not assigned a patient panel of her own by the hospital. Moreover, the hospital's information system only allows her to enter "hospice consult" instructions to the discharge planning department and does not allow the naming of a specific hospice provider.*
- 3. As any hospice manager knows, hospitals are prohibited by law from directing patients to a specific local hospice. Additionally, hospitals are required by law to assure their discharge planners provide a list of available hospices in the patient's community without referral to a particular provider. If a physician recommends a "hospice consult" for a patient, the hospital must document the patient gave "informed consent" for the service. To do this, hospital discharge planners must document the patient was provided a list of available hospices. The hospital also must inform the patient if it has a financial interest*

*in any of the hospices on the list. Thus, if Continuum's accusations were true, a conspiracy must exist to violate state and federal law between the hospital, Dr. Pearson and Envision. The truth is Continuum's conspiracy theory has no basis in fact. Nothing in Envision's contract with its Medical Director circumvents the laws that prohibit unlawful rebates or kickbacks for referrals.*

4. *Envision's Medical Director contract does not in any way "induce or reward referrals of services reimbursable by a federal health care program". While Continuum refers to "percentage compensation arrangements" as concerning, there is simply no "volume of business generated between the parties" (i.e., generated between Dr. Pearson and Envision) and, therefore, nothing on which a percentage could be based. The contract relates Dr. Pearson's pay to a "neutral factor" such as "medical services provided to patients" based on the reasonable expectation that the demands on her clinical and administrative time will be proportional to the number of individuals she serves.*

*By recognizing that a medical director's workload increases as the agency's monthly average patient census increases, the contract pays in proportion to that census-driven workload. Furthermore, it is important to recognize the term "patient" refers to average patient count per day used to determine "census," not to particular patients. Under the contract, the number of patient days provided in a one-month period is divided by the days of the month. For example, in a month during which Envision provides 300 patient days and that month contains 30 days, this is the calculation: 300 patient days ÷ 30 days = 10 patients per day or an "Average Daily Census" for the month of 10. Due to varying lengths of stay among patients, there can be no mathematical relationship between patient referrals or admissions and patient census.*

5. *In its May 31 Snohomish public comment, Continuum incorrectly claims the Department "did not address kick-back concerns we raised in the 2017 application". Please note that in the 2017-2018 concurrent review, Continuum only raised this baseless concern during its rebuttal comments to Envision's public comments. The Department had no obligation to "address" such concerns raised the first time in rebuttal and which Envision had no opportunity to rebut. In mis-remembering the sequence of its own comments, Continuum provides the perfect example of why rebuttal cannot include - and the Department cannot consider - information not already in the record. If Continuum had said anything of the kind in public comment, Envision would have provided the unqualified rebuttal it does today.*

*Furthermore, though Continuum claims the need for "additional details about those arrangements," Envision does not need to provide any new information for the Department to "adequately analyze Envision's financial projections or its ability to provide quality care in full compliance with all state and federal laws". In fact, the Department's approval of Envision's Thurston County hospice application of the same review cycle should demonstrate to Continuum that the Department did not find any concerns with the very same contract between Envision and Dr. Pearson.*

6. *In sum, Continuum's and Alpha's misguided efforts to raise groundless concerns about fraud simply demonstrates the inability of either to find any real flaws in Envision's application”.*

## **Department’s Evaluation**

### Utilization Assumptions

An applicant’s utilization assumptions are the foundation for the financial review under this sub-criterion. Envision based its projected utilization of the hospice agency on the results of the need methodology for Snohomish County and the experience from operating a hospice agency in Utah.

The department concludes that Envision’s utilization assumptions are reasonable.

### Pro Forma Financial Statements

The applicant provided pro forma financial statements, including the Revenue and Expense Statements, Balance Sheets, and Cash Flow Statements, that allowed the department to evaluate the financial viability of the proposed hospice agency.

Envision based the revenue and expenses for its hospice agency on the assumptions referenced above. The hospice agency’s revenues do not cover expenses in year 2020. This is the agency’s start-up year and first full year of operation. The projected operating loss is approximately \$12,000. For each of the subsequent years, revenues are projected to cover expenses; totaling in excess of \$629,000 in year three.

The hospice agency would be located in a new site in Marysville. Envision provided a copy of the signed lease agreement between Jim and Ina Schoentrup (landlord) and itself as tenant. The agreement established the initial term and identifies all costs associated with the lease and the available extension with associated costs. The costs are identified in the pro forma Revenue and Expense Statement.

Envision provided a signed medical director agreement with Dr. Susan Pearson for its prospective medical director. The medical director agreement identified the roles and responsibilities of both the hospice and proposed medical director, and the projected revenue and expense statements identify all costs associated with the position. [Source: Envision Application, Appendix C]

Public comment for this application centered on the compensation provisions outlined in the medical director agreement in which the doctor’s compensation will increase as the average daily census of the agency increases. Specifically, whether this constitutes a violation in law prohibiting directly referring patients to a particular hospice agency. In addition to the details outlined by the applicant in rebuttal to these contentions, a review of the agreement only references referrals in two locations; one in relation to call coverage for referrals coming to the agency and an item under general provisions that is intended to prevent fraud and abuse (10.18) on the part of the physician. The department concludes that there is nothing outlined in the application of medical director agreement that would indicate Dr. Pearson would be expected to, or would, violate the law related to such actions.

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

**Glacier Peak**

Glacier Peak does not own or operate any healthcare facilities in Washington State. Its parent corporation, Ensign Group operates many ‘in home service’ agencies throughout other states, including Washington State. This hospice agency will be operated under the home health agency operated separately from its direct owner/parent (Cornerstone Healthcare, Inc.) and its parent Ensign Group. [source: Glacier Peak Application, p8]

Glacier Peak provided the assumptions used to determine the projected number of patients and visits for the proposed Thurston County hospice agency. The assumptions are restated below. [source: Application, p15; Glacier Peak Screening Responses, p3]

*“Projected Admissions: Alpha assumed that three agencies would gain CN approval and be operational by 2020, that the unmet need would be divided equally between those three agencies and that we would realize 75% of the unmet ADC for one agency in 2020; increasing to 100% of the unmet ADC in 2021 and 2022 (for one agency). This assumption results in an assumed 191 admissions in year 1, 303 in year 3.*

1. *ALOS: Assumes the Washington State ALOS of 60.86-days.*
2. *Patient Days- ALOS x admissions.*
3. *ADC- Projected days/365.*
4. *Median LOS- Actual experience with Ensign’s hospice agencies”.*

In addition, Glacier Peak details, *“The State’s 2018-2019 Hospice Numeric Need Methodology determines use rates for hospice by age cohort (0-64 and 65+). The use rates are calculated by the State and, for this review cycle, are 28.50% for the 0-64 and 60.91% for the 65+. These use rates are then used to project hospice patients by age cohort for 2018-2020. To estimate 2021 and 2022 patient volumes, Alpha Hospice applied the use rates to the calculated average hospice patients for the period of 2015-2017 as identified in Table 5 of the application”.* [source: Glacier Peak Screening Responses, p2]

**Table 19  
Glacier Peak Utilization**

|                         | <b>Year 1 –<br/>2020</b> | <b>Year 2 –<br/>2021</b> | <b>Year 3 -<br/>2022</b> |
|-------------------------|--------------------------|--------------------------|--------------------------|
| Unduplicated Admissions | 190.65                   | 302.74                   | 351.28                   |
| Total Days              | 11,603                   | 18,425                   | 21,379                   |
| Average Length of Stay  | 60.86                    | 60.86                    | 60.86                    |
| Average Daily Census    | 32                       | 51                       | 59                       |

If this project is approved, the new hospice agency would be operated separately from both its direct owner/parent (Cornerstone Healthcare, Inc.) and its parent Ensign Group. To assist in this evaluation, the applicant provided a pro forma financial statements for the Snohomish County hospice agency alone. The pro forma statements provided are below.

- Pro forma Operating Statement
- Pro forma Balance Sheet
- Pro forma Cash Flow Statement

Glacier Peak also provided its assumptions used to project the pro forma statements within the statements. [Glacier Peak Screening Responses, p35-36]

*“Deductions from Revenue:*

1. *Contractual allowance: 2% of gross revenue*
2. *Charity care: 5% of gross revenue*
3. *Bad Debt: 1% of gross revenue*

*Expenses:*

1. *Staffing by FTE (based on projected FTEs and Salaries, see revised Table 15).*
2. *Payroll taxes and benefits: 30%*
3. *Medical Director: per medical director agreement (.75 hour/ADC/month x \$200/hour). See Question 23 of screening response.*
4. *Physical Therapist: \$42.38/hour (1.5 hour per 20 ADC per month)*
5. *Occupational Therapist: \$39.26/hour (1.5 hour per 20 ADC per month)*
6. *Speech Therapist: \$35.55/hour (1.5 hour per 20 ADC per month)*
7. *Dietitian: \$33.29/hour 1.5 hour per 20 ADC per month*
8. *DME: \$6.04/PPD based on existing Cornerstone hospice averages*
9. *Pharmacy: \$7.09/PPD based on existing Cornerstone hospice averages*
10. *General Inpatient Costs: \$838.28 per General Inpatient Days of Care (0.3% of patient days were assumed to be for general inpatient).*
11. *Medical Supplies: \$2.59/PPD based on existing Cornerstone hospice averages*
12. *Inpatient Respite: \$191.76 per inpatient respite Days of Care (1.5% of patient days were assumed to be inpatient respite care).*
13. *Room and board: \$.45/PPD based on existing Cornerstone hospice averages*
14. *Mileage: Estimate 8 miles/DOC reimbursed at \$.45/mile based on existing local agency*
15. *Advertising: \$10,000 in 2020 +1% of net revenue. In Years 2021 and 2022, 1% of net revenue.*
16. *Allocated costs: 5% of gross revenue to Cornerstone Service Center.*
17. *B&O Taxes: 1.5% of gross revenue*
18. *Dues & Subscriptions: \$375/month (primarily for Medbridge)*
19. *Education and trainings: \$10,000 per year for Continuing education including Clinical education and compliance.*
20. *Information Technology/Computer/Software Maintenance: \$1250/month*
21. *Insurance: \$1,200 per year for Liability and property content insurance.*
22. *Legal and professional: Included in Allocated Costs to Cornerstone Service Center*
23. *Licenses and Fees: First year Accreditation \$3,100, Survey \$7,500, Annual State License 3,000 (2020: \$13,600, 2021 and 2022: \$3,000 each year)*
24. *Postage: \$500/month*
25. *Purchased services: \$1000/month; bank fees, system access: HCHB, SHP, Workday. (HCHB is Homecare Homebase and is the Electronic Medical Records software. SHP is a data*



analytics software to make operational decisions, and Workday is the companies provider for payroll solutions)

- 26. Repairs and Maintenance: \$150/month
- 27. Cleaning: \$210/month for office cleaning
- 28. Office supplies: \$250/month for office supplies
- 29. Equipment lease & maintenance: \$500/month, copier and postage machines
- 30. Building rent or lease: Per lease agreement and detailed in response to Question #24 of the screening response.
- 31. Lease NNN or Common Area Maintenance charges: Per lease agreement and detailed in response to Question #24 of the screening response.
- 32. Recruitment: \$5,000 startup and \$250/month following
- 33. Telephones: \$55/FTE/month + \$250/month for landlines
- 34. Travel: First year (2020) \$15,000 support and launch, \$7,500 (each in 2021 and 2022).
- 35. Depreciation: Capital expenditure (15,000) + annual expenditures related to new staff and depreciated on a straight-line basis and assumes useful life of 5 years”.

In addition, Glacier Peak provided the following information: [source: Glacier Peak Screening Responses, pp25-26]

“Medical Director

As outlined in the executed Medical Director Agreement (see Attachment 5), the compensation is based on the assumption that the Medical Director will spend .75 hours per every one (1) ADC based on the contractual requirements, patient needs, and agency expectations. The .75 hours per ADC is an estimation of time based on the requirements noted. These costs are specific and there is no allocation of any of the home health medical director costs”.

**Applicant’s Table**  
**Alpha Hospice**  
**Medical Director Compensation, 2020-2023**

|  | 2020          | 2021          | 2022           |
|--|---------------|---------------|----------------|
| ADC  | 31.79         | 50.48         | 58.57          |
| No. of Hours/ADC/month                     | 0.75          | 0.75          | 0.75           |
| Total Hours/year                           | 12.0          | 12.0          | 12.0           |
| Total Hours/year                           | 286.11        | 454.32        | 527.13         |
| Compensation/Hour                          | 200           | 200           | 200            |
| <b>Total Medical Director Compensation</b> | <b>57,219</b> | <b>90,861</b> | <b>105,431</b> |

Based on the assumption above, below is a summary of the projected Revenue and Expense Statement for the Snohomish County hospice agency. [source: Glacier Peak Screening Responses, p38]

**Table 20**  
**Revenue and Expense Statement for Projected Years 2020 through 2022**

|                            | <b>CY 2020</b>  | <b>CY 2021</b>   | <b>CY 2022</b>   |
|----------------------------|-----------------|------------------|------------------|
| Net Revenue                | \$2,008,832     | \$3,189,938      | \$3,701,434      |
| Total Expenses             | \$1,921,837     | \$2,861,912      | \$3,283,073      |
| <b>Net Profit / (Loss)</b> | <b>\$86,995</b> | <b>\$328,026</b> | <b>\$418,361</b> |

Glacier Peak also provided the projected balance sheets for the proposed Snohomish County hospice agency. The three-year summary is shown in the table below. [source: Glacier Peak screening Responses, p39]

**Table 21**  
**Glacier Peak/Alpha Hospice Balance Sheet**

| <b>Assets</b>        |                  | <b>Liabilities</b>                   |                  |
|----------------------|------------------|--------------------------------------|------------------|
| Current Assets       | \$155,549        | Current Liabilities                  | \$105,381        |
| Property & Equipment | \$0              | Long Term Debt                       | \$0              |
| Other Assets         | \$22,336         | Total Liabilities and Long Term Debt | <b>\$105,381</b> |
|                      |                  | Equity                               | \$83,398         |
| <b>Total Assets</b>  | <b>\$188,769</b> | <b>Total Liabilities and Equity</b>  | <b>\$188,769</b> |

Public Comment

Envision provided the following comment regarding the Glacier Peak application. [source: Envision Public Comment, p14]

Utilization Projections

*“At Screening Question #7, Alpha was asked to provide the use rate, market share, intensity of service it assumed in order to project its Snohomish County hospice utilization. While Alpha's narrative described an extension of the 2018 Hospice Need Method, projecting 2022 potential volumes, its Table 6 (Revised) provides its affiliate's Thurston County Projected Population and Hospice Volume.*

*Following that, Alpha did not provide assumptions underlying its utilization projections but appears to have calculated market shares based on them. However, the "Alpha Hospice Estimated Market Share" Table shows 2020 admissions at 191 and a 5.6% share of an unrelated and unexplained line labeled "Total Admissions" but the narrative to the table above it states that Alpha's 2020 admissions will number 182 and represent 13.1% market share. With these conflicting utilization figures and market shares for the same period, Envision is unable to determine Alpha's assumptions, method or result.*

Medical Director Agreement

*Alpha's calculation of medical director expenses is not clear. The method provided does not specify the period for the ADC (average daily census) on which the medical director payment is to be based. Is it per day, per week, per month, or per year? The incorrect labeling of the table elements make it difficult to understand them and to determine their accuracy”.*

## Rebuttal Comment

Glacier Peak provided the following rebuttal. [source: Glacier Peak Rebuttal, pp5-8]

### Utilization Projections

*“Envision identifies a mislabeling of Table 6 in Alpha Hospice's screening response and suggests that the data is for Thurston County. While it is accurate that the Table was mislabeled, the data is correct and is Snohomish-specific data... These population numbers are consistent with the Snohomish County population in the Department's hospice methodology published in October 2018. In fact, Appendix F of Envision's CN application, which includes a copy of the methodology, shows the Snohomish County population in Table 6 ... exactly matches the data provided by Alpha Hospice. The 2021 and 2022 hospice projections by age cohort were interpolated based on the Department's methodology as was discussed in Alpha Hospice's screening response.*

*Envision additionally identifies a concern with the market share data included on page 4 of the screening response. The market share data provided in the table on page 4 of the screening response...is accurate, specific to Snohomish County and consistent with Alpha Hospice's financials. There were a few typos in the narrative on page 4 leading up to the market share table, so for purposes of clarification our projections for total unduplicated admissions for the year 2020 is 191, which represents 5.6% of the total estimated number of patients (consistent with the table provided with screening...)”.*

### Medical Director

*“The table in Alpha Hospice's screening response (Question 23, p. 20) provides the specific numbers used to calculate the total medical director compensation each year and is consistent with the medical director agreement. As a point of clarification, the first line item labeled "total hours/year" in the table refers to the number of months in a year to show the math used to arrive at total hours per year. Using the numbers in 2020, the math in the table is clarified per below:*

*31.79 (ADC) x 0.75 (No. of Hours/ADC/month) x 12 (Total months/year) = 286.11 (Total Hours/year.)*

*286.11 (Total hours/year) x \$200/hour (Compensation/hour) = \$57,219 (Total Compensation).*

*The total compensation in the table (Question 23, p. 20 of the screening response) matches exactly what is in the proforma and is consistent with the medical director agreement”.*

### Footnote 3:

*“Alpha has sought legal guidance on its compensation structure and has received advisement that structuring payment based on hours worked is most compliant with state and federal anti-kickback laws. This structure ensures payment is fair-market value and does not contemplate the offer, solicitation or exchange of referrals; unlike the compensation structure set forth by Envision which allows compensation to be paid up to a certain point regardless of any services performed. That structure is contrary to how courts have interpreted the AKS. Courts have held that under the federal Anti-kickback Statute, it can be inferred that compensating a physician above market value is intended*

*as payment for the referral of health-program business (note: the AKS is violated even if a kickback was offered for a referral, not only if it was actually received). See U.S. v. Lipkis, 770 F.2d 1447 (9th. Cir 1980)”.*

## **Department Evaluation**

### Utilization Assumptions

An applicant’s utilization assumptions are the foundation for the financial review under this sub-criterion. Glacier Peak based its projected utilization of the hospice agency on the results of the need methodology for Snohomish County and a computation based upon one agency of the three being approved and the expected percentage attracted from the planning area need.

Comment addressed possible errors in the utilization forecasts submitted by Glacier Peak in screening responses. A review of the record for the affiliated application submitted for hospice services in Thurston County confirm the statement Glacier Peak provided in rebuttal. The data for the table in response to screening for the proposed service in Snohomish County is different from the data submitted in the Thurston County, even though they are similarly titled.

The department concludes that Glacier Peak’s utilization assumptions are reasonable.

### Pro Forma Financial Statements

The applicant provided pro forma financial statements, including the Revenue and Expense Statements, Balance Sheets, and Cash Flow Statements, that allowed the department to evaluate the financial viability of the proposed hospice agency.

Glacier Peak based the revenue and expenses for its hospice agency on the assumptions referenced above. The hospice agency’s revenues do not cover expenses in year 2020. This is the agency’s start-up year and first full year of operation. The projected operating loss is approximately \$12,000. For each of the subsequent years, revenues are projected to cover expenses; totaling in excess of \$629,000 in year three.

The hospice agency would be located in a new site in Marysville. Glacier Peak provided a copy of the signed lease agreement between Jim and Ina Schoentrup (landlord) and itself as tenant. The agreement established the initial term and identifies all costs associated with the lease and the available extension with associated costs. The costs are identified in the pro forma Revenue and Expense Statement.

Glacier Peak provided a signed medical director agreement with Dr. Susan Pearson for its prospective medical director. The medical director agreement identified the roles and responsibilities of both the hospice and proposed medical director, and the projected revenue and expense statements identify all costs associated with the position. [Source: Glacier Peak Application, Appendix C]

Public comment for this application centered on the compensation provisions outlined in the medical director agreement in which the doctor’s compensation will increase as the average daily census of the agency increases. Specifically, whether this constitutes a violation in law prohibiting

directly referring patients to a particular hospice agency. In addition to the details outlined by the applicant in rebuttal to these contentions, a review of the agreement only references referrals in two locations; one in relation to call coverage for referrals coming to the agency and an item under general provisions that is intended to prevent fraud and abuse (10.18) on the part of the physician. The department concludes that there is nothing outlined in the application of medical director agreement that would indicate Dr. Pearson would be expected to, or would, violate the law related to such actions.

Based on the information reviewed in the application, the department concludes the immediate and long-range operating costs of this 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.

### **Season's Hospice**

For its application, Season's Hospice projected an estimated capital expenditure of \$86,117 for the establishment of the hospice agency. The costs are solely for office furnishing and office equipment. [Source: Season's Application, p58]

Related to the capital expenditure, Season's Hospice explains, "*Seasons Healthcare Management, Inc. provides funding for development and back office functions for affiliates of Seasons Hospice & Palliative Care. The purchasing department provides the cost estimates for the furnishing of the office in Snohomish County and reflect the types of expenditures made in connection with its start-up programs. The item costs reflect corporate pricing agreements with the Seasons Healthcare Management, Inc.'s vendors and are inclusive of applicable state and local sales taxes.*

*The estimates in the table above reflect modest costs for equipping a business office in the Lynnwood area of Snohomish County. The annual depreciation expense of \$9,508 accounts for \$4,408 for furnishings, with items depreciated over a 15 year period, and the care kits' depreciated over a five year period. Depreciation for the electronics and telecommunications equipment cover a seven year period with the low voltage wiring depreciated on a 10 year basis, for a total of \$5,100".* [Source: Season's Application, pp59-60]

In response to screening, Season's provided an itemized breakout of the pre-opening costs necessary for the start-up of the proposed hospice. The applicant explains that they, "estimated the start-up costs based on the annual costs". The amount calculated for the start-up period totals \$207,980. [source: Season's Screening Responses, pp68-69]

Seasons Hospice also provided a letter of commitment from Chief Financial Officer, David Donenberg confirming the availability of the necessary funds and commitment to use them in the establishment of this proposed hospice agency. [source: Season's Application, p333]

Public Comment

None

Rebuttal Comment

None

**Department's Evaluation**

Season's Hospice provided a letter from its Chief Financial Officer demonstrating its financial commitment to this project, including the project capital expenditure and any cash flow requirements.

The department does not have an adopted standard on what constitutes an unreasonable impact on charges for health services. Medicare patients typically make up the largest percentage of patients served in hospice care. For the proposed agency, the applicant projected that 91% of its patients would be eligible for Medicare. Revenue from Medicare is projected to equal a similar percentage of total revenues through standard reimbursement totals and related discounts which are unlikely to increase with approval of this application. [source: Season's Application, p286]

Based on the information above, the department concludes that approval of this project is not expected to have an unreasonable impact on the costs and charges of healthcare services in the planning area. Based on the information, the department concludes **this sub criterion is met.**

**Heart of Hospice**

For its application, Heart of Hospice states, *"The estimated capital expenditure is \$50,000.00 for this project. The capital expenditure is for the application to the Department of Health \$21,968.00. The remaining \$28,032 will be used to purchase additional office furniture. Our startup team already has its own electronic devices and phones. Certain office equipment may be leased, but this will not require capital expenditure. We are a current Washington Hospice and will continue to operate under our current license"*. [source; Heart of Hospice Application, p21]

Although, the departments does not consider the fees for Certificate of Need review a part of a facilities capital costs in evaluating the viability of a project. As such, the estimated capitol cost for this proposed facility is \$28,032. The costs are solely for office furnishing and office equipment.

In relation to start-up costs, Heart of Hospice explains, *"Heart of Hospice has included the Lease Payments for the Snohomish County office in the Financials provided. You will notice that these fees have been included in the Occupancy Expense for 2019. Under the tab OCCUPANCY in the excel spreadsheet that has been provided you see the note that outlines occupancy expenses that match the lease as provided. Snohomish County Occupancy cost of \$20,615.78 for 2019. February 2019- September 2019 have been included in the Proforma for 2019. These are the start up cost*

*(\$11,533.28). In the Excel Spreadsheet you will note Period February 2019-September 30, 2019 at a rate of \$1,441.66 per month (\$11,533.28). Next you will note Months 9-18 or October 2019 - July at a rate of \$3,027.50. This outlines the start of our operations that we believe will be October 01, 2019. Heart of Hospice is only identifying these expenses as START-UP for months of February 2019 - September 30, 2019. Snohomish County Project is under Heart of Hospice current operations. Because we are fully operational in other counties Heart of Hospice has a unique position for Cost-Savings. Heart of Hospice does not nor will not need Start Up Cost like other organizations might need due to the fact that they are not in operation and are not Medicare and or State Licensed. Operating a hospice in the State of Washington has three components. Heart of Hospice already has the first two parts (Medicare Certification and State Licensure). Heart of Hospice is seeking the third part which is the CN for Thurston County". [source, Heart of Hospice Screening Responses, p4]*

Heart of Hospice also provided letters from First Interstate Bank and Heart of Hospice CEO, Steve Morris, confirming the availability of the necessary funds and commitment to use them in the establishment of this proposed hospice agency. [source: Heart of Hospice Application, p81-82]

#### Public Comment

None

#### Rebuttal Comment

None

#### Department's Evaluation

Heart of Hospice provided a letter from its Chief Executive Officer demonstrating the financial commitment to this project, including the project capital expenditure and any cash flow requirements.

The department does not have an adopted standard on what constitutes an unreasonable impact on charges for health services. Medicare patients typically make up the largest percentage of patients served in hospice care. For the proposed agency, the applicant projected that 95% of its patients would be eligible for Medicare. Revenue from Medicare is projected to equal a similar percentage of total revenues through standard reimbursement totals and related discounts which are unlikely to increase with approval of this application. [source: Heart of Hospice Screening Responses, p5]

Based on the information above, the department concludes that approval of this project is not expected to have an unreasonable impact on the costs and charges of healthcare services in the planning area. Based on the information, the department concludes **this sub criterion is met.**

#### Envision Hospice

Envision explains, *"Various studies on the cost effectiveness of hospice, both federally and privately sponsored, provide strong evidence that hospice is a cost; efficient approach to care for the terminally ill.*

*An early study for CMS concluded that during the first three years of the hospice benefit, Medicare saved \$1.26 for every \$1.00 spent on hospice care. The study found that much of these savings accrue over the last month of life, which is due in large part to the substitution of home care days for inpatient days during this period.*

*Additional research on hospice supports the premise that cost savings associated with hospice care are frequently unrealized because terminally ill Medicare patients often delay entering hospice care until they are within just a few weeks or days of dying, suggesting that more savings and more appropriate treatment could be achieved through earlier enrollment”. [source: Envision Application, p34]*

Regarding start-up costs, Envision considered some non-recurring costs and rent prior to opening the proposed hospice. In addition to the cited estimated capitol cost, Envision considered these general operational areas and concluded that there would be approximately \$26,775 in start-up costs.

Envision also provided a letter of commitment from Rhett Andersen, Chief Financial Officer of Envision Hospice of Washington, LLC committing to all the costs of the project. Also included is a letter from Chase Bank demonstrating that Envision Home Health of Washington, LLC (the of Envision Hospice of Washington, LLC) has \$536,434 in its savings account. [source: Envision Application, Appendices P & O]

#### Public Comment

None

#### Rebuttal Comment

None

#### Department’s Evaluation

Envision Hospice provided a letter from its Chief Financial Officer demonstrating the financial commitment to this project, including confirmation of the available funds.

The department does not have an adopted standard on what constitutes an unreasonable impact on charges for health services. Medicare patients typically make up the largest percentage of patients served in hospice care. For the proposed agency, the applicant projected that 85% of its patients would be eligible for Medicare. Revenue from Medicare is projected to equal a similar percentage of total revenues through standard reimbursement totals and related discounts which are unlikely to increase with approval of this application. [source: Envision Screening Responses, p5]

Based on the information above, the department concludes that approval of this project is not expected to have an unreasonable impact on the costs and charges of healthcare services in the planning area. Based on the information, the department concludes **this sub criterion is met.**

#### Glacier Peak

For its application, Glacier Peak states, “As documented in Exhibit 7, the \$15,000 capital investment has no impact on costs. Hospice care has been shown to be cost-effective and it is well



*documented that they reduce end-of-life costs. This project proposes to address the hospice agency shortage in the County and will improve access. Over time, this will reduce the costs of end-of-life care and benefit patients and their families”.* [source; Glacier Peak Application, p19]

In response to screening questions, Glacier Peak provided a breakout of the start-up costs anticipated if this application were approved. The itemization provides for the pre-operational costs and totals \$82,966. [source: Glacier Peak Screening responses, pp6-7]

The department does not have an adopted standard on what constitutes an unreasonable impact on charges for health services. Medicare patients typically make up the largest percentage of patients served in hospice care. For the proposed agency, the applicant projected that approximately 94% of its patients would be eligible for Medicare. Revenue from Medicare is projected to equal a similar percentage of total revenues through standard reimbursement totals and related discounts which are unlikely to increase with approval of this application. [source: Envision Screening Responses, pp9 & 23]

Glacier Peak also provided a letter from Cornerstone’s Corporate Controller, Ryan Forsgren, confirming the availability of the necessary funds and commitment to use them in the establishment of this proposed hospice agency. [source: Glacier Peak Application, p107]

Public Comment

None

Rebuttal Comment

None

**Department’s Evaluation**

Glacier Peak provided a letter from its Corporate Controller demonstrating the financial commitment to this project, including the project capital expenditure and any start-up costs.

Based on the information above, the department concludes that approval of this project is not expected to have an unreasonable impact on the costs and charges of healthcare services in the planning area. Based on the information, the department concludes **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.

**Season’s Hospice**

Regarding this requirement, the applicant states, *“Seasons Hospice & Palliative Care of Snohomish County, LLC referred to as Seasons Snohomish County throughout the application is a single purpose limited liability company formed for the purpose of providing a hospice program in Snohomish County, Washington. As an affiliate of Seasons Hospice & Palliative Care, the*

*management company, Seasons Healthcare Management, Inc. funds the proposal and makes representations of sufficient capital and terms to implement the hospice program.*

*Specifically, Exhibit 13 contains a letter from David Donenberg, Chief Financial Officer, expressing the ability to fund the project and the terms of that funding”. [Source: Season’s Application, page 29]*

Public Comment

None

Rebuttal Comment

None

**Department Evaluation**

Season’s Hospice intends to finance this project using available reserves. As previously stated, Season’s Hospice provided a letter from its Chief Financial Officer demonstrating its financial commitment to this project, including the project capital expenditure and any cash flow requirements.

This approach is appropriate, as Season’s Hospice’s assets are sufficient to cover this cost. If this project is approved, the department would attach a condition requiring Season’s Hospice to finance the project consistent with the financing description in the application. With the financing condition, the department concludes **this sub-criterion is met.**

**Heart of Hospice**

In response to this criteria, Heart of Hospice states, *“The capital expenditure for this project will be funded through existing agency reserves. A letter has been provided to show that Heart of Hospice has the funds needs to complete this project”.*

*In addition, “You will find our P&L, Balance Sheet, and Cash Flow. These numbers are current numbers based on our operation and we do not foresee a deficit in Cash Flow. The organization is 100% self-funding and currently does not owe any liens, loans, or any other debt. Heart of Hospice is 100% committed to this project and will remain CASH POSITIVE throughout this project. The unique difference we have over any of the other applicants is we are already 100% licensed in the state of Washington and able to operate under our current license. In return this will continue to keep the organization CASH POSITIVE. Steve Morris, (owner) has provided a letter of financial commitment for this project”. [Source: Heart of Hospice Application, p24; Attachment 10]*

Public Comment

None

Rebuttal Comment

None

### **Department Evaluation**

Heart of Hospice intends to finance this project using available reserves. As previously stated, Heart of Hospice provided a letter from its owner demonstrating its financial commitment to this project, including the project capital expenditure and any cash flow requirements.

This approach is appropriate, as Heart of Hospice’s assets are sufficient to cover this cost. If this project is approved, the department would attach a condition requiring Heart of Hospice to finance the project consistent with the financing description in the application. With the financing condition, the department concludes **this sub-criterion is met.**

### **Envision Hospice**

In response to this criteria, Envision states, “*Envision Home Health of Washington, LLC, the owner of Envision Hospice of Washington, LLC has existing accounts and funds adequate to fund the working capital needed for startup and hospice operations in both Snohomish and King Counties. Upon approval of Snohomish and/or King County Certificate of Need applications, the required funds will be transferred to an Envision Hospice of Washington, LLC account*”.

The applicant continues, “*Since any new CON approved facility would be combined with existing operations, any cash flow needs would be more than covered by the projected free cash flow from Existing Operations of over \$430,000 in 2019 and \$1,030,000 in 2020 (see Appendix K, Existing Operations, Washington). Additionally, the existing operations have current cash in excess of \$530,000 as shown in the letter from Chase Bank at Appendix O*”. [source: Envision Application, p39]

### **Public Comment**

None

### **Rebuttal Comment**

None

### **Department Evaluation**

Envision Hospice intends to finance this project using available reserves. As previously stated, Envision provided a letter from its banking institution demonstrating its available resources, including the project capital expenditure and any cash flow requirements.

This approach is appropriate, as Envision Hospice’s assets are sufficient to cover this cost. If this project is approved, the department would attach a condition requiring Envision to finance the project consistent with the financing description in the application. With the financing condition, the department concludes **this sub-criterion is met.**

### **Glacier Peak**

Regarding this requirement, the applicant states, “*The very small capital investment will be funded by Cornerstone using reserves. This is the best, most efficient means of funding an expenditure of this small magnitude*”. [Source: Glacier Peak Application, p20]

Public Comment

None

Rebuttal Comment

None

**Department Evaluation**

Glacier Peak intends to finance this project using available reserves. As previously stated, Glacier Peak provided a letter from its controller demonstrating its financial commitment to this project, including the project capital expenditure and any cash flow requirements.

This approach is appropriate, as Glacier Peak assets are sufficient to cover this cost. If this project is approved, the department would attach a condition requiring Glacier Peak to finance the project 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)**

**Season's Hospice**

Based on the source information reviewed, the department determines that Season's Hospice project **has not met** the applicable structure and process of care criteria in WAC 246-310-230.

**Heart of Hospice**

Based on the source information reviewed, the department determines that Heart of Hospice project **has met** the applicable structure and process of care criteria in WAC 246-310-230.

**Envision Hospice**

Based on the source information reviewed, and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Envision Hospice project **has met** the applicable structure and process of care criteria in WAC 246-310-230.

**Glacier Peak**

Based on the source information reviewed, and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Glacier Peak project **has met** the applicable structure and process of care criteria in WAC 246-310-230.

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

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.

**Season’s Hospice**

Season’s Hospice provided a table with information showing its projected FTEs for partial year 2020 through 2023. [Source: Season’s Screening Response, p85]

**Table 22  
Season’s FTE’s/Contractor Projections Year 2020- 2023**

|                                     | <b>Partial<br/>Yr.</b> | <b>Yr. 1<br/>2021</b> | <b>Yr. 2<br/>2022</b> | <b>Yr. 3<br/>2023</b> |
|-------------------------------------|------------------------|-----------------------|-----------------------|-----------------------|
| Admissions                          | 0.00                   | 0.00                  | 1.00                  | 1.00                  |
| Business Development-Department     | 0.00                   | 3.00                  | 3.00                  | 4.00                  |
| Business Operations-Leadership      | 1.00                   | 1.00                  | 1.00                  | 1.00                  |
| Chaplain                            | 1.00                   | 1.00                  | 1.00                  | 1.00                  |
| Executive Director                  | 1.00                   | 1.00                  | 1.00                  | 1.00                  |
| Hospice Aide                        | 3.00                   | 3.00                  | 4.00                  | 5.00                  |
| Music Therapy                       | 1.00                   | 1.00                  | 1.00                  | 1.00                  |
| Nursing                             | 1.00                   | 4.00                  | 5.00                  | 0.00                  |
| Physician-Leadership (Med Director) | 1.00                   | 1.00                  | 1.00                  | 1.00                  |
| Physician-Team Support              | 0.00                   | 0.20                  | 0.27                  | 0.33                  |
| Social Work                         | 1.00                   | 1.00                  | 1.00                  | 1.00                  |
| Team Assistant                      | 1.00                   | 1.00                  | 1.00                  | 1.00                  |
| Team Director                       | 1.00                   | 1.00                  | 1.00                  | 1.00                  |
| Volunteer-Department                | 1.00                   | 1.00                  | 1.00                  | 1.00                  |
| <b>Totals</b>                       | <b>13</b>              | <b>19.2</b>           | <b>22.27</b>          | <b>19.33</b>          |

Regarding staffing ratios, Season’s explains, “Seasons Snohomish County's staffing ratios reflect similar ratios found among affiliates of Seasons Hospice & Palliative Care across the county. Ratios vary based upon the numbers of patients in the program, the diseases represented, length of stay, and patients' needs. The ratios above compare favorably with an overall ratio in the third year of operations of .43 staff to each patient. In addition, volunteers who provide augmented services increase the patient and hospice interactions and add to the actual FTE spent with patients. The training program for volunteers assures that they are active members of the care team and render services that patients experience at the end-of-life is compassionate and caring with support for the family”. [Source: Season’s Application, p68]

Regarding retention and recruitment of staff, Season’s Hospice provided the following statement.

“Snohomish County has two designated medically under-served areas and four primary care health professional shortage areas that are not linked to a specific clinic or facility. In particular, the low-income area of Everett receives these designations. With the county's location near the Seattle area and a population of over 800,000, sufficient manpower exists to staff the hospice at the levels forecasted. Also, Seasons Snohomish County as noted in the foregoing narrative provides salaries and benefits that are attractive, which contribute to recruitment and retention success. Those benefits are not repeated here. Season’s allocation of resources in their Talent Acquisition Group has successfully filled open positions through traditional and creative methods (e.g., Recruitment Open House events, CE offerings, etc.).

*As noted previously, Seasons Snohomish County plans to target the county's homeless population, many of whom are from Everett or spent the previous night in Everett". [Source: Season's Application, p69]*

Within the application, Season's Hospice provided a signed medical director agreement for its prospective medical director, identified as Amanda Keerbs, M.D., for the hospice agency. The agreement describes the roles and responsibilities for the prospective medical director. [Source: Season's Application, Exhibit 3]

#### Public Comment

Envision provided the following statement in public comment. [source: Envision Public Comment, p23]

#### "Medical Director

*Seasons proposes paying its Medical Director \$5,000 per year and, at the same time projects 1.36 FTE medical director in its staffing table at page NN. Seasons' staffing table does not provide the salary of the medical director as is required. These figures are not consistent with either a reasonable medical director workload or with typical salaries of hospice medical directors. These inconsistencies leave unclear both the relationship to, function and effectiveness of a hospice medical director that is paid less than \$500/month".*

#### Rebuttal Comment

Season's Hospice did not submit rebuttal to address the topics presented in public comment.

#### Department Evaluation

As a current Hospice provider, Season's Hospice has an understanding of the appropriate staffing necessary to establish a Hospice agency. As shown in the FTE table above, 13 FTEs are needed in partial year one, which increases to just over 19 FTEs by the end of year three. Season's Hospice also identified the projected staffing ratios. The ratios are reasonable and consistent with data provided in past hospice applications reviewed by the program.

Season's Hospice intends to use the strategies it has successfully used in the past for recruitment and retention of staff to the hospital. The strategies identified by Season's Hospice are consistent with those of other applicants reviewed and approved by the department.

Season's Hospice provided a signed medical director agreement for its prospective medical director. The agreement identifies all roles and responsibilities of the position, but does not include the actual compensation or costs associated with medical director services. Comment accurately stated that the only costs in the application allocated to Medical Director services (Physician Leadership) is for \$5,000 per year. Further, the applicant does report a need for more than 1 FTE for Medical Director services in the projected staffing, reaching 1.3 FTEs in year three. [source: Season's Application, pp292-294; Season's Screening Responses, p178]

With no rebuttal comments from Season's to reference, the department has no additional detail on the proposed medical director compensation nor on the licensed personnel expected to fulfill the addition medical director FTE needs projected by the applicant.

The department concludes Season’s Hospice may have the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project, but the application has not affirmed that it has retained the qualified medical professionals necessary in their leadership projections. **This sub-criterion is not met.**

**Heart of Hospice**

Heart of Hospice provided a table with information showing its projected FTEs for partial year 2019 through 2022. [Source: Heart of Hospice Application, p27]

**Table 23  
Heart of Hospice FTE’s Projections Year 2019- 2022**

|                          | <b>Partial<br/>Yr.</b> | <b>Yr. 1<br/>2020</b> | <b>Yr. 2<br/>2021</b> | <b>Yr. 3<br/>2022</b> |
|--------------------------|------------------------|-----------------------|-----------------------|-----------------------|
| RN                       | 10                     | 13                    | 18                    | 19                    |
| LPN                      | 0                      | 0                     | 0                     | 0                     |
| Hospice Aide             | 8                      | 11                    | 15                    | 16                    |
| Admin                    | 1                      | 1                     | 1                     | 1                     |
| Medical Director         | 2                      | 3                     | 3                     | 3                     |
| DNS                      | 1                      | 1                     | 1                     | 1                     |
| Business/Clerical        | 4                      | 5                     | 6                     | 7                     |
| PT (Contracted)          | -                      | -                     | -                     | -                     |
| OT (Contracted)          | -                      | -                     | -                     | -                     |
| Speech Therapist         | 1                      | 1                     | 1                     | 1                     |
| Med Social Work          | 2                      | 3                     | 4                     | 4                     |
| Pastoral/Other Counselor | 2                      | 3                     | 4                     | 4                     |
| Volunteers               | 3                      | 4                     | 4                     | 4                     |
| Other                    | 2                      | 2                     | 2                     | 2                     |
| <b>Total Staffing</b>    | <b>36</b>              | <b>47</b>             | <b>59</b>             | <b>62</b>             |

Heart of Hospice also provided a breakdown of the intended ratios will be for the key staffing areas and states, “*Heart of Hospice believes in keeping our ratios lower than national average is most important in providing the highest level of service to our patients*”. In addition, “*Heart of Hospice ratios are better than those put forth by the National Hospice and Palliative Care Organization*”. [Source: Heart of Hospice Application, p27-28]

**Table 24  
Heart of Hospice Staffing Ratios**

| <b>Type of Staff</b>       | <b>Staff/Patient Ratio</b> |
|----------------------------|----------------------------|
| Skilled Nursing (RN & LPN) | 1 RN per 8 Patients        |
| Physical Therapist         | Under Contract             |
| Occupational Therapist     | Under Contract             |
| Medical Social Worker      | 1 MSW Per 30 Patients      |
| Speech Therapist           | 1 Staff on staff           |
| Home Health/ Hospice Aide  | 1 CHA per 8 Patients       |
| Pastoral Counselor         | 1 CHAP per 30 Patients     |

Regarding retention and recruitment of staff, Heart of Hospice provided the following statement. [Source: Heart of Hospice Application, p28]

*“Heart of Hospice will continue to recruit and orientate clinicians with the highest regards to quality of service. We also believe that having lower patient to staff ratios create a more positive and productive place to work. The current management team and Board of Directors will ensure that each and every clinician recruited to serve Snohomish County is given the same support that the current staff receive. With the current decrease in unemployment, Heart of Hospice has taken great strides in creating a competitive place for people wanting to work. Heart of Hospice has increased the base wages across the board and has also increased our benefits package. Heart of Hospice provide 100% employer paid Health Insurance, Dental Insurance, Vision Insurance, Short Term-Disability, Long Term-Disability, and Life Insurance for each and every full-time employee regardless of their position. Heart of Hospice has also increased our 401K employer Match to help each team member save for the future. Heart of Hospice provide a very competitive Paid Time Off benefit in order for our team to refuel and have a work life balance. Heart of Hospice has great success in growing our own team. We have a history of our C.N.A. continuing their education to become Registered Nurses. Heart of Hospice also takes great pride in recruiting staff and introducing them to the Hospice World. It is not our intention to poach staff from the current providers”.*

Within the application, Heart of Hospice provided a job description for its prospective medical directors for the hospice agency. The draft medical director job description describes the roles and responsibilities for the prospective medical director(s). The pro forma also identifies all costs associated with the services. [Source: Heart of Hospice Application, p83 & 103]

**Public Comment**

None

**Rebuttal Comment**

None

**Department Evaluation**

As a current hospice provider, Heart of Hospice has an understanding of the appropriate staffing necessary to establish a Hospice agency. As shown in the FTE table above, 36 FTEs are needed



in partial year one, which increases to just over 62 FTEs by the end of year three. Heart of Hospice also identified the projected staffing ratios. The ratios are reasonable and consistent with data provided in past hospice applications reviewed by the program.

Heart of Hospice provided a job description for its prospective medical director(s). The agreement identifies all roles and responsibilities with medical director services. Heart of Hospice intends to use the strategies it has successfully used in the past for recruitment and retention of staff to the hospital. The strategies identified by Heart of Hospice are consistent with those of other applicants reviewed and approved by the department. The pro forma also identifies all costs associated with the services.

The department concludes Heart of Hospice has the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project. **This sub-criterion is met.**

**Envision Hospice**

Envision provided a table with information showing its projected FTEs for 2020 through 2022. [Source: Envision Application pdf, p145]

**Table 25  
Envision FTE Projections Year 2020- 2022**

| <b>Staffing input - by FTE'S</b>    | <b>Yr. 1<br/>2020</b> | <b>Yr. 2<br/>2021</b> | <b>Yr. 3<br/>2022</b> |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| Bereavement                         | -                     | 0.40                  | 0.80                  |
| Spiritual Counselor                 | 0.51                  | 0.97                  | 1.22                  |
| Volunteer coordinator               | -                     | 0.60                  | 1.00                  |
| Manager of Patient Services         | 0.50                  | 1.00                  | 1.00                  |
| RN's                                | 1.87                  | 3.60                  | 4.53                  |
| Medical Social Worker               | 0.80                  | 1.03                  | 1.29                  |
| HHA's                               | 1.87                  | 3.60                  | 4.53                  |
| Administrator                       | 1.00                  | 1.00                  | 1.00                  |
| Admin Asst./Medical Records         | 1.00                  | 1.25                  | 1.75                  |
| Facility Liaison/Community Outreach | 2.00                  | 2.50                  | 3.00                  |
| QAPI Coordinator                    | -                     | 0.50                  | 1.00                  |
| <b>Total FTE'S</b>                  | <b>9.55</b>           | <b>16.45</b>          | <b>21.12</b>          |

Envision also provided a breakdown of the intended ratios will be for the key staffing areas and states, *“These ratios apply to Envision’s employed clinical staffing from the outset, with these exceptions. In year one, 2020:*

- (1) Bereavement will be performed by the Spiritual Counselor.*
- (2) Volunteer Coordinator will be performed by the MSW.*
- (3) QAPI will be performed by the Administrator.*
- (4) Manager of Patient Services will be performed by the Administrator until mid-2020.*

More generally, members of the Envision administrative and patient care teams work flexibly with each other to meet patient care needs. Envision’s Patient Care Manager and the RN’s who fill administrative positions such as QAPI and Administrator are all qualified and prepared to provide direct patient care. Thus, the team is readily able to respond to patient needs when the growing agency experiences peaks in census”. [Source: Envision Application, p43]

**Table 26**  
**Envision Staffing Ratios**

| <b>Type of Staff</b>       | <b>Ratio</b>                                       |
|----------------------------|--|
| Skilled Nursing (RN & LPN) | 1:10   |
| Physical Therapist         | Contracted per visit                               |
| Occupational Therapist     | Contracted per visit                               |
| Medical Social Worker      | Initially combined with Volunteer Coord. Then 1:35 |
| Speech Therapist           | Contracted per visit                               |
| Home Health / Hospice Aide | 1:10   |
| Spiritual counselor        | Combined position with Bereavement at start up.    |

Regarding retention and recruitment of staff, Envision supplied information on their retention and volunteer activities and provided the following statement. [Source: Envision Application, p44]

*“Based on its very successful staffing of Envision’s rapidly growing King & Pierce County Medicare home health agency; Envision Hospice of Washington, LLC expects no problems with availability of qualified health manpower and management personnel”.*

Within the application, Envision provided a signed medical director agreement for its prospective medical director, identified as Dr. Susan Pearson, for the hospice agency. The agreement describes the roles and responsibilities for the prospective medical director and identifies all costs associated with the services. [Source: Envision Application, Appendix C]

Public Comment

None

Rebuttal Comment

None

**Department Evaluation**

As a current home health provider, Envision has an understanding of the appropriate staffing necessary to establish a health care agency. As shown in the FTE table above, 9.55 FTEs are needed in year one, which increases to just over 21 FTEs by the end of year three. Envision also identified the projected staffing ratios. The ratios are reasonable and consistent with data provided in past hospice applications reviewed by the program.

Envision Hospice provided a signed medical director agreement for its prospective contracting of a medical director. The agreement identifies all roles and responsibilities and all costs associated with medical director services. Envision intends to use the strategies it has successfully used in the past for recruitment and retention of staff to the hospital. The strategies identified by Envision

are consistent with those of other applicants reviewed and approved by the department. The pro forma also identifies all costs associated with the services.

The department concludes Envision Hospice has the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project. **This sub-criterion is met.**

**Glacier Peak**

The Applicant provided a table with information showing its projected FTEs for 2020 through 2022. [Source: Glacier Peak Application, p23, Glacier Peak Screening Responses, p13]

**Table 27  
Glacier Peak FTE Projections Year 2020- 2022**

| <b>Type of Staff</b>                                 | <b>2020</b> | <b>2021</b> | <b>2022</b> |
|--|-------------|-------------|-------------|
| Administrator  | 0.50        | 0.50        | 0.50        |
| Business Office Manager, Medical Records, Scheduling | 1.10        | 1.70        | 2.00        |
| Intake   | 1.00        | 1.00        | 1.00        |
| Community Liaison                                    | 1.10        | 1.70        | 2.00        |
| Director of Patient Care Services                    | 0.80        | 1.30        | 1.50        |
| Registered Nurses                                    | 4.80        | 7.60        | 8.80        |
| Certified Nursing Assistant                          | 3.20        | 5.00        | 5.90        |
| Social Work  | 1.10        | 1.70        | 2.00        |
| Spiritual Care Coordinator                           | 1.10        | 1.70        | 2.00        |
| <b>Totals</b>  | <b>14.7</b> | <b>22.2</b> | <b>25.7</b> |

Glacier Peak also provided a summary of their applied staffing ratios according to the Average Daily Census: [source: Glacier Peak Screening Responses, p10]

**Table 28  
Glacier Peak Staffing Ratios**

| <b>Staff</b>   | <b>FTE Assumption</b>   |
|--|---|
| Registered Nurse                                     | 1 RN/12 ADC and .8 RN/12 ADC for weekend/night/call rotation                  |
| Certified Nursing Assistant                          | 1 CNA/10 ADC  |
| Licensed Clinical Social Worker                      | 1 LCSW/30 ADC; Also covers Volunteer Coordinator until ADC of 60              |
| Spiritual Care Coordinator                           | 1 SCC/30 ADC; Also covers Bereavement Coordinator until ADC of 60             |
| Director of Patient Services                         | 1/DPS/40 ADC includes QAPI  |
| Administrator  | 1 FTE per Home Health and Hospice agency, thus it is a shared FTE for Hospice |
| Business Office Manager, Medical Records, Scheduling | 1 BOM/30 ADC  |
| Intake   | 1 FTE per Hospice agency  |
| Community Liaison                                    | 1 CL/30 ADC   |

Regarding retention and recruitment of staff, Glacier Peak provided the following statement. [Source: Glacier Peak Application, p25]

*“Glacier Peak’s parent company, Ensign, owns nearly 380 healthcare organizations in 15 states including two skilled nursing facilities and a home health agency in Snohomish County. In Ensign’s experience, health care employees are drawn to the Pacific Northwest for its outdoor experiences, culture and vitality, and if Ensign has qualified and experienced staff in good standing that want to move to Snohomish County, or to transition from long-term care or home health, we will be glad to support that relocation or transition.*

*Glacier Peak and Ensign also have strong and proven histories of recruiting and retaining quality staff. We offer a competitive wage scale, a generous benefit package, and a professionally rewarding work setting, as well as the potential for financial assistance in furthering training and education.*

*Both Glacier Peak and Ensign have access to and utilize a variety of recruitment resources, including the use of social media and internet recruitment platforms such as LinkedIn, Indeed, Monster and Glassdoor, among others.*

*With retention even more important than recruitment, Glacier Peak and Ensign require department orientation, clinical and safety training, initial and ongoing competencies assessments, and performance evaluations”.*

Within the application, Glacier Peak provided a draft Medical Director Service Agreement for its prospective medical director for the hospice agency. The draft describes the roles and responsibilities for the prospective medical director. The pro forma also identifies all costs associated with the services. [Source: Glacier Peak Application, p51 & 98]

### **Department Evaluation**

As a current home health provider, Glacier Peak has an understanding of the appropriate staffing necessary to establish a health care agency. As shown in the FTE table above, 14.7 FTEs are needed in year one, which increases to over 25 FTEs by the end of year three. Glacier Peak also identified the projected staffing ratios. The ratios are reasonable and consistent with data provided in past hospice applications reviewed by the program.

Glacier Peak Hospice provided a draft Medical Director Service Agreement for its prospective medical director. The agreement identifies all roles and responsibilities and all costs associated with medical director services. Glacier Peak intends to use the strategies it has successfully used in the past for recruitment and retention of staff to the hospital. The strategies identified by Glacier Peak Hospice are consistent with those of other applicants reviewed and approved by the department. The pro forma also identifies all costs associated with the services.

The department concludes Glacier Peak has the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project. **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) 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. Therefore, using its experience and expertise the department assessed the applicant's ability to establish and maintain appropriate relationships.

### **Season's Hospice**

Season's Hospice provided the following statement related to the proposed hospice agency ancillary and support services. [Source: Season's Application, p71 & 361-367]

*"Seasons Snohomish County uses employees to deliver services, and contract personnel to supplement the skills that may not be routinely available among the employees when the plan of care requires such services. Most often, these contract services include physical, respiratory, speech, and occupational therapists. A patient may also require acupuncture, massage, or other palliative treatments for which a licensed professional provides.*

*Because ancillary personnel serve under contracts, they augment the plan of care by adding some additional services specified in the plan of care. At all times, Seasons employees are in control of the delivery of care, and retain control, thus assuring that the contracted personnel can meet the service demand".*

Season's also provided copies of the following policies that outline the details and procedures with the services.

- Standards of Practice
- Contracted Services
- Financial Management

### **Public Comment**

None

### **Rebuttal Comment**

None

### **Department Evaluation**

Season's Hospice is not currently a Medicare and Medicaid hospice provider in Washington State. The Seasons organization does operate hospice agencies in a number of other states. This project proposes to establish a new service in Lynnwood, within Snohomish County. Information provided in the application demonstrates that the proposed hospice agency would have the experience and likely access to all ancillary and support services used by the proposed Season's Hospice facility.

Based on the information reviewed in the application, the department concludes that Season's Hospice has the experience and expertise to establish appropriate ancillary and support

relationships for a new hospice agency. Based on the information, the department concludes **this sub criterion is met.**

### **Heart of Hospice**

Heart of Hospice provided the following statement related to the proposed hospice agency ancillary and support services. [Source: Heart of Hospice Application, p29; Attachments 15-21]

*“Given our current operation we are contracted with:*

- 1. Skyline Hospital in White Salmon Washington to provide ancillary and support services.*
- 2. Mid-Columbia Medical Center (MCMC) in The Dalles.*
- 3. Providence Hood River Memorial Hospital.*
- 4. NORCO who provides our Durable Medical Equipment (DME).*
- 5. OPTUM who provides pharmacy oversight, and a Prescription Drug Card.*
- 6. Columbia Gorge Physical Therapy Services & Occupational Therapy Services.*
- 7. Visiting Health Services Home Care Services*

*As you can see we are prepared to be a community partner and work with other Health Care providers to bring the mission of Hospice to the community. Once the CN is awarded we will extend our contracted obligations with additional local providers in order to meet the patient's needs”.*

Heart of Hospice also provided copies of the following agreements that outline the details and procedures with the services.

- NORCO Business Agreement: (Durable Medical Equipment).
- HospiScript (OPTUM) Pharmacy Services Agreement.
- Visiting Health Services (PT, OT, ST) Contract.
- Columbia Gorge Physical Therapy Contract.
- Skyline Hospital Contract.
- Mid-Columbia Medical Center Contract.
- Providence Hood River Memorial Hospital Contract.

### **Public Comment**

None

### **Rebuttal Comment**

None

### **Department Evaluation**

Heart of Hospice is currently a Medicare and Medicaid hospice provider in Washington State. This project proposes to establish a new service in Snohomish County. The proposed hospice agency would be located in Everett, within the county. Information provided in the application demonstrates that the proposed hospice agency would likely have access to all ancillary and support services used by the Heart of Hospice facility.

Based on the information reviewed in the application, the department concludes that Heart of Hospice has the experience and expertise to establish appropriate ancillary and support relationships for a new hospice agency. Based on the information, the department concludes **this sub criterion is met.**

### **Envision Hospice**

Envision provided a listing of identified vendors and associated services necessary in the operation of a Hospice agency “*based heavily on vendor relationships already in place for Envision Home Health of Washington in King and Pierce Counties*”. [source: Envision Application, p47: Appendix U]

Envision also outlines the other areas contractors will be utilized, service details, and criteria in areas such as General Inpatient Care, Respite Care, and In-Home Care for Nursing Home residents.

### **Public Comment**

None

### **Rebuttal Comment**

None

### **Department Evaluation**

Envision Hospice is currently a Medicare and Medicaid hospice provider in Washington State. This project proposes to establish a new service in Snohomish County. The proposed hospice agency would be located in Marysville, within Snohomish County. Information provided in the application demonstrates that the proposed hospice agency would likely have access to all ancillary and support services used by the proposed Heart of Hospice facility.

Based on the information reviewed in the application, the department concludes that Envision Hospice has the experience and expertise to establish appropriate ancillary and support relationships for a new hospice agency. Based on the information, the department concludes **this sub criterion is met.**

### **Glacier Peak**

Glacier Peak responded, “*Alpha anticipates using many of the same ancillary and support services as do our sister organizations, Alpha Home Health, Lynnwood Post-Acute Rehabilitation Center, and Mountain View Rehabilitation and Care Center. Upon CN approval, Alpha will enter into its own agreements with these vendors. Ancillary and support services that will be needed include: Physical, Occupational and Speech therapy, alternative therapies (pet, music, art, etc.), dietary, pharmacy and inpatient/respite.*

*In addition, Alpha will enjoy access to the Cornerstone Service Center which provides support from experts in accounting, legal, Human Resources, IT, billing and accounts receivable and importantly, field clinical resources designed to help ongoing training of clinicians in our*

agencies. The Service Center also has a department dedicated to helping our agencies improve their quality patient outcomes”. [source: Glacier Peak Application, p26]

In screening, Glacier Peak also stated, “Glacier Peak Healthcare, Inc. already has in place a Shared Services Agreement with Symbol Healthcare, Inc., (see attached Attachment 3) for Symbol Healthcare to provide the following services to Glacier Peak Healthcare: social worker services, chaplain services, after-hours call services (RN), physical therapy, occupational therapy, speech therapy, and skilled nursing. As Glacier Peak Healthcare, Inc. owns and operates Alpha Hospice, Alpha Hospice will be able to utilize this contract for the listed services. Additionally, Alpha is poised to enter into agreements with DME provider Medline, and pharmacy management services with OnePoint. These vendors have an extensive relationship with other Cornerstone-affiliates.

Additionally, Glacier Peak Healthcare, Inc. has an Operational Support Agreement with the Cornerstone Service Center, Inc., (see attached Attachment 4), where the Cornerstone Service Center provides Glacier Peak with the following services (found in Exhibit A of the Agreement): accounting, human resources, technical and compliance resources, legal services, risk management, information technology, and miscellaneous services (e.g., leadership training, centralized purchasing opportunities with vendors)”. [source: Glacier Peak Screening Responses, p17;Attachment 4]

Public Comment

None

Rebuttal Comment

None

Department Evaluation

Glacier Peak is currently a home health hospice provider in Washington State. This project proposes to establish a new service in Snohomish County. The proposed hospice agency would be located in Everett, within Snohomish County. Information provided in the application demonstrates that the proposed hospice agency would likely have access to all ancillary and support services used by the proposed Glacier Peak facility.

Based on the information reviewed in the application, the department concludes that Glacier Peak has the experience and expertise to establish appropriate ancillary and support relationships for a new hospice agency. Based on the information, the department concludes **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. 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.



As part of this review, the department must also conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.<sup>5</sup> To accomplish this task, the department reviews the quality of care compliance history for all Washington State and out-of-state healthcare facilities owned, operated, or managed by an applicant, its parent company, or its subsidiaries.

### **Season's Hospice**

In response to this sub-criterion, Season's Hospice States, "*Seasons Snohomish County (the reference for the applicant, Seasons Hospice & Palliative Care of Snohomish County, LLC) has no history and no principles in Washington. The entity is a newly created limited liability company formed for the purpose of obtaining a certificate of need for a hospice entity that will operate in the state, serving residents of Snohomish County*". [Source: Season's Application, p 73]

Season's Hospice also provided copies of the Quality Assessment/Performance Improvement policies to be used at the hospice agency. [Source: Season's Application, pp501-503, 612]

The policies included are:

- Quality Assessment & Performance Improvement
- Utilization Review
- Sentinel Events
- Program Evaluation:

### **Public Comment**

Glacier Peak supplied the following comment regarding the Season's Hospice application.

#### **Glacier Peak**

##### **Plan of Corrections**

*"Finally, Seasons failed to comply with the Department's request for survey and plan of corrections information citing that this was "not applicable because the applicant does not operate any hospice agencies". Glacier Peak disagrees. Glacier Peak does not own other hospices but provided the requested information for all related entities as did several other applicants. The Department uses this information to determine an applicant's conformance to the Structure and Process criteria. Without this information, the Department does not have the information to fully evaluate the Seasons application against the others in this concurrent review cycle. Seasons should be denied on the lack of providing required information on quality"*.

#### **Envision**

Envision submitted the following statement regarding Season's facility surveys. [source: Envision Public Comment, p23-24]

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<sup>5</sup> WAC 246-310-230(5).

“Lack of affiliate surveys

*In response to the Department's request for surveys of other Seasons' affiliates, Seasons demurred. In taking this approach, Seasons sends a confusing message about ownership and control of its constituent hospice agencies: On the one hand, it relies on affiliate information regarding:*

- *a wide range of services provided by them,*
- *start-up volumes in California and Florida and also submits*
- *a copy of its competitive CON review by the state of Florida.*

*Yet, in response to the Department's outright request for affiliate surveys, Seasons declares that Snohomish entity is a stand-alone agency and surveys of other its agencies are not relevant. A reading of the local agency's contract with SHPC as "consultant" and SHPC show SHPC's clear role in guiding quality assurance processes nationwide. It seems obvious the affiliate survey results are relevant regardless of ownership. By not supplying the information requested by the Department, Seasons may forfeit any expectation of approval”.*

Rebuttal Comment

Season’s Hospice did not submit rebuttal to address the topics presented in public comment.

**Department Evaluation**

As stated in the applicant description section of this evaluation, Season’s is not a current provider of health care services in Washington State. The Department of Health licenses acute care hospitals, home health, and hospice agencies, but therefore does not have any record of state surveys for Season’s facilities.

CMS Survey Data

Using the Center for Medicare and Medicaid Services Quality, Certification & Oversight Reports (QCOR) website, the department reviewed the historical survey information for all available Season’s affiliated facilities. A QCOR review shows that since 2016, four Season’s facilities (one each in Connecticut and Wisconsin, two in California) had surveys resulting in actions.

**Table 29  
Season’s Hospice Facilities**

| State | Facility/Type                                    | Times surveyed since 2016 | Citations Issued <sup>6</sup> |
|-------|--|---------------------------|-------------------------------|
| CT    | Seasons Hospice & Palliative Care of Connecticut | 1                         | Condition, Standard           |
| WI    | Seasons Hospice Palliative Care                  | 3                         | Condition, Standard           |

The 2018 complaint survey of the Connecticut facility resulted in a series of condition and standard level citations that were corrected by the follow-up visit<sup>7</sup>. Similarly, the facility in Wisconsin

<sup>6</sup> Surveys of Skilled Nursing Facilities score deficiencies by a point system designated by letters A-L and scaled by severity and scope, A=0 pts, L=150 pts

<sup>7</sup> There are two different types of citations that CMS can issue. The more serious, known as “condition-level” mean that a healthcare facility is not in substantial compliance with Medicare’s Conditions of Participation. A “standard-level” deficiency means that the healthcare facility may be out of compliance with one aspect of the regulations, but is considered less severe than condition-level.

received a complaint survey in 2017 which also led to a follow-up to correct both condition and standard level citations. The Wisconsin facility was surveyed again in 2019 and no deficiencies were found.

In California, the San Diego facility had a complaint survey that resulted in both condition and standard level citations that were corrected. The facility was surveyed two more times since that time and did not reveal any deficiencies. The San Jose agency also had a complaint survey in 2016 leading to two standard citations. Since that time, the agency has been surveyed two more times and have not been issued any additional citations.

Without rebuttal comments to consider in response to comment, the department must rely upon the information available through the QCOR search of all Season's facilities that have been surveyed. As stated above, three facilities did receive condition level citations resulting from complaint surveys in 2016 (CA), 2017 (WI), and 2018 (CT). In each instance, only one follow-up was performed and no citations have been recorded in the subsequent surveys performed.

Season's provided the name and professional license number for the proposed medical director, Dr. Amanda Keerbs. Using data from the Medical Quality Assurance Commission, the department found that Dr. Keerbs is compliant with state licensure and has no enforcement actions on the license.

In the application, Season's provide the names of the key management personnel necessary for the hospice agency as well as organizational personnel. [source: Season's Application, pp14-16]

Given the compliance history available for the facilities own or operated by the applicant, the department concludes there is reasonable assurance the proposed hospice agency would be operated in conformance with applicable state and federal licensing and certification requirements. Based on the information reviewed, the department concludes **this sub criterion is met.**

### **Heart of Hospice**

Heart of Hospice contends, "*Heart of Hospice is in perfect standing with both Washington Law and all Federal Law. We have never had any history of any of the above. You will find attached our most recent Washington Hospice Survey conducted October 2- October 4, 2017. This survey found that Heart of Hospice was 100% in compliance with WAC 246-335 for the category of HOSPICE. The Department survey staff found Heart of Hospice to be in compliance*". [source: Heart of Hospice Application, p30]

Heart of Hospice also provided the Quality Assessment /Performance Improvement policies to be used at the hospice agency. [Source: Heart of Hospice Application, Attachment 31]

The policies included are:

- QAPI -Benchmarking
- QAPI - Performance Improvement Projects
- Quality Assessment and Performance Improvement Program

Public Comment

None

Rebuttal Comment

None

**Department Evaluation**

As stated in the applicant description section of this evaluation, Heart of Hospice is a current provider in Washington State with hospice agencies operating in Skamania and Klickitat counties. The Department of Health licenses acute care hospitals, home health, and hospice agencies.

The Department of Health’s Office of Health Systems Oversight (OHSO) conducted surveys for the facilities owned or operated by Heart of Hospice. Using its own internal database, the department reviewed the historical survey data for the healthcare facilities associated with Heart of Hospice. The survey data is summarized by in the table below. [Source: DOH Office of Health System Oversight]

**Table 30  
Heart of Hospice Facilities**

| <b>Site Address/County</b>         | <b>License #</b> | <b>Type of Survey</b> | <b>Year of State Survey</b> |
|------------------------------------|------------------|-----------------------|-----------------------------|
| Heart of Hospice<br>Hood River, OR | IHS.FS.00000185  | Ongoing Routine       | 12/5/2009                   |
|                                    |                  | Ongoing Routine       | 12/12/2012                  |
|                                    |                  | Ongoing Routine       | 3/13/2015                   |
|                                    |                  | Ongoing Routine       | 10/4/2017                   |

Information provided by the Department of Health internal database show that the applicant’s facilities are substantially compliant. For survey deficiencies identified, Heart of Hospice provided plan of corrections that were accepted. OHSO has not taken action against any of the facilities licenses. [Source: ILRS]

CMS Survey Data

Using the Center for Medicare and Medicaid Services Quality, Certification & Oversight Reports (QCOR) website, the department reviewed the historical survey information for Heart of Hospice. Heart of Hospice QCOR review shows that it was last surveyed in 2018. This survey showed one standard-level deficiency<sup>8</sup> that was corrected; no follow up survey was performed. One other complaint survey was performed in 2016 in which there were no deficiencies were found.

Heart of Hospice provided the name and professional license number for the proposed medical director, Dr. Stephen McLennon. Using data from the Medical Quality Assurance Commission, the department found that Dr. McLennon is compliant with state licensure and has no enforcement actions on the license.

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<sup>8</sup> There are two different types of citations that CMS can issue. The more serious, known as “condition-level” mean that a healthcare facility is not in substantial compliance with Medicare’s Conditions of Participation. A “standard-level” deficiency means that the healthcare facility may be out of compliance with one aspect of the regulations, but is considered less severe than condition-level.

In the application, Heart of Hospice provide the names of the key staff necessary for the hospice agency as well as organizational personnel. [source: Heart of Hospice Application, pp4 & 80]

Given the compliance history of the facilities own or operated by the applicant, the department concludes there is reasonable assurance the proposed hospice agency would be operated in conformance with applicable state and federal licensing and certification requirements. Based on the information reviewed, the department concludes **this sub criterion is met.**

### **Envision Hospice**

In response to this criteria, Envision reported no history of adverse actions.

Envision also provided the following details on their Quality Assessment/Performance Improvement to be used at the hospice agency. [Source: Envision Application, p46]

*“Envision Hospice of Washington, LLC’s methods for assessing customer satisfaction and quality improvement are being put in place for its new Thurston County hospice agency and will be applicable to the Snohomish County hospice as well:*

- (1) To assess customer satisfaction for the Snohomish County hospice, Envision Hospice of Washington, LLC will contract with one of the CMS approved vendors of customer satisfaction surveys which is CMS certified and works collaboratively with the National Hospice and Palliative Care Organization to establish national norms. This approach allows a hospice to compare itself to others and identify and prioritize benchmark approaches for areas needing improvement.*
- (2) Starting with FY 2016;2017, CMS required all Medicare hospices to submit required data needed for a new nationwide program of hospice quality improvement. Envision Hospice of Washington, LLC will comply with all CMS requirements including training staff in the required submitting all required data.*
- (3) Initially the Envision Hospice of Washington, LLC QAPI program will be coordinated by the Manager of Clinical Services. As the new hospice grows larger, it will employ a dedicated RN in the role of Quality and Process Improvement Coordinator”.*

### **Public Comment**

None

### **Rebuttal Comment**

None

### **Department Evaluation**

As stated in the applicant description section of this evaluation, Envision is a current provider in Washington State with a hospice agency operating in Thurston County. The Department of Health licenses acute care hospitals, home health, and hospice agencies.

The Department of Health’s Office of Health Systems Oversight (OHSO) conducted surveys for the facilities owned or operated by Envision. Using its own internal database, the department reviewed the historical survey data for the healthcare facilities associated with Envision. The survey data is summarized by in the table below. [Source: DOH Office of Health System Oversight]

**Table 31  
Envision Facilities**

| Site Address/County   | License #       | Type of Survey                     | Year of State Survey                |
|---|-----------------|------------------------------------|-------------------------------------|
| Envision Home Health<br>1818 So. Union Ave Ste1A<br>Tacoma, WA 98405          | IHS.FS.60521160 | Initial<br>ACHC<br>Ongoing Routine | 12/17/2014<br>6/3/2015<br>10/5/2015 |
| Envision Hospice<br>402 Black Hills Lane SW<br>Suite 402B<br>Olympia WA 98502 | IHS.FS.60952486 | Initial Survey                     | 4/12/2019                           |

Information provided by the Department of Health internal database show that the applicant’s facilities are substantially compliant. For survey deficiencies identified, Envision Hospice provided plan of corrections that were accepted. OHSO has not taken action against any of two facilities licenses. [Source: ILRS]

CMS Survey Data

Using the Center for Medicare and Medicaid Services Quality, Certification & Oversight Reports (QCOR) website, the department reviewed the historical survey information for the Envision facilities. An Envision Hospice QCOR review shows that it has been surveyed twice since 2016 (2016 & 2018). In each instance, the standard survey showed no deficiencies deficiency<sup>9</sup> that was corrected; a follow up survey was completed in July 2011. The only recorded survey for the Envision Home Health services is from 2015. The standard survey conducted at that time found no deficiencies.

Envision provided the name and professional license number for the proposed medical director, Dr. Susan Pearson. Using data from the Medical Quality Assurance Commission, the department found that Dr. Pearson is compliant with state licensure and has no enforcement actions on the license.

In the application, Envision did not provide the names of the key staff necessary for the hospice agency; nor did it identify the timeline it would use to recruit the key staff. Envision states, “*Due to its ownership and operation by clinicians and rehabilitation specialists themselves, Envision*

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<sup>9</sup> There are two different types of citations that CMS can issue. The more serious, known as “condition-level” mean that a healthcare facility is not in substantial compliance with Medicare’s Conditions of Participation. A “standard-level” deficiency means that the healthcare facility may be out of compliance with one aspect of the regulations, but is considered less severe than condition-level.

*has been very successful in attracting and retaining the clinical staffing it requires. Envision-HHW has access to an active recruiting function for the relevant professionals.*

*Envision has also been very fortunate that its existing staff has been a substantial source of professional contacts in the area and that those have frequently resulted in new hires”. [source: Envision Application, Appendix R]*

To ensure the hospice agency has appropriate staffing, if this project is approved, the department would attached a condition requiring that prior to providing services, Envision submit a listing of its key staff to the department. The listing of key staff shall include the names and professional license numbers.

With Envision agreement to the condition identified above, and given the compliance history of the facilities own or operated by the applicant, the department concludes there is reasonable assurance the proposed hospice agency would be operated in conformance with applicable state and federal licensing and certification requirements. Based on the information reviewed, the department concludes **this sub criterion is met.**

### **Glacier Peak**

In response to this criteria, Glacier Peak stated, *“Neither Glacier Peak nor Ensign have any history of criminal convictions, denial or revocation of license to operate a health care facility, revocation of license to practice a health profession, or decertification as a provider of services in the Medicare or Medicaid program. Further, neither has been adjudged insolvent or bankrupt in any state or federal court. And, neither has been involved in a court proceeding to make judgment of insolvency or bankruptcy with respect to the applicants”.* [source: Glacier Peak Application, p27]

Regarding customer satisfaction and quality control, Glacier Peak states, *“Alpha will measure customer satisfaction and quality in multiple ways. For example, and like Ensign’s other agencies, quality and patient satisfaction data will be analyzed in real- time using Strategic Health Programs (SHP), a third party platform that analyzes data points and patient interactions to compare our performance to that of our peers nationally and by state. SHP is also the HHCAHPS and CAHPS Hospice vendor. Patient surveys are sent out via mail on a monthly basis and submitted as required by CMS quarterly by SHP. The data we receive will allow us to track, monitor, and respond to outcomes that align with our goals and benchmarks.*

*Further, and as required by CMS, Alpha will participate in the Hospice Item Set which measures items such as treatment preferences, beliefs/values, pain screening and assessment and dyspnea screening and assessment”.* [source: Glacier Peak Application, p26]

In addition, Glacier Peak states, *“All Cornerstone agencies benefit from pre-built QAPI program templates, policies and procedures (P&Ps) and access to state-of-the-art automated quality reports and data interfaces. Glacier Peak will be no exception. Upon a CON being granted, a QAPI program would be created by adopting a set of vetted P&Ps that regularly go through the scrutiny of rigorous internal compliance audits. A cloud-based meeting and tracking platforms would be created immediately, with the data needed to drive the program being populated as soon*

as the first patient is admitted. Among the suite of real-time quality reports that every agency accesses to identify possible performance improvement plans (PIP) are:

- Performance within HIS Quality measures (8 NQF – endorsed measures)
- Wound monitoring data
- QI Event dashboards
- Comprehensive operations dashboard”. [source: Glacier Peak Screening Responses, p13]

### Public Comment

During the review of this project, letters of support were submitted in support of the Glacier Peak project related to this sub-criterion. Excerpts of the letters are below. [source: Glacier Peak Public Comments, pp11-16]

Jason Steik, Chief Nursing Officer at St. Joseph Regional Medical Center in Idaho

*“I have had the opportunity and privilege to work for the Cornerstone Service Center, an affiliate of Puget Sound Home Health. In my role as a Vice President of Clinical Operations for Cornerstone Healthcare's Northwest Region, I saw firsthand how the Cornerstone model helps support and empower local leaders to run community-based agencies while retaining the support of industry-specific experts through their partners and the Cornerstone Service Center. Because of the Cornerstone model, along with partnerships throughout the continuum of care, I want to provide my endorsement of Puget Sound Hospice to receive a Certificate of Need for Snohomish County.*

*Prior to coming to Cornerstone, and as I do now, I have held leadership roles in hospital systems and have seen firsthand the importance of the continuum of care, including in the post-acute setting. When patients are discharged into the community it is imperative that acute and post-acute health care providers work in concert to ensure seamless transitions as we assist the most vulnerable members of our population. As an affiliate of both Cornerstone Healthcare and Ensign Healthcare, Cornerstone agencies are able to partner across the post-acute continuum to provide exceptional care to the patients of their communities. I see this first hand every day in our market serving the many Washington residents who reside in our twin cities (Clarkston, WA and Lewiston, ID) where another Cornerstone Affiliate, Elite Home Health and Hospice, has become a critical and trusted partner in the continuum of care for our entire community. I cannot adequately express the confidence and trust we have in the quality and consistency of care delivered at the hands of Elite Home Health and Hospice caregivers, which is representative of the entire Cornerstone Healthcare community of providers.*

*As our population continues to age, it's clear that community-based care will best allow people the right to age in peace. The Cornerstone community-based model is best suited to meet the needs of hospice patients and their families. I am confident that Puget Sound Hospice will provide the best support to the specific needs of residents of Thurston County and allow patients to have the necessary care they deserve. As an affiliate of Cornerstone, I can say with confidence that Puget Sound Hospice will be well supported and passionately serve their communities. This is precisely what I look for when building preferred provider partnerships in the community”.*



Jon Price, Market Sales Director for Medline Homecare & Hospice in Illinois

*“Medline Industries and Cornerstone Healthcare have had a working relationship of over ten years, collaborating together to help drive better patient outcomes and maximize clinical productivity. This joint effort has helped clinicians and physical therapists see more patients and provide individualized care while maintaining a high standard of care.*

*We work together to send medical supplies that the recipient is in need of, to the patients home, next day. All of the supplies that are used for patient care and recovery are allocated to that patient so that in our collaborative reviews, we are able to explore best practices and trending product utilization. This gives us insight to individual patients and whether or not the plan of care is working and if Cornerstone Healthcare can provide better clinical education to their staff Cornerstone Healthcare has been a great partner and care provider to many recipients and I recommend their agency and their services”.*

Katherine Jimenez, Executive Director of Connected Home Health and Hospice, an affiliate of Cornerstone Healthcare

*“In 2015, Connected Home Health, an affiliate of Cornerstone Healthcare, completed the process of accreditation for hospice under ACHC. This arduous process would not have been possible without the support of our Service Center. Our 5% revenue contribution to our Service Center returns the monthly investment multiple times over. Our partners in the Cornerstone Service Center call themselves "Resources," rather than "Corporate," and truly exemplify their designation. With support of from Legal Resources to Human Capital Resources to GL Resources and more, the Cornerstone Service Center helps to provide a powerhouse of support for new business ventures that would not be economically feasible without them.*

*The support of the Cornerstone Service Center, in addition to internal infrastructure, is why I know that Puget Sound Home Health and Hospice will be poised to provide the best hospice care in Thurston County with minimal startup costs and the best quality support. Our agency, like Puget Sound Home Health and Hospice, had the established infrastructure of a Governing Body that oversaw the leadership team's programs, in addition to a stable administrative team and systems, including: medical records, established medical record systems and processes, established policies and procedures, and onboarding programs, to name only a few. Due to our existing home health operations, we had established partnerships with local vendors and DME representatives that allowed us to provide great hospice care as soon as we were legally able. Puget Sound Hospice likewise has this advantage due to its current presence in the post-acute care community.*

*I know through partnerships with the Puget Sound Home Health and Hospice leadership team, that if given the opportunity to provide hospice care in Thurston County, they will receive the same level of support from the Cornerstone Service Center, in the best possible way for the community. For these reasons and more, I want to extend my endorsement of Puget Sound Hospice in its Certificate of Need Application”.*

Rebuttal Comment

None

**Department Evaluation**

Ensign Group, LLC operates a total of 275 healthcare facilities in 14 states, including Washington State. Healthcare facilities include home health or hospice agencies, assistant living/independent living facilities, and skilled nursing homes. The table below provides a breakdown of the number of healthcare facilities by state. [source: Glacier Peak Application, Exhibit 2]

| State      | # of Facilities | State          | # of Facilities |
|------------|-----------------|----------------|-----------------|
| Arizona    | 37              | Nevada         | 3               |
| California | 57              | Oregon         | 1               |
| Colorado   | 13              | South Carolina | 3               |
| Idaho      | 19              | Texas          | 64              |
| Iowa       | 9               | Utah           | 25              |
| Kansas     | 5               | Washington     | 12              |
| Nebraska   | 7               | Wisconsin      | 20              |

**Washington State**

As noted in the table above, Ensign Group, LLC operates a total of 12 healthcare facilities in Washington State. Of those, one is an assisted living facility, two home health/hospice agencies, and nine skilled nursing facilities. Below is a summary of the survey history for each of the Washington State facilities using the Center for Medicare and Medicaid Services Quality, Certification & Oversight Reports (QCOR) website.

**Table 32  
Ensign Facilities**

| <b>Assisted Living</b>  |                               |                       |   |
|---|-------------------------------|-----------------------|---|
| <b>Month/Year Surveyed</b>  | <b>Facility Name</b>          | <b>Type of Survey</b> | <b>Citations Issued</b>   |
| April 2016, July 2016, October 2016, November 2016, and December 2016 | Redmond Heights Senior Living | Investigation         | Many Citations Issued <sup>10</sup><br>July 2017 no citations     |
| January 2018, September 2018, and December 2018                       | Redmond Heights Senior Living | Investigation         | Many Citations Issued <sup>11</sup><br>February 2019 no citations |

<sup>10</sup> WAC 246-215-0525, WAC 388-78A-2305, WAC 388-78A-2050, WAC 388-78-2100, WAC 388-78A-2120, WAC 388-78A-2130, WAC 388-78A-2140, WAC 388-78A-2160, WAC 388-78A-2210, WAC 388-78A-2290, WAC 388-78A-2305, WAC 388-78A-2350, WAC 388-78A-2450, WAC 388-78A-2462, WAC 388-78A-2471, WAC 388-78A-2484, WAC 388-78A-2510, WAC 388-78A-2600, WAC 388-78A-2620, WAC 388-78A-2630, WAC 388-78A-2660, WAC 388-78A-2700, WAC 388-78A-2850, WAC 388-78A-2880, WAC 388-78A-3100, and WAC 388-78A-3090.

<sup>11</sup> WAC 388-78A-2660, RCW 70.129-150, WAC 388-78A-2850, WAC 388-78A-2100, WAC 388-78A-2160, WAC 388-78A-2210, WAC 388-78A-2250, WAC 246-215-02305, WAC 388-78A-2305, WAC 246-217-015, WAC 388-78A-2320, WAC 388-78A-2350, WAC 388-78A-2410, WAC 388-78A-2461, WAC 388-78A-24681, WAC 388-78A-2474, WAC 246-980-050, WAC 388-78A-2600, and WAC 388-78A-2700.

Focusing on Redmond Heights Senior Living, the only Washington State assisted living facility owned by the applicant, the citations were numerous and required many follow up visits by the surveyors before the facility was determined to be in compliance.

| <b>Home Health/Hospice</b>  |                         |                       |  |
|-----------------------------|-------------------------|-----------------------|--|
| <b>Month/Year Surveyed</b>  | <b>Facility Name</b>    | <b>Type of Survey</b> | <b>Type of Deficiency</b>                    |
| March 2016<br>February 2019 | Elite Hospice           | Federal               | Standard & Corrected<br>Standard & Corrected |
| June 2015<br>March 2017     | Puget Sound Home Health | Federal               | Standard & Corrected<br>No Deficiencies      |

Both of the Ensign Group IHS [In Home Service] or home health and hospice agencies were surveyed and determined to be largely in compliance. No follow up surveys were required for either facility.

| <b>Nursing Home</b>        |  |                                  |                                      |
|----------------------------|--|----------------------------------|--------------------------------------|
| <b>Month/Year Surveyed</b> | <b>Facility Name</b>                         | <b>Times Surveyed since 2016</b> | <b>Citations Issued<sup>12</sup></b> |
| 2016, 2017,<br>2018, 2019  | Bainbridge Island Health & Rehab Center      | 19 Total<br>Complaint & Standard | D, E, G, H                           |
| 2016, 2017,<br>2018, 2019  | Beacon Hill Rehabilitation                   | 19 Total<br>Complaint & Standard | D, E, F, J, L                        |
| 2016, 2017,<br>2018, 2019  | Lynnwood Post-Acute Rehabilitation Center    | 17 Total<br>Complaint & Standard | D, E, F, G, H,<br>I                  |
| 2016, 2017<br>2018, 2019   | Mountain View Rehabilitation and Care Center | 40 Total<br>Complain & Standard  | B, D, E, F, G                        |
| 2016, 2017<br>2018, 2019   | Olympia Transitional Care and Rehabilitation | 56 Total<br>Complaint & Standard | C, D, E, F, G,<br>H, J               |
| 2016, 2017<br>2018, 2019,  | Pacific Care and Rehabilitation              | 47 Total<br>Complaint & Standard | C, D, E, F, G,<br>J                  |
| 2016, 2017,<br>2018, 2019  | Park Manor Rehabilitation Center             | 38 Total<br>Complaint & Standard | D, E, G                              |
| 2016, 2017,<br>2018, 2019  | Rainier Rehabilitation                       | 81 Total<br>Complaint & Standard | B, C, D, E, G,<br>J, K, L            |
| 2016, 2017,<br>2018, 2019  | Redmond Care and Rehabilitation Center       | 48 Total<br>Complaint & Standard | D, E, G                              |

As noted in the table above, the Ensign Group nursing homes have experienced a number of Washington State surveys from years 2016 through 2019. All facilities had at least one survey where deficiencies were noted and four facilities had severity and scope of level G or above. For example, Rainier Rehabilitation had 81 surveys in four years; 14 of the 81 (17%) were either complaint or standard surveys where deficient practice was cited. Olympia Transitional Care had 56 total surveys in four years, 21 of the 56 (37.5%) were either complaint or standard surveys

<sup>12</sup> Surveys of Skilled Nursing Facilities score deficiencies by a point system designated by letters A-L and scaled by severity and scope, A=0 pts, L=150 pts

where deficient practice was cited. For all facilities, many complaint surveys were conducted that did not result in deficiencies or follow up visits by surveyors.

To assist in this review, the department contacted the nursing home compliance unit at Department of Social and Health Services (DSHS) for a review of the historical compliance issues noted in the table above. In response, the DSHS compliance unit representative noted that the significant deficiencies and citations [levels J, K, or L] were cited in years 2016 and 2017. While citations were issued in years 2018 and 2019, those citations were in the scope and severity of levels B through G. In conclusion, the department notes that the Ensign Group healthcare facilities in Washington are currently in compliance.

Out of State Facilities

In addition to a review of all Washington State facilities, the department also examined a sample of Ensign Group, LLC facilities nationwide. Using the Center for Medicare and Medicaid Services Quality, Certification & Oversight Reports (QCOR) website, the department randomly selected Ensign Group-affiliated facilities in each of the states identified in the table to review for their compliance with state and federal standards. Below is a summary of the quality of care surveys broken down by state.

**Table 33  
Ensign/Glacier Peak Affiliated Sites**

| State | Facility/Type                         | Times surveyed since 2016 | Citations Issued <sup>13</sup> |
|-------|---------------------------------------|---------------------------|--------------------------------|
| AZ    | Lake Pleasant Post-Acute Rehab Center | 8                         | B, D, E, J                     |
| CA    | Arroyo Vista Nursing Center           | 4                         | D, C, E                        |
| CO    | Namaste Hospice                       | 3                         | Standard                       |
| IA    | West Bend Health And Rehab            | 7                         | D                              |
| ID    | Horizon Home Health – Meridian        | 2                         | Condition, Standard            |
| KS    | Riverbend Post-Acute                  | 21                        | D, E, F, J                     |
| NE    | Beatrice Health And Rehab             | 5                         | D, E, F                        |
| NV    | Rosewood Rehabilitation Ctr.          | 5                         | D, E, F                        |
| OR    | Connected Home Health & Hospice       | 1                         | Standard                       |
| SC    | Compass Post-Acute Rehab              | 7                         | C, D, E, F, L                  |
| TX    | Kinder Hearts Home Health & Hospice   | 2                         | Standard                       |
| UT    | Draper Rehab And Care Center          | 5                         | C, D, E, F, G                  |

Lake Pleasant in Arizona was surveyed a number of times receiving largely low, no harm violations with one instance of Immediate Jeopardy (J) in 2018 related to poor infection control. All were addressed and corrected with one follow-up visit. Further, the other facility of note is in South Carolina. A review of the history shows some poor performance in 2016, but the four subsequent surveys conducted since then indicate that the facility has noticeably improved their adherence to care standards. The same can be found in Kansas City where a facility received a J

<sup>13</sup> Surveys of Skilled Nursing Facilities score deficiencies by a point system designated by letters A-L and scaled by severity and scope, A=0 pts, L=150 pts

level citation in 2017 and was surveyed regularly each year after that point with minor infractions found.

Glacier Peak provided the name and professional license number for the proposed medical director, Stanley Flemming, OP. Using data from the Medical Quality Assurance Commission, the department found that Dr. Flemming is compliant with state licensure and has no enforcement actions on the license.

Given that Glacier Peak proposes a new facility, other staff have not been identified. If this project is approved, the department would attach a condition requiring Glacier Peak to provide the name and professional license number of its hospice agency key staff prior to providing services.

In review of this sub-criterion, the department considered the total compliance history of Glacier Peak and the facilities owned and operated by them. The department also considered the compliance history of the proposed medical director that would be associated with the facility. The department concludes that Glacier Peak has been operating in compliance with applicable state and federal licensing and certification requirements. The department also conclude there is reasonable assurance that Glacier Peak's establishment of a new Medicare and Medicaid certified hospice agency in Washington State would not cause a negative effect on the compliance history of Glacier Peak. The department concludes that this project **meets this sub-criterion.**

- (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 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.

### **Season's Hospice**

Season's Hospice provided the following statements related to this sub criterion.

*"The application requires a certificate of need in order to implement a hospice program. Persons who receive a physician-determined terminal prognosis may qualify for hospice for end-of-life care. Some individuals also may elect home health agency care.*

*Under the hospice benefit and program of care, the hospice's interdisciplinary team coordinates a range of palliative care and provides patient and family support for end-of-life care. The patient's attending physician participates with the hospice medical director and the interdisciplinary team, of which the patient and family belong, to identify the services that will maintain comfort for the patient based on his or her terminal diagnosis.*

*Seasons Snohomish County's plan for general inpatient care requires contracts with nursing homes to serve as the short-term placement of the patient to stabilize the patient and control*

*symptoms, including medicinal management, so that the patient attains a level of comfort and returns home. Nursing homes also provide the family with respite care, caring for the patient for a brief stay, so that the family caregiver has a break from daily care of the patient.*

*Seasons Snohomish County intends to work with nursing homes and assisted living facilities that are residences of patients enrolled in the hospice program. These facility residences also have staff that provide services to those who reside within them. Seasons Snohomish County's training program for nursing home and assisted living facilities' employees explains the roles and responsibilities, the accountability for care, and defines the roles of the facility staff and that of the hospice staff. The result in cooperation and avoidance of duplication while ensuring care for the hospice patients.*

*In the proposal, another specialty population subgroup are the homeless. Seasons Snohomish County's commitment to this group requires cooperation and coordination with agencies and advocates that serve the homeless, as well as hospitals and emergency departments that also may encounter the homeless. Promotional materials and direct outreach to hospitals, fire departments, police departments and advocacy groups about the program acts as a coordination hub for assuring that homeless persons do not die alone. The homeless program provides housing vouchers and other means to provide a qualifying home with caregiver so that hospice services can be provided to them.*

*Seasons Snohomish County's Inclusive Initiative develops diversity councils to identify impediments for those groups to hospice services, and to create pathways to remove them. Volunteers with hospice employees staffing the councils work cooperatively within and across the broader communities within the county to provide appropriate and sensitive materials that address those identified factors that can be overcome. Ways of outreach, such as community meetings, church visits, special programs, revised or newly developed educational materials, expand how minority groups can reach out to hospice. One important lesson learned from Seasons Hospice & Palliative Care affiliates in other states is to diversify the workforce so that the workforce's diversity reflects the broader community's makeup.*

*Hospitals are often the place where case identification occurs for end-of-life prognosis. The hospice social workers share information with hospital discharge planners and patient advocates about the program and services, and explain that Seasons Snohomish County's staff will make assessment visits 24 hours a day, seven days a week. The ability to interact with the patient and family and provide assessments with care and compassion relieves the hospital of longer stays.*

*Seasons Snohomish County targets community physicians to provide CEUs and other information about hospice, informing them of the benefits the hospice provides and the services. Information regarding how to open communication about palliative care and end-of-life care equips the community physicians with the material to engage in productive communication with the patient and family. Seasons Snohomish County's assessment team or other personnel offer the community physicians to pursue palliative care discussions and planning for end-of-life care". [source: Season's Application, p72-73]*

## Public Comment

None

Rebuttal Comment

None

**Department Evaluation**

Season's Hospice does not currently operate a Medicare and Medicaid hospice agency in the state and will be establishing a location in Lynnwood if this application is approved. Details in the application demonstrates that the basic infrastructure has been planned for and a location secured. Further, Season's Hospice demonstrated a reasonable patient base for the new hospice agency.

In the financial feasibility section of this evaluation, the department concluded that it could not determine whether the new agency's immediate and long-range capital and operating costs are reasonable. This resulted in a failure of the application under WAC 246-310-220(1).

Based on the conclusions reached in WAC 246-310-220(1) above, the department concludes that approval of this project may result in an unwarranted fragmentation of Medicare and Medicaid certified hospice services in the county. **This sub-criterion is not met.**

**Heart of Hospice**

In response to this criteria, Heart of Hospice states, *"This project greatly improves continuity and avoids fragmentation. Snohomish County residents currently do not have access 100% to a Medicare and Medicaid hospice program. The approval of this project will allow for us to serve the residents of Snohomish throughout the entire county. We are seeking approval in order to serve the entire county not only the high-density patient populations. Our history has proven that we are able to meet patients and family's needs regardless of the geographic location. We currently serve patients in remote areas (off the grid) and also in the city. Our ethics prove that regardless of individuals social economic or geographic location our team is 100% dedicated to their quality of care. Patients and families who are terminal ill should have options and access to Quality Hospice Care. Most of the individuals who are being faced with end of life need immediate access to Hospice. Frequently, we have found that individuals who do not have choice or access and die without hospice could have died with comfort knowing that Hospice was by their side. This approval will allow the individuals throughout Snohomish County to know that Heart of Hospice is available to them when they are ready and they are able to start receiving hospice the moment they contact our office. Throughout this application we have shown our commitment to our communities. Our history shows we are able to serve large counties and reach the patient where ever they call home. We are prepared to go the distance to change the life of one patient and family at a time"*. [source: Heart of Hospice Application, p29-30]

Public Comment

None

Rebuttal Comment

None

### Department Evaluation

Given that Heart of Hospice currently operates a Medicare and Medicaid hospice agency in the state, documentation in the application demonstrates that the basic infrastructure is already place for the hospice agency. Further, Heart of Hospice demonstrated a reasonable patient base for the new hospice agency.

With the approval of Heart of Hospice’s proposed project, residents in Snohomish County would have access to hospice services. Therefore, the department concludes that approval of this project will promote continuity in the provision of healthcare and not result in an unwarranted fragmentation of Medicare and Medicaid certified hospice services in the county. **This sub-criterion is met.**

### Envision Hospice

*In response to this criteria, Envision explains, “It is in the very nature of the Medicare certified hospice benefit to assure continuity and to avoid unwarranted fragmentation. The core purpose of the inter-disciplinary hospice team is to develop the patient’s plan of care and to manage the care on a daily basis to support the individual patient’s needs. In particular, the per diem payment to the hospice for all services puts the control of the full range of care in the hands of that core team.*

*One key to effective continuity is to admit patients to hospice as early as appropriate during the course of illness. Waiting until the last week or two of life substantially reduces the ability of the team to plan ahead, to address bereavement issues early, to manage pain effectively, etc. Envision Hospice is committed to community education in support of earlier admission to hospice when needed. Its relationship to Envision Physician Services, which can provide regular medical care to residents of assisted living facilities and adult family homes, will increase the potential of earlier identification of persons eligible for hospice.*

*As part of its Latino outreach program, Envision plans to develop working relationship with organization such as Molina, Sea Mar and others that frequently address the needs of minority communities.*

*Envision Hospice of Washington, LLC is committed to Snohomish County residents’ having desired control over their own health care choices. The majority vote by Washington residents for the “death with dignity” statewide ballot measure indicates this is an important value to the community. Envision Hospice of Washington, LLC intends to include in its network providers who will actively support patients pursuing their “death with dignity” options as available under Washington law. As part of this effort, Envision Hospice will continue to reach out to End of Life for their advice and support in locating needed resources”. [source: Envision Application, p48-49]*

### Public Comment

None

### Rebuttal Comment

None



### **Department Evaluation**

Given that Envision currently operates a Medicare and Medicaid hospice agency in the Thurston County. Details in the application demonstrates that the basic infrastructure has been planned for and a location secured. Further, Envision demonstrated a reasonable patient base for the new hospice agency.

With the approval of Envision’s proposed project, residents in Snohomish County would have access to hospice services. Therefore, the department concludes that approval of this project will promote continuity in the provision of healthcare and not result in an unwarranted fragmentation of Medicare and Medicaid certified hospice services in the county. **This sub-criterion is met.**

### **Glacier Peak**

In relation to this issue, Glacier Peak stated, “*Other than the Medical Director, Alpha does not currently have any agreements in place, but will seek out formal relationships with local hospitals, nursing homes (including our sister entity, Lynnwood Post-Acute Rehabilitation Center and Mountain View Rehabilitation and Care Center), and healthcare facilities and payers who could collaborate with us to facilitate seamless referral uptake (timely patient care), and coordinate care for our patients. The types of relationships we intend to establish include at least, primary and specialty care, hospitals, respite, long-term care (nursing home and assisted living, home/durable medical providers and cancer centers*”. [source: Glacier Peak Application, p27]

### **Public Comment**

None

### **Rebuttal Comment**

None

### **Department Evaluation**

Glacier Peak does not currently operates a Medicare and Medicaid hospice agency in the county. Details in the application demonstrates that the basic infrastructure has been planned for and a location secured. Further, Glacier Peak demonstrated a reasonable patient base for the new hospice agency.

With the approval of Season’s Hospice’s proposed project, residents in Snohomish County would have access to hospice services. Therefore, the department concludes that approval of this project will promote continuity in the provision of healthcare and not result in an unwarranted fragmentation of Medicare and Medicaid certified hospice services in the county. **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**

### **Season's Hospice**

This sub-criterion is addressed in sub-section (3) above and **is met for** Season's Hospice.

### **Heart of Hospice**

This sub-criterion is addressed in sub-section (3) above and **is met for** Heart of Hospice.

### **Envision Hospice**

This sub-criterion is addressed in sub-section (3) above and **is met for** Envision Hospice.

### **Glacier Peak**

This sub-criterion is addressed in sub-section (3) above and **is met for** Glacier Peak.

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

### **Season's Hospice**

Based on the source information reviewed, the department determines that the Season's Hospice project **has not met** the applicable cost containment criteria in WAC 246-310-240.

### **Heart of Hospice**

Based on the source information reviewed, the department determines that the Heart of Hospice project **has met** the applicable cost containment criteria in WAC 246-310-240.

### **Envision Hospice**

Based on the source information reviewed, the department determines that the Envision Hospice project **has met** the applicable cost containment criteria in WAC 246-310-240.

### **Glacier Peak**

Based on the source information reviewed, the department determines that the Glacier Peak project **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.

WAC 246-310-290(10) provides the following direction for review this sub-criterion of applications for hospice agencies. It states:

*“In addition to demonstrating numeric need under subsection (7) of this section, applicants must meet the following certificate of need requirements:*

- (a) Determination of need under WAC 246-310-210;*
- (b) Determination of financial feasibility under WAC 246-310-220;*
- (c) Criteria for structure and process of care under WAC 246-310-230; and*
- (d) Determination of cost containment under WAC 246-310-240“.*

If there are multiple applications, the department’s assessment is to apply any service or facility superiority criteria in WAC 246-310-290(11) provides the superiority criteria used to compare competing projects and make the determination between two or more approvable projects, which is the best alternative. This project is not competing; therefore, the superiority criteria does not apply.

## **STEP ONE**

### **Season’s Hospice**

For this project, Season’s Hospice did not meet the applicable review criteria under WAC 246-310-220, and 230. Therefore, the department will not consider Season’s application in this section.

### **Heart of Hospice**

For this project, Heart of Hospice met the applicable review criteria under WAC 246-310-210, 220, and 230. Therefore, the department continues its evaluation of the proposed project in step two.

### **Envision Hospice**

For this project, Envision Hospice met the applicable review criteria under WAC 246-310-210, 220, and 230. Therefore, the department continues its evaluation of the proposed project in step two.

### **Glacier Peak**

For this project, Glacier Peak met the applicable review criteria under WAC 246-310-210, 220, and 230. Therefore, the department continues its evaluation of the proposed project in step two.

## **STEP TWO**

### **Heart of Hospice**

In response to this sub-criterion, Heart of Hospice reasoned, *“Heart of Hospice has prepared for this application because of the need the State of Washington has identified. Our mission at Heart of Hospice is to make sure those in need of hospice receive it. We are not in a position of purchasing any of the current Snohomish County Providers. We are capable of adding Snohomish County to our operation and meeting the un-met need as identified by the State of Washington. This opportunity will allow Heart of Hospice to reach its GOAL of SERVICE. We are financially*

*stable' debt free, and can support Snohomish County. We have no other alternatives then applying and being granted this CN". [source: Heart of Hospice Application, p31]*

Public Comment

None

Rebuttal Comment

None

**Department Evaluation**

The numeric methodology demonstrated need for three more agencies in Snohomish County. Heart of Hospice provided information in the application to demonstrate its project would meet all review criterion to establish Medicare and Medicaid hospice services in the county. As a result, the options rejected by Heart of Hospice are appropriate.

Since there are no construction costs, but modest capital costs necessary to establish a hospice agency in Snohomish County, the department acknowledges that hospice services can be provided with very little financial impact to the applicant or the community.

The department concludes approval of the Heart of Hospice application is the best available alternative for Snohomish County. **This sub-criterion is met.**

**Envision Hospice**

Envision cited three options considered and the criteria under which they were evaluated.

The options included:

- Acquisition vs. start-up
- Postponing action
- No action

Envision's evaluation includes the following,

***“Acquisition available:***

*No existing hospices were found available for acquisition at this time. It is unlikely one will be available in the near future, but it was determined that area residents should not have to wait to have additional and needed access to hospice care.*

***Financial feasibility:***

*Due to the size of the underserved population in Snohomish County, along with the Envision Hospice of Washington, LLC members' extensive experience in hospice development and operation, the new hospice can confidently project steady growth and positive financial results.*

***Conformance with business plan:***

*The project responds directly to one of the major goals of Envision Hospice of Washington, LLC members.*

**Capital costs:**

*Envision Hospice of Washington, LLC has sufficient capital available to support the establishment and start up period of the new Snohomish County hospice. The pro forma revenue and expense statement shows that the initial investment will be recouped within a reasonable time.*

**Staffing impact:**

*Acquisition or start up would have the same staffing impact.*

**Summary:**

*Considering the alternatives available in light of the criteria above, the advantages and disadvantages taken together make it clear that establishment of a new hospice agency now is the preferred alternative”. [source: Envision Application, p51]*

Public Comment

None

Rebuttal Comment

None

**Department Evaluation**

The numeric methodology demonstrated need for three more agencies in Snohomish County. Envision Hospice provided the rationale used to demonstrate its project would meet all review criterion to establish Medicare and Medicaid hospice services in the county. As a result, the options rejected by Envision Hospice are appropriate.

Since there are no construction costs, but modest capital costs necessary to establish a hospice agency in Snohomish County, the department acknowledges that hospice services can be provided with very little financial impact to the applicant or the community.

The department concludes approval of the Envision application is the best available alternative for Snohomish County. **This sub-criterion is met.**

**Glacier Peak**

In response to this sub-criterion, Glacier Peak reasoned, “*Alpha chose to pursue the establishment of a hospice agency in Snohomish County at this time because of the extent of the unmet need, the impact of the unmet need on patients, families and the larger care delivery system, and because of efficiencies we can achieve by co-locating with Glacier Peak’s current home health agency in Snohomish County. Due to need and because of the cost savings and efficiencies to be achieved by sharing administrative overhead and potential vendors and services, Glacier Peak did not consider any alternatives*”. Responses to screening reaffirmed this statement. [source: Glacier Peak Application, p29, Glacier Peak Screening Responses, p18]

Public Comment

None

Rebuttal Comment

None

**Department Evaluation**

The numeric methodology demonstrated need for three more agencies in Snohomish County. Glacier Peak provided information in the application to demonstrate its project would meet all review criterion to establish Medicare and Medicaid hospice services in the county. As a result, the consideration presented by Glacier Peak are appropriate.

Since there are no construction costs, but modest capital costs necessary to establish a hospice agency in Snohomish County, the department acknowledges that hospice services can be provided with very little financial impact to the applicant or the community.

The department concludes approval of the Glacier Peak application is the best available alternative for Snohomish County. **This sub-criterion is met.**

**STEP 3**

**Department Evaluation**

With a need forecast establishing the need for up to 3 new hospice agencies in Snohomish County, the superiority evaluation under WAC 246-310-290(11) becomes unnecessary. Further, each of the applicants reviewed under cost containment have previously met the criteria under WAC 246-310-210, 220, and 230

This sub-criterion is **met for** Heart of Hospice.

This sub-criterion is **met for** Envision Hospice.

This sub-criterion is **met for** Glacier Peak.

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

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

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

**Heart of Hospice**

This application does not involve construction, therefore this sub-criterion does not apply.

**Envision Hospice**

This application does not involve construction, therefore this sub-criterion does not apply.

**Glacier Peak**

This application does not involve construction, therefore this sub-criterion does not apply.

- (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.

### **Heart of Hospice**

The applicant states, “The focus of our staff is patient care. We believe Medicare intended for us to be with our patients and provide the care we are trained to provide. As you are aware Medicare Pays all hospices based on a per diem rate. We do not receive any further funding for any additional care we provide. The idea of providing more visits with our patients makes us a stronger program. Our responsibility is to not only be the best steward of the Medicare trust fund but also to the patients we serve. We also believe that our marketing approach is to provide the best hospice care and in return we will have a profound impact on the communities we serve. Our staff of medical professionals can easily retain a job anywhere with the current medical shortage. I am proud that each member of our team wants to be with our hospice as they are truly able to provide the highest level of care based on need not finance. The medical professionals who choose to work in Hospice have a great desire to impact the families they serve. Our programs focus is to give the staff the opportunity to do just that. In return the staff productivity increases.

*According the CMS 2016 hospice Data our team provided more hours of care per patient during their last 7 days of life than any of the current providers in Snohomish County. Hospice clinicians are about patient care, and we foster that culture”.* [source: Heart of Hospice Application, p32]

### **Public Comment**

None

### **Rebuttal Comment**

None

### **Department Evaluation**

Heart of Hospice provided sound and reasonable rationale for adding Medicare and Medicaid certified hospice services in Snohomish County. If approved, the proposed facility has the potential to improve delivery of necessary hospice services to Snohomish County. **This sub-criterion is met.**

### **Envision Hospice**

The Envision application provided the following statement in response to this sub-criterion.

*“Comprehensive hospice care is covered by a per diem payment across care settings. Coordination of the multi-disciplinary care by the hospice team also fosters system efficiency by providing the right care at the right time. This reduces expensive duplication and unnecessary re-work typical of other parts of the health care system”.* [source: Envision Application, p52]

### **Department Evaluation**

Envision Hospice provided sound and reasonable rationale for adding Medicare and Medicaid certified hospice services in Snohomish County. If approved, the proposed facility has the potential to improve delivery of necessary hospice services to Snohomish County. **This sub-criterion is met.**

### **Glacier Peak**

Glacier Peak responded generally, *“Improved access to hospice supports system efficiency. Data demonstrates that patients who die while in hospice care have lower health care expenditures, are hospitalized less often, and undergo less intensive care than those who do not die in hospice care5. As previously noted, hospice care is also proven to contribute to the Triple Aim – improving patient experience, reducing costs, and improving population health. Alpha’s hospice services will help assure that systems and healthcare providers in Snohomish County have sufficient, timely access to hospice services—at the right place and right time-- so that when patients choose to elect that benefit, care is available. The absence of timely, quality hospice care harms the patient and their family and also increases use of the healthcare system, expressed in higher costs attributable to more ED visits, clinic visits and hospitalizations”*. [source: Glacier Peak Application, p30]

### **Department Evaluation**

Glacier Peak provided sound and reasonable rationale for adding Medicare and Medicaid certified hospice services in Snohomish County. If approved, the proposed facility has the potential to improve delivery of necessary hospice services to Snohomish County. **This sub-criterion is met.**



# APPENDIX A

**Department of Health-Updated  
2018-2019 Hospice Numeric Need Methodology**  
Effective 10/15/2018



**WAC246-310-290(8)(a) Step 1:**

Calculate the following two statewide predicted hospice use rates using department of health survey and vital statistics data:

WAC 246-310-290(8)(a)(i) The percentage of patients age sixty-five and over who will use hospice services. This percentage is calculated by dividing the average number of unduplicated admissions over the last three years for patients sixty five and over by the average number of past three years statewide total deaths age sixty-five and over.

WAC246-310-290(8)(a)(ii) The percentage of patients under sixty-five who will use hospice services. This percentage is calculated by dividing the average number of unduplicated admissions over the last three years for patients under sixty-five by the average number of past three years statewide total of deaths under sixty-five.

| Hospice admissions ages 0-64 |            |
|------------------------------|------------|
| Year                         | Admissions |
| 2015                         | 4,455      |
| 2016                         | 3,768      |
| 2017                         | 3,757      |
| <b>average: 3,993</b>        |            |

| Deaths ages 0-64       |        |
|------------------------|--------|
| Year                   | Deaths |
| 2015                   | 14,365 |
| 2016                   | 13,557 |
| 2017                   | 14,113 |
| <b>average: 14,012</b> |        |

| Use Rates |        |
|-----------|--------|
| 0-64      | 28.50% |
| 65+       | 60.91% |

| Hospice admissions ages 65+ |            |
|-----------------------------|------------|
| Year                        | Admissions |
| 2015                        | 24,527     |
| 2016                        | 24,738     |
| 2017                        | 26,365     |
| <b>average: 25,210</b>      |            |

| Deaths ages 65+        |        |
|------------------------|--------|
| Year                   | Deaths |
| 2015                   | 40,149 |
| 2016                   | 41,104 |
| 2017                   | 42,918 |
| <b>average: 41,390</b> |        |

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**WAC246-310-290(8)(b) Step 2:**

Calculate the average number of total resident deaths over the last three years for each planning area by age cohort.

| 0-64         |       |       |       |                          |
|--------------|-------|-------|-------|--------------------------|
| County       | 2015  | 2016  | 2017  | 2015-2017 Average Deaths |
| Adams        | 35    | 34    | 38    | 36                       |
| Asotin       | 62    | 50    | 49    | 54                       |
| Benton       | 372   | 352   | 385   | 370                      |
| Chelan       | 152   | 123   | 124   | 133                      |
| Clallam      | 203   | 172   | 180   | 185                      |
| Clark        | 881   | 781   | 883   | 848                      |
| Columbia     | 14    | 12    | 19    | 15                       |
| Cowlitz      | 280   | 290   | 351   | 307                      |
| Douglas      | 82    | 56    | 71    | 70                       |
| Ferry        | 23    | 20    | 30    | 24                       |
| Franklin     | 111   | 115   | 133   | 120                      |
| Garfield     | 4     | 4     | 6     | 5                        |
| Grant        | 197   | 191   | 203   | 197                      |
| Grays Harbor | 238   | 233   | 238   | 236                      |
| Island       | 165   | 134   | 166   | 155                      |
| Jefferson    | 67    | 69    | 69    | 68                       |
| King         | 3,397 | 3,204 | 3,256 | 3,286                    |
| Kitsap       | 537   | 518   | 485   | 513                      |
| Kittitas     | 82    | 59    | 91    | 77                       |
| Klickitat    | 33    | 50    | 63    | 49                       |
| Lewis        | 236   | 194   | 210   | 213                      |
| Lincoln      | 20    | 26    | 20    | 22                       |
| Mason        | 184   | 164   | 169   | 172                      |
| Okanogan     | 128   | 110   | 119   | 119                      |
| Pacific      | 71    | 59    | 88    | 73                       |
| Pend Oreille | 41    | 35    | 34    | 37                       |
| Pierce       | 1,892 | 1,883 | 1,936 | 1,904                    |
| San Juan     | 32    | 36    | 18    | 29                       |
| Skagit       | 279   | 248   | 271   | 266                      |
| Skamania     | 34    | 39    | 16    | 30                       |
| Snohomish    | 1,478 | 1,440 | 1,483 | 1,467                    |
| Spokane      | 1,230 | 1,168 | 1,147 | 1,182                    |
| Stevens      | 127   | 103   | 96    | 109                      |
| Thurston     | 581   | 485   | 530   | 532                      |
| Wahkiakum    | 5     | 10    | 3     | 6                        |
| Walla Walla  | 122   | 123   | 123   | 123                      |
| Whatcom      | 371   | 365   | 367   | 368                      |
| Whitman      | 74    | 42    | 57    | 58                       |
| Yakima       | 525   | 560   | 586   | 557                      |

| 65+          |       |       |        |                          |
|--------------|-------|-------|--------|--------------------------|
| County       | 2015  | 2016  | 2017   | 2015-2017 Average Deaths |
| Adams        | 102   | 92    | 78     | 91                       |
| Asotin       | 212   | 192   | 190    | 198                      |
| Benton       | 1,103 | 1,075 | 1,081  | 1,086                    |
| Chelan       | 543   | 535   | 556    | 545                      |
| Clallam      | 754   | 762   | 842    | 786                      |
| Clark        | 2,553 | 2,589 | 2,579  | 2,574                    |
| Columbia     | 48    | 48    | 116    | 71                       |
| Cowlitz      | 864   | 863   | 917    | 881                      |
| Douglas      | 230   | 227   | 232    | 230                      |
| Ferry        | 54    | 64    | 60     | 59                       |
| Franklin     | 257   | 242   | 284    | 261                      |
| Garfield     | 28    | 20    | 17     | 22                       |
| Grant        | 488   | 479   | 509    | 492                      |
| Grays Harbor | 555   | 606   | 622    | 594                      |
| Island       | 597   | 565   | 630    | 597                      |
| Jefferson    | 313   | 293   | 308    | 305                      |
| King         | 9,308 | 9,766 | 10,039 | 9,704                    |
| Kitsap       | 1,610 | 1,704 | 1,780  | 1,698                    |
| Kittitas     | 223   | 243   | 237    | 234                      |
| Klickitat    | 119   | 145   | 151    | 138                      |
| Lewis        | 667   | 676   | 721    | 688                      |
| Lincoln      | 78    | 102   | 105    | 95                       |
| Mason        | 499   | 494   | 550    | 514                      |
| Okanogan     | 340   | 303   | 350    | 331                      |
| Pacific      | 258   | 222   | 262    | 247                      |
| Pend Oreille | 101   | 120   | 133    | 118                      |
| Pierce       | 4,550 | 4,751 | 5,019  | 4,773                    |
| San Juan     | 118   | 126   | 115    | 120                      |
| Skagit       | 909   | 979   | 1,007  | 965                      |
| Skamania     | 53    | 64    | 65     | 61                       |
| Snohomish    | 3,833 | 3,857 | 4,118  | 3,936                    |
| Spokane      | 3,361 | 3,356 | 3,527  | 3,415                    |
| Stevens      | 359   | 336   | 376    | 357                      |
| Thurston     | 1,651 | 1,661 | 1,768  | 1,693                    |
| Wahkiakum    | 39    | 39    | 37     | 38                       |
| Walla Walla  | 468   | 485   | 501    | 485                      |
| Whatcom      | 1,262 | 1,353 | 1,329  | 1,315                    |
| Whitman      | 223   | 212   | 236    | 224                      |
| Yakima       | 1,419 | 1,458 | 1,471  | 1,449                    |

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**WAC246-310-290(8)(c) Step 3.**

Multiply each hospice use rate determined in Step 1 by the planning areas' average total resident deaths determined in Step 2, separated by age cohort.

| 0-64         |                             |  |
|--------------|-----------------------------|--|
| County       | 2015-2017<br>Average Deaths | Projected Patients -<br>28.50% of Deaths |
| Adams        | 36                          | 10                                       |
| Asotin       | 54                          | 15                                       |
| Benton       | 370                         | 105                                      |
| Chelan       | 133                         | 38                                       |
| Clallam      | 185                         | 53                                       |
| Clark        | 848                         | 242                                      |
| Columbia     | 15                          | 4  |
| Cowlitz      | 307                         | 87                                       |
| Douglas      | 70                          | 20                                       |
| Ferry        | 24                          | 7  |
| Franklin     | 120                         | 34                                       |
| Garfield     | 5                           | 1  |
| Grant        | 197                         | 56                                       |
| Grays Harbor | 236                         | 67                                       |
| Island       | 155                         | 44                                       |
| Jefferson    | 68                          | 19                                       |
| King         | 3,286                       | 936                                      |
| Kitsap       | 513                         | 146                                      |
| Kittitas     | 77                          | 22                                       |
| Klickitat    | 49                          | 14                                       |
| Lewis        | 213                         | 61                                       |
| Lincoln      | 22                          | 6  |
| Mason        | 172                         | 49                                       |
| Okanogan     | 119                         | 34                                       |
| Pacific      | 73                          | 21                                       |
| Pend Oreille | 37                          | 10                                       |
| Pierce       | 1,904                       | 543                                      |
| San Juan     | 29                          | 8  |
| Skagit       | 266                         | 76                                       |
| Skamania     | 30                          | 8  |
| Snohomish    | 1,467                       | 418                                      |
| Spokane      | 1,182                       | 337                                      |
| Stevens      | 109                         | 31                                       |
| Thurston     | 532                         | 152                                      |
| Wahkiakum    | 6                           | 2  |
| Walla Walla  | 123                         | 35                                       |
| Whatcom      | 368                         | 105                                      |
| Whitman      | 58                          | 16                                       |
| Yakima       | 557                         | 159                                      |

| 65+          |                             |  |
|--------------|-----------------------------|--|
| County       | 2015-2017<br>Average Deaths | Projected Patients -<br>60.91% of Deaths |
| Adams        | 91                          | 55                                       |
| Asotin       | 198                         | 121                                      |
| Benton       | 1,086                       | 662                                      |
| Chelan       | 545                         | 332                                      |
| Clallam      | 786                         | 479                                      |
| Clark        | 2,574                       | 1,568                                    |
| Columbia     | 71                          | 43                                       |
| Cowlitz      | 881                         | 537                                      |
| Douglas      | 230                         | 140                                      |
| Ferry        | 59                          | 36                                       |
| Franklin     | 261                         | 159                                      |
| Garfield     | 22                          | 13                                       |
| Grant        | 492                         | 300                                      |
| Grays Harbor | 594                         | 362                                      |
| Island       | 597                         | 364                                      |
| Jefferson    | 305                         | 186                                      |
| King         | 9,704                       | 5,911                                    |
| Kitsap       | 1,698                       | 1,034                                    |
| Kittitas     | 234                         | 143                                      |
| Klickitat    | 138                         | 84                                       |
| Lewis        | 688                         | 419                                      |
| Lincoln      | 95                          | 58                                       |
| Mason        | 514                         | 313                                      |
| Okanogan     | 331                         | 202                                      |
| Pacific      | 247                         | 151                                      |
| Pend Oreille | 118                         | 72                                       |
| Pierce       | 4,773                       | 2,907                                    |
| San Juan     | 120                         | 73                                       |
| Skagit       | 965                         | 588                                      |
| Skamania     | 61                          | 37                                       |
| Snohomish    | 3,936                       | 2,397                                    |
| Spokane      | 3,415                       | 2,080                                    |
| Stevens      | 357                         | 217                                      |
| Thurston     | 1,693                       | 1,031                                    |
| Wahkiakum    | 38                          | 23                                       |
| Walla Walla  | 485                         | 295                                      |
| Whatcom      | 1,315                       | 801                                      |
| Whitman      | 224                         | 136                                      |
| Yakima       | 1,449                       | 883                                      |

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**WAC246-310-290(8)(d) Step 4:**

Using the projected patients calculated in Step 3, calculate a use rate by dividing projected patients by the three-year historical average population by county. Use this rate to determine the potential volume of hospice use by the projected population by age cohort using Office of Financial Management (OFM) data.

| <b>0-64</b>   |                           |                                     |                                  |                                  |                                  |                              |                              |                              |
|---------------|---------------------------|-------------------------------------|----------------------------------|----------------------------------|----------------------------------|------------------------------|------------------------------|------------------------------|
| <b>County</b> | <b>Projected Patients</b> | <b>2015-2017 Average Population</b> | <b>2018 projected population</b> | <b>2019 projected population</b> | <b>2020 projected population</b> | <b>2018 potential volume</b> | <b>2019 potential volume</b> | <b>2020 potential volume</b> |
| Adams         | 10                        | 17,768                              | 18,029                           | 18,160                           | 18,291                           | 10                           | 10                           | 10                           |
| Asotin        | 15                        | 16,906                              | 16,779                           | 16,715                           | 16,652                           | 15                           | 15                           | 15                           |
| Benton        | 105                       | 163,693                             | 166,554                          | 167,984                          | 169,415                          | 107                          | 108                          | 109                          |
| Chelan        | 38                        | 61,520                              | 61,991                           | 62,227                           | 62,463                           | 38                           | 38                           | 38                           |
| Clallam       | 53                        | 52,661                              | 52,550                           | 52,494                           | 52,439                           | 53                           | 53                           | 53                           |
| Clark         | 242                       | 393,291                             | 405,282                          | 411,278                          | 417,273                          | 249                          | 253                          | 257                          |
| Columbia      | 4                         | 2,947                               | 2,863                            | 2,822                            | 2,780                            | 4                            | 4                            | 4                            |
| Cowlitz       | 87                        | 85,517                              | 85,717                           | 85,817                           | 85,917                           | 88                           | 88                           | 88                           |
| Douglas       | 20                        | 33,938                              | 34,732                           | 35,130                           | 35,527                           | 20                           | 21                           | 21                           |
| Ferry         | 7                         | 5,782                               | 5,680                            | 5,628                            | 5,577                            | 7                            | 7                            | 7                            |
| Franklin      | 34                        | 81,742                              | 85,922                           | 88,012                           | 90,102                           | 36                           | 37                           | 38                           |
| Garfield      | 1                         | 1,644                               | 1,602                            | 1,581                            | 1,560                            | 1                            | 1                            | 1                            |
| Grant         | 56                        | 82,660                              | 84,909                           | 86,033                           | 87,158                           | 58                           | 58                           | 59                           |
| Grays Harbor  | 67                        | 58,675                              | 57,817                           | 57,387                           | 56,958                           | 66                           | 66                           | 65                           |
| Island        | 44                        | 62,664                              | 62,964                           | 63,114                           | 63,264                           | 44                           | 44                           | 45                           |
| Jefferson     | 19                        | 20,653                              | 20,688                           | 20,705                           | 20,722                           | 20                           | 20                           | 20                           |
| King          | 936                       | 1,820,215                           | 1,863,482                        | 1,885,115                        | 1,906,749                        | 959                          | 970                          | 981                          |
| Kitsap        | 146                       | 214,045                             | 217,040                          | 218,538                          | 220,035                          | 148                          | 149                          | 150                          |
| Kittitas      | 22                        | 36,768                              | 37,892                           | 38,453                           | 39,015                           | 23                           | 23                           | 23                           |
| Klickitat     | 14                        | 16,082                              | 15,828                           | 15,702                           | 15,575                           | 14                           | 14                           | 13                           |
| Lewis         | 61                        | 61,796                              | 62,398                           | 62,700                           | 63,001                           | 61                           | 62                           | 62                           |
| Lincoln       | 6                         | 8,042                               | 7,923                            | 7,864                            | 7,805                            | 6                            | 6                            | 6                            |
| Mason         | 49                        | 49,162                              | 50,142                           | 50,632                           | 51,122                           | 50                           | 51                           | 51                           |
| Okanogan      | 34                        | 32,906                              | 32,545                           | 32,364                           | 32,183                           | 34                           | 33                           | 33                           |
| Pacific       | 21                        | 14,972                              | 14,688                           | 14,545                           | 14,403                           | 20                           | 20                           | 20                           |
| Pend Oreille  | 10                        | 9,998                               | 9,905                            | 9,859                            | 9,812                            | 10                           | 10                           | 10                           |
| Pierce        | 543                       | 729,937                             | 747,538                          | 756,339                          | 765,139                          | 556                          | 562                          | 569                          |
| San Juan      | 8                         | 11,194                              | 10,974                           | 10,863                           | 10,753                           | 8                            | 8                            | 8                            |
| Skagit        | 76                        | 98,616                              | 100,076                          | 100,807                          | 101,537                          | 77                           | 77                           | 78                           |
| Skamania      | 8                         | 9,266                               | 9,254                            | 9,248                            | 9,242                            | 8                            | 8                            | 8                            |
| Snohomish     | 418                       | 672,806                             | 694,793                          | 705,787                          | 716,781                          | 432                          | 439                          | 445                          |
| Spokane       | 337                       | 416,684                             | 421,066                          | 423,256                          | 425,447                          | 340                          | 342                          | 344                          |
| Stevens       | 31                        | 34,459                              | 34,226                           | 34,109                           | 33,992                           | 31                           | 31                           | 31                           |
| Thurston      | 152                       | 228,261                             | 234,880                          | 238,190                          | 241,500                          | 156                          | 158                          | 160                          |
| Wahkiakum     | 2                         | 2,669                               | 2,555                            | 2,498                            | 2,441                            | 2                            | 2                            | 2                            |
| Walla Walla   | 35                        | 50,111                              | 50,546                           | 50,763                           | 50,981                           | 35                           | 35                           | 36                           |
| Whatcom       | 105                       | 178,234                             | 183,023                          | 185,418                          | 187,812                          | 108                          | 109                          | 110                          |
| Whitman       | 16                        | 42,965                              | 43,137                           | 43,222                           | 43,308                           | 17                           | 17                           | 17                           |
| Yakima        | 159                       | 217,605                             | 221,051                          | 222,774                          | 224,497                          | 161                          | 163                          | 164                          |

Source:  
 OFM, "2017 County Age and Sex Projections,  
 five-year intervals and age groups"  
 Prepared by Beth Harlow - October 2018

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**WAC246-310-290(8)(d) Step 4:**

Using the projected patients calculated in Step 3, calculate a use rate by dividing projected patients by the three-year historical average population by county. Use this rate to determine the potential volume of hospice use by the projected population by age cohort using Office of Financial Management (OFM) data.

| <b>65+</b>   |                    |                              |                           |                           |                           |                       |                       |                       |
|--------------|--------------------|------------------------------|---------------------------|---------------------------|---------------------------|-----------------------|-----------------------|-----------------------|
| County       | Projected Patients | 2015-2017 Average Population | 2018 projected population | 2019 projected population | 2020 projected population | 2018 potential volume | 2019 potential volume | 2020 potential volume |
| Adams        | 55                 | 1,887                        | 2,114                     | 2,227                     | 2,341                     | 62                    | 65                    | 69                    |
| Asotin       | 121                | 5,233                        | 5,619                     | 5,812                     | 6,005                     | 129                   | 134                   | 138                   |
| Benton       | 662                | 27,492                       | 29,821                    | 30,986                    | 32,150                    | 718                   | 746                   | 774                   |
| Chelan       | 332                | 14,279                       | 15,343                    | 15,876                    | 16,408                    | 356                   | 369                   | 381                   |
| Clallam      | 479                | 20,401                       | 21,334                    | 21,800                    | 22,267                    | 501                   | 512                   | 523                   |
| Clark        | 1568               | 68,044                       | 75,085                    | 78,605                    | 82,125                    | 1,730                 | 1,811                 | 1,892                 |
| Columbia     | 43                 | 1,135                        | 1,202                     | 1,236                     | 1,269                     | 46                    | 47                    | 48                    |
| Cowlitz      | 537                | 19,684                       | 21,326                    | 22,148                    | 22,969                    | 582                   | 604                   | 626                   |
| Douglas      | 140                | 6,831                        | 7,595                     | 7,976                     | 8,358                     | 156                   | 163                   | 171                   |
| Ferry        | 36                 | 1,949                        | 2,095                     | 2,168                     | 2,241                     | 39                    | 40                    | 42                    |
| Franklin     | 159                | 7,921                        | 8,765                     | 9,188                     | 9,610                     | 176                   | 184                   | 193                   |
| Garfield     | 13                 | 607                          | 633                       | 645                       | 658                       | 14                    | 14                    | 14                    |
| Grant        | 300                | 13,011                       | 14,244                    | 14,861                    | 15,477                    | 328                   | 342                   | 356                   |
| Grays Harbor | 362                | 14,535                       | 15,594                    | 16,123                    | 16,653                    | 388                   | 402                   | 415                   |
| Island       | 364                | 18,625                       | 19,701                    | 20,239                    | 20,777                    | 385                   | 395                   | 406                   |
| Jefferson    | 186                | 10,580                       | 11,252                    | 11,588                    | 11,924                    | 197                   | 203                   | 209                   |
| King         | 5911               | 268,307                      | 296,484                   | 310,572                   | 324,660                   | 6,531                 | 6,842                 | 7,152                 |
| Kitsap       | 1034               | 47,697                       | 51,788                    | 53,833                    | 55,878                    | 1,123                 | 1,167                 | 1,212                 |
| Kittitas     | 143                | 6,760                        | 7,351                     | 7,647                     | 7,943                     | 155                   | 161                   | 168                   |
| Klickitat    | 84                 | 5,051                        | 5,570                     | 5,829                     | 6,088                     | 93                    | 97                    | 102                   |
| Lewis        | 419                | 15,576                       | 16,398                    | 16,808                    | 17,219                    | 441                   | 452                   | 463                   |
| Lincoln      | 58                 | 2,687                        | 2,823                     | 2,891                     | 2,959                     | 61                    | 62                    | 64                    |
| Mason        | 313                | 14,123                       | 15,311                    | 15,905                    | 16,499                    | 340                   | 353                   | 366                   |
| Okanogan     | 202                | 9,198                        | 10,050                    | 10,475                    | 10,901                    | 220                   | 230                   | 239                   |
| Pacific      | 151                | 6,258                        | 6,584                     | 6,747                     | 6,910                     | 158                   | 162                   | 166                   |
| Pend Oreille | 72                 | 3,378                        | 3,742                     | 3,925                     | 4,107                     | 80                    | 84                    | 87                    |
| Pierce       | 2907               | 114,409                      | 125,262                   | 130,688                   | 136,114                   | 3,183                 | 3,321                 | 3,459                 |
| San Juan     | 73                 | 5,099                        | 5,545                     | 5,768                     | 5,991                     | 79                    | 82                    | 86                    |
| Skagit       | 588                | 24,021                       | 26,595                    | 27,881                    | 29,168                    | 651                   | 682                   | 714                   |
| Skamania     | 37                 | 2,286                        | 2,542                     | 2,670                     | 2,798                     | 41                    | 43                    | 45                    |
| Snohomish    | 2397               | 101,674                      | 113,447                   | 119,333                   | 125,219                   | 2,675                 | 2,814                 | 2,952                 |
| Spokane      | 2080               | 77,325                       | 84,343                    | 87,852                    | 91,361                    | 2,269                 | 2,363                 | 2,457                 |
| Stevens      | 217                | 9,930                        | 10,884                    | 11,360                    | 11,837                    | 238                   | 249                   | 259                   |
| Thurston     | 1031               | 44,534                       | 48,683                    | 50,757                    | 52,832                    | 1,127                 | 1,176                 | 1,224                 |
| Wahkiakum    | 23                 | 1,316                        | 1,441                     | 1,503                     | 1,565                     | 26                    | 27                    | 28                    |
| Walla Walla  | 295                | 10,819                       | 10,944                    | 11,006                    | 11,068                    | 299                   | 300                   | 302                   |
| Whatcom      | 801                | 35,688                       | 39,164                    | 40,902                    | 42,640                    | 879                   | 918                   | 957                   |
| Whitman      | 136                | 4,659                        | 5,237                     | 5,526                     | 5,815                     | 153                   | 162                   | 170                   |
| Yakima       | 883                | 34,949                       | 36,670                    | 37,530                    | 38,391                    | 926                   | 948                   | 970                   |

Source:  
 OFM, "2017 County Age and Sex Projections,  
 five-year intervals and age groups"  
 Prepared by Beth Harlow - October 2018

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**WAC246-310-290(8)(e) Step 5:**

Combine the two age cohorts. Subtract the average of the most recent three years hospice capacity in each planning area from the projected volumes calculated in Step 4 to determine the number of projected admissions beyond the planning area capacity.

| County       | 2018 potential volume | 2019 potential volume | 2020 potential volume | Current Capacity | 2018 Admits (Unmet) | 2019 Admits (Unmet) | 2020 Admits (Unmet) |
|--------------|-----------------------|-----------------------|-----------------------|------------------|---------------------|---------------------|---------------------|
| Adams        | 72                    | 76                    | 79                    | 33.67            | 39                  | 42                  | 45                  |
| Asotin       | 145                   | 149                   | 153                   | 73.33            | 71                  | 76                  | 80                  |
| Benton       | 825                   | 854                   | 883                   | 902.67           | (78)                | (49)                | (20)                |
| Chelan       | 395                   | 407                   | 420                   | 371.67           | 23                  | 36                  | 48                  |
| Clallam      | 553                   | 564                   | 575                   | 129.67           | 424                 | 434                 | 445                 |
| Clark        | 1,979                 | 2,064                 | 2,148                 | 1,881.00         | 98                  | 183                 | 267                 |
| Columbia     | 50                    | 51                    | 52                    | 19.33            | 30                  | 32                  | 33                  |
| Cowlitz      | 669                   | 692                   | 714                   | 774.67           | (105)               | (83)                | (60)                |
| Douglas      | 176                   | 184                   | 192                   | 144.33           | 32                  | 40                  | 48                  |
| Ferry        | 46                    | 47                    | 48                    | 27.33            | 18                  | 20                  | 21                  |
| Franklin     | 212                   | 221                   | 230                   | 148.67           | 63                  | 72                  | 82                  |
| Garfield     | 15                    | 15                    | 16                    | 4.00             | 11                  | 11                  | 12                  |
| Grant        | 386                   | 401                   | 416                   | 225.00           | 161                 | 176                 | 191                 |
| Grays Harbor | 455                   | 467                   | 480                   | 280.33           | 174                 | 187                 | 200                 |
| Island       | 429                   | 440                   | 450                   | 307.33           | 122                 | 133                 | 143                 |
| Jefferson    | 217                   | 223                   | 229                   | 168.00           | 49                  | 55                  | 61                  |
| King         | 7,490                 | 7,812                 | 8,133                 | 7,847.23         | (357)               | (36)                | 286                 |
| Kitsap       | 1,271                 | 1,317                 | 1,362                 | 1,152.67         | 119                 | 164                 | 209                 |
| Kittitas     | 178                   | 185                   | 191                   | 135.00           | 43                  | 50                  | 56                  |
| Klickitat    | 107                   | 111                   | 115                   | 156.63           | (50)                | (46)                | (42)                |
| Lewis        | 503                   | 514                   | 525                   | 438.33           | 64                  | 76                  | 87                  |
| Lincoln      | 67                    | 68                    | 70                    | 19.00            | 48                  | 49                  | 51                  |
| Mason        | 390                   | 403                   | 417                   | 241.67           | 148                 | 162                 | 175                 |
| Okanogan     | 254                   | 263                   | 272                   | 190.33           | 63                  | 73                  | 82                  |
| Pacific      | 179                   | 183                   | 186                   | 97.00            | 82                  | 86                  | 89                  |
| Pend Oreille | 90                    | 94                    | 98                    | 58.00            | 32                  | 36                  | 40                  |
| Pierce       | 3,739                 | 3,883                 | 4,028                 | 3,895.33         | (157)               | (12)                | 132                 |
| San Juan     | 87                    | 90                    | 93                    | 75.33            | 12                  | 15                  | 18                  |
| Skagit       | 728                   | 760                   | 792                   | 628.67           | 99                  | 131                 | 163                 |
| Skamania     | 50                    | 52                    | 54                    | 39.00            | 11                  | 13                  | 15                  |
| Snohomish    | 3,107                 | 3,252                 | 3,398                 | 2,635.33         | 471                 | 617                 | 763                 |
| Spokane      | 2,609                 | 2,705                 | 2,801                 | 2,664.00         | (55)                | 41                  | 137                 |
| Stevens      | 269                   | 279                   | 290                   | 138.33           | 131                 | 141                 | 151                 |
| Thurston     | 1,283                 | 1,334                 | 1,384                 | 1,104.30         | 179                 | 229                 | 280                 |
| Wahkiakum    | 27                    | 28                    | 29                    | 6.33             | 21                  | 22                  | 23                  |
| Walla Walla  | 334                   | 336                   | 338                   | 317.00           | 17                  | 19                  | 21                  |
| Whatcom      | 986                   | 1,027                 | 1,067                 | 858.67           | 128                 | 168                 | 208                 |
| Whitman      | 170                   | 178                   | 187                   | 227.33           | (58)                | (49)                | (41)                |
| Yakima       | 1,087                 | 1,110                 | 1,133                 | 1,123.67         | (36)                | (13)                | 10                  |

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**WAC246-310-290(8)(f) Step 6:**

Multiply the unmet need from Step 5 by the statewide average length of stay as determined by CMS to determine unmet need patient days in the projection years.

| County       | 2018 Admits (Unmet) | 2019 Admits (Unmet) | 2020 Admits (Unmet) | Step 6 (Admits * ALOS) = Unmet Patient Days |                           |                           |                           |
|--------------|---------------------|---------------------|---------------------|---|---------------------------|---------------------------|---------------------------|
|              |                     |                     |                     | Statewide ALOS                              | 2018 Patient Days (unmet) | 2019 Patient Days (unmet) | 2020 Patient Days (unmet) |
| Adams        | 39                  | 42                  | 45                  | 60.86                                       | 2,344                     | 2,551                     | 2,758                     |
| Asotin       | 71                  | 76                  | 80                  | 60.86                                       | 4,341                     | 4,608                     | 4,875                     |
| Benton       | (78)                | (49)                | (20)                | 60.86                                       | (4,732)                   | (2,971)                   | (1,209)                   |
| Chelan       | 23                  | 36                  | 48                  | 60.86                                       | 1,400                     | 2,162                     | 2,924                     |
| Clallam      | 424                 | 434                 | 445                 | 60.86                                       | 25,779                    | 26,442                    | 27,105                    |
| Clark        | 98                  | 183                 | 267                 | 60.86                                       | 5,959                     | 11,119                    | 16,278                    |
| Columbia     | 30                  | 32                  | 33                  | 60.86                                       | 1,850                     | 1,924                     | 1,997                     |
| Cowlitz      | (105)               | (83)                | (60)                | 60.86                                       | (6,413)                   | (5,044)                   | (3,674)                   |
| Douglas      | 32                  | 40                  | 48                  | 60.86                                       | 1,917                     | 2,407                     | 2,897                     |
| Ferry        | 18                  | 20                  | 21                  | 60.86                                       | 1,115                     | 1,194                     | 1,272                     |
| Franklin     | 63                  | 72                  | 82                  | 60.86                                       | 3,840                     | 4,409                     | 4,978                     |
| Garfield     | 11                  | 11                  | 12                  | 60.86                                       | 672                       | 688                       | 703                       |
| Grant        | 161                 | 176                 | 191                 | 60.86                                       | 9,782                     | 10,693                    | 11,604                    |
| Grays Harbor | 174                 | 187                 | 200                 | 60.86                                       | 10,615                    | 11,387                    | 12,160                    |
| Island       | 122                 | 133                 | 143                 | 60.86                                       | 7,419                     | 8,065                     | 8,711                     |
| Jefferson    | 49                  | 55                  | 61                  | 60.86                                       | 2,974                     | 3,333                     | 3,693                     |
| King         | (357)               | (36)                | 286                 | 60.86                                       | (21,735)                  | (2,169)                   | 17,397                    |
| Kitsap       | 119                 | 164                 | 209                 | 60.86                                       | 7,217                     | 9,978                     | 12,739                    |
| Kittitas     | 43                  | 50                  | 56                  | 60.86                                       | 2,613                     | 3,014                     | 3,414                     |
| Klickitat    | (50)                | (46)                | (42)                | 60.86                                       | (3,048)                   | (2,791)                   | (2,535)                   |
| Lewis        | 64                  | 76                  | 87                  | 60.86                                       | 3,907                     | 4,598                     | 5,288                     |
| Lincoln      | 48                  | 49                  | 51                  | 60.86                                       | 2,919                     | 3,005                     | 3,092                     |
| Mason        | 148                 | 162                 | 175                 | 60.86                                       | 9,011                     | 9,842                     | 10,674                    |
| Okanogan     | 63                  | 73                  | 82                  | 60.86                                       | 3,863                     | 4,419                     | 4,976                     |
| Pacific      | 82                  | 86                  | 89                  | 60.86                                       | 4,979                     | 5,205                     | 5,432                     |
| Pend Oreille | 32                  | 36                  | 40                  | 60.86                                       | 1,947                     | 2,180                     | 2,413                     |
| Pierce       | (157)               | (12)                | 132                 | 60.86                                       | (9,530)                   | (740)                     | 8,050                     |
| San Juan     | 12                  | 15                  | 18                  | 60.86                                       | 727                       | 916                       | 1,105                     |
| Skagit       | 99                  | 131                 | 163                 | 60.86                                       | 6,025                     | 7,975                     | 9,925                     |
| Skamania     | 11                  | 13                  | 15                  | 60.86                                       | 641                       | 766                       | 892                       |
| Snohomish    | 471                 | 617                 | 763                 | 60.86                                       | 28,686                    | 37,548                    | 46,411                    |
| Spokane      | (55)                | 41                  | 137                 | 60.86                                       | (3,355)                   | 2,497                     | 8,348                     |
| Stevens      | 131                 | 141                 | 151                 | 60.86                                       | 7,957                     | 8,586                     | 9,215                     |
| Thurston     | 179                 | 229                 | 280                 | 60.86                                       | 10,905                    | 13,963                    | 17,021                    |
| Wahkiakum    | 21                  | 22                  | 23                  | 60.86                                       | 1,269                     | 1,334                     | 1,399                     |
| Walla Walla  | 17                  | 19                  | 21                  | 60.86                                       | 1,026                     | 1,139                     | 1,251                     |
| Whatcom      | 128                 | 168                 | 208                 | 60.86                                       | 7,769                     | 10,228                    | 12,687                    |
| Whitman      | (58)                | (49)                | (41)                | 60.86                                       | (3,512)                   | (2,996)                   | (2,480)                   |
| Yakima       | (36)                | (13)                | 10                  | 60.86                                       | (2,201)                   | (802)                     | 598                       |



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**WAC246-310-290(8)(g) Step 7:**  
 Divide the unmet patient days from Step 6 by 365 to determine the unmet need ADC.

| County       |                           |                           |                           | Step 7 (Patient Days / 365) = Unmet ADC |                  |                  |
|--------------|---------------------------|---------------------------|---------------------------|---|------------------|------------------|
|              | 2018 Patient Days (unmet) | 2019 Patient Days (unmet) | 2020 Patient Days (unmet) | 2018 ADC (unmet)                        | 2019 ADC (unmet) | 2020 ADC (unmet) |
| Adams        | 2,344                     | 2,551                     | 2,758                     | 6                                       | 7                | 8                |
| Asotin       | 4,341                     | 4,608                     | 4,875                     | 12                                      | 13               | 13               |
| Benton       | (4,732)                   | (2,971)                   | (1,209)                   | (13)                                    | (8)              | (3)              |
| Chelan       | 1,400                     | 2,162                     | 2,924                     | 4                                       | 6                | 8                |
| Cllallam     | 25,779                    | 26,442                    | 27,105                    | 71                                      | 72               | 74               |
| Clark        | 5,959                     | 11,119                    | 16,278                    | 16                                      | 30               | 45               |
| Columbia     | 1,850                     | 1,924                     | 1,997                     | 5                                       | 5                | 5                |
| Cowlitz      | (6,413)                   | (5,044)                   | (3,674)                   | (18)                                    | (14)             | (10)             |
| Douglas      | 1,917                     | 2,407                     | 2,897                     | 5                                       | 7                | 8                |
| Ferry        | 1,115                     | 1,194                     | 1,272                     | 3                                       | 3                | 3                |
| Franklin     | 3,840                     | 4,409                     | 4,978                     | 11                                      | 12               | 14               |
| Garfield     | 672                       | 688                       | 703                       | 2                                       | 2                | 2                |
| Grant        | 9,782                     | 10,693                    | 11,604                    | 27                                      | 29               | 32               |
| Grays Harbor | 10,615                    | 11,387                    | 12,160                    | 29                                      | 31               | 33               |
| Island       | 7,419                     | 8,065                     | 8,711                     | 20                                      | 22               | 24               |
| Jefferson    | 2,974                     | 3,333                     | 3,693                     | 8                                       | 9                | 10               |
| King         | (21,735)                  | (2,169)                   | 17,397                    | (60)                                    | (6)              | 48               |
| Kitsap       | 7,217                     | 9,978                     | 12,739                    | 20                                      | 27               | 35               |
| Kittitas     | 2,613                     | 3,014                     | 3,414                     | 7                                       | 8                | 9                |
| Klickitat    | (3,048)                   | (2,791)                   | (2,535)                   | (8)                                     | (8)              | (7)              |
| Lewis        | 3,907                     | 4,598                     | 5,288                     | 11                                      | 13               | 14               |
| Lincoln      | 2,919                     | 3,005                     | 3,092                     | 8                                       | 8                | 8                |
| Mason        | 9,011                     | 9,842                     | 10,674                    | 25                                      | 27               | 29               |
| Okanogan     | 3,863                     | 4,419                     | 4,976                     | 11                                      | 12               | 14               |
| Pacific      | 4,979                     | 5,205                     | 5,432                     | 14                                      | 14               | 15               |
| Pend Oreille | 1,947                     | 2,180                     | 2,413                     | 5                                       | 6                | 7                |
| Pierce       | (9,530)                   | (740)                     | 8,050                     | (26)                                    | (2)              | 22               |
| San Juan     | 727                       | 916                       | 1,105                     | 2                                       | 3                | 3                |
| Skagit       | 6,025                     | 7,975                     | 9,925                     | 17                                      | 22               | 27               |
| Skamania     | 641                       | 766                       | 892                       | 2                                       | 2                | 2                |
| Snohomish    | 28,686                    | 37,548                    | 46,411                    | 79                                      | 103              | 127              |
| Spokane      | (3,355)                   | 2,497                     | 8,348                     | (9)                                     | 7                | 23               |
| Stevens      | 7,957                     | 8,586                     | 9,215                     | 22                                      | 24               | 25               |
| Thurston     | 10,905                    | 13,963                    | 17,021                    | 30                                      | 38               | 47               |
| Wahkiakum    | 1,269                     | 1,334                     | 1,399                     | 3                                       | 4                | 4                |
| Walla Walla  | 1,026                     | 1,139                     | 1,251                     | 3                                       | 3                | 3                |
| Whatcom      | 7,769                     | 10,228                    | 12,687                    | 21                                      | 28               | 35               |
| Whitman      | (3,512)                   | (2,996)                   | (2,480)                   | (10)                                    | (8)              | (7)              |
| Yakima       | (2,201)                   | (802)                     | 598                       | (6)                                     | (2)              | 2                |

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**WAC246-310-290(8)(h) Step 8:**

Determine the number of hospice agencies in the planning area that could support the unmet need with an ADC of thirty-five.

Application Year

| County       | Step 7 (Patient Days / 365) = Unmet ADC |                  |                  | Step 8 - Numeric Need |                  |
|--------------|---|------------------|------------------|-----------------------|------------------|
|              | 2018 ADC (unmet)                        | 2019 ADC (unmet) | 2020 ADC (unmet) | Numeric Need?         | Agencies Needed? |
| Adams        | 6                                       | 7                | 8                | FALSE                 | FALSE            |
| Asotin       | 12                                      | 13               | 13               | FALSE                 | FALSE            |
| Benton       | (13)                                    | (8)              | (3)              | FALSE                 | FALSE            |
| Chelan       | 4                                       | 6                | 8                | FALSE                 | FALSE            |
| Clallam      | 71                                      | 72               | 74               | TRUE                  | 2.12             |
| Clark        | 16                                      | 30               | 45               | TRUE                  | 1.27             |
| Columbia     | 5                                       | 5                | 5                | FALSE                 | FALSE            |
| Cowlitz      | (18)                                    | (14)             | (10)             | FALSE                 | FALSE            |
| Douglas      | 5                                       | 7                | 8                | FALSE                 | FALSE            |
| Ferry        | 3                                       | 3                | 3                | FALSE                 | FALSE            |
| Franklin     | 11                                      | 12               | 14               | FALSE                 | FALSE            |
| Garfield     | 2                                       | 2                | 2                | FALSE                 | FALSE            |
| Grant        | 27                                      | 29               | 32               | FALSE                 | FALSE            |
| Grays Harbor | 29                                      | 31               | 33               | FALSE                 | FALSE            |
| Island       | 20                                      | 22               | 24               | FALSE                 | FALSE            |
| Jefferson    | 8                                       | 9                | 10               | FALSE                 | FALSE            |
| King         | (60)                                    | (6)              | 48               | TRUE                  | 1.36             |
| Kitsap       | 20                                      | 27               | 35               | FALSE                 | FALSE            |
| Kittitas     | 7                                       | 8                | 9                | FALSE                 | FALSE            |
| Klickitat    | (8)                                     | (8)              | (7)              | FALSE                 | FALSE            |
| Lewis        | 11                                      | 13               | 14               | FALSE                 | FALSE            |
| Lincoln      | 8                                       | 8                | 8                | FALSE                 | FALSE            |
| Mason        | 25                                      | 27               | 29               | FALSE                 | FALSE            |
| Okanogan     | 11                                      | 12               | 14               | FALSE                 | FALSE            |
| Pacific      | 14                                      | 14               | 15               | FALSE                 | FALSE            |
| Pend Oreille | 5                                       | 6                | 7                | FALSE                 | FALSE            |
| Pierce       | (26)                                    | (2)              | 22               | FALSE                 | FALSE            |
| San Juan     | 2                                       | 3                | 3                | FALSE                 | FALSE            |
| Skagit       | 17                                      | 22               | 27               | FALSE                 | FALSE            |
| Skamania     | 2                                       | 2                | 2                | FALSE                 | FALSE            |
| Snohomish    | 79                                      | 103              | 127              | TRUE                  | 3.63             |
| Spokane      | (9)                                     | 7                | 23               | FALSE                 | FALSE            |
| Stevens      | 22                                      | 24               | 25               | FALSE                 | FALSE            |
| Thurston     | 30                                      | 38               | 47               | TRUE                  | 1.33             |
| Wahkiakum    | 3                                       | 4                | 4                | FALSE                 | FALSE            |
| Walla Walla  | 3                                       | 3                | 3                | FALSE                 | FALSE            |
| Whatcom      | 21                                      | 28               | 35               | FALSE                 | FALSE            |
| Whitman      | (10)                                    | (8)              | (7)              | FALSE                 | FALSE            |
| Yakima       | (6)                                     | (2)              | 2                | FALSE                 | FALSE            |