



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

July 21, 2020

Gary Castillo, Executive Director
Tri-Cities Chaplaincy, d/b/a Chaplaincy Healthcare
1480 Fowler Street
Richland, Washington 99352

RE: CN Application #20-11

Sent via email to GaryC@chaplaincyhealthcare.org

Dear Mr. Castillo:

We have completed review of the Certificate of Need application submitted by Tri-Cities Chaplaincy, d/b/a Chaplaincy Healthcare. The application proposes the establishment of a new hospice care center in Richland.

For the reasons stated in this evaluation, the application submitted by Tri-Cities Chaplaincy proposing to construct a new ten-bed hospice care center in Richland to replace the existing hospice care center in Kennewick is consistent with applicable criteria of the Certificate of Need Program. The approval requires agreement to the project description, conditions, and approved capital expenditure identified below.

Project Description:

This certificate approves the relocation of The Hospice House to a new site in Benton County, at 1336 Spaulding Avenue in Richland [99352].

Chaplaincy Healthcare states that the following factors will remain with the relocation.

- 10 beds (no change in the licensed bed capacity)
- Chaplaincy will operate with the same Medicare and Medicaid provider numbers
- No change in the service area
- The existing hospice care center will close once the replacement hospice care center opens

Conditions:

1. Approval of the project description as stated above. Tri-Cities Chaplaincy 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. Tri-Cities Chaplaincy will finance this project as described in the application.

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Approved Capital Expenditure:

The approved capital expenditure associated with this project is \$8,823,824, which includes costs for land purchase, construction and fixed equipment, moveable equipment, and associated fees.

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

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

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

Mailing Address:

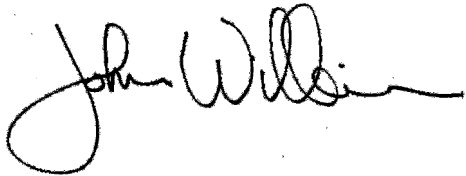
Department of Health
Certificate of Need Program
Mail Stop 47852
Olympia, WA 98504-7852

Physical Address:

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

If you have any questions, please contact the Certificate of Need Program at (360) 236-2955.

Sincerely,



John Williams, Executive Director
Office of Community Health Systems

Enclosure

EVALUATION DATED JULY 20, 2020, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY TRI-CITIES CHAPLAINCY PROPOSING TO RELOCATE THE HOSPICE HOUSE TO A NEW SITE IN RICHLAND WITHIN BENTON COUNTY

APPLICANT DESCRIPTION

Tri-Cities Chaplaincy d/b/a Chaplaincy Healthcare (Chaplaincy) is a not-for-profit provider of hospice and hospice care center services in the Tri-Cities area. In addition to the hospice care center that is the subject of this application, Chaplaincy operates a Medicare certified/Medicaid Eligible hospice agency serving Benton County, located at 1480 Fowler Street in Richland [99352]. Chaplaincy Healthcare provides hospice services to the residents of Benton and Franklin counties.

Chaplaincy Healthcare was formed in 1971 by a group of Tri-Cities area churches. The organization's goal was to provide outreach to people not being served in jails and nursing homes and people coping with the loss of a loved one. The organization incorporated in 1974 and began serving hospice patients in 1981. [source: Chaplaincy Healthcare website]

Chaplaincy Healthcare is governed by an eleven-member local board of directors.

PROJECT DESCRIPTION

Chaplaincy operates a ten-bed hospice care center known as "The Hospice House." The Hospice House is currently located at 2108 West Entiat in Kennewick [99336].

This application seeks to relocate The Hospice House in its entirety to a newly-constructed facility at 1336 Spaulding Avenue in Richland [99352]. Both the existing facility and the planned replacement facility are located in Benton County. Like the current Hospice House, the new facility will be licensed for 10 beds.

Chaplaincy submitted this application proposing to relocate The Hospice House in its entirety and provided the following description and rationale for the project. [source: Applicant's 1st screening response, p6]

"This project proposes to replace Chaplaincy's existing hospice care center (Hospice House). It does not propose any new services, any new beds or any change in service.

"Hospice House was one of the very first hospice care centers in Washington State, opening with six beds as an acute care hospital (because there was no hospice care center licensure category in Washington in 1996). In 2002, a four-bed expansion occurred. In 2002, the State adopted a hospice care center licensure category, and in 2004, Chaplaincy submitted a CN application to change Hospice House's licensure category from a hospital to a hospice care center. CN #1313 was issued on July 19, 2005. This CN was simply for the change in licensure category.

"Chaplaincy's existing Hospice House has now operated for more than 23 years at 2108 W Entiat Ave, in Kennewick (Benton County). Over the years, the Benton/Franklin community has been steadfast in its support of Hospice House, financially and otherwise. Since opening, Hospice House has served more than 17,000 patients and families, with the vast majority coming from Benton and Franklin Counties. We have also received multi-million dollars in contributions and in-kind support.

"After several years of analysis, Chaplaincy's Board and leadership has concluded that the existing Hospice House needs significant updates and improvements. Because the existing facility would need to be closed during the renovation (estimated at 10 to 12 months), and because the cost was nearly as high as new construction, it was decided that replacement was superior. Chaplaincy has acquired property at 1336 Spaulding Ave., a location approximately 5.6 miles from our current location in Kennewick. This new property is also located in Benton County.

“Upon completion of the replacement, the existing Hospice House will close.”

The estimated capital expenditure for the replacement hospice care center is \$8,823,824, which includes purchase of the land, construction and fixed equipment, moveable equipment, and other project costs. [source: Applicant’s first screening response, p15]

If this project is approved, Chaplaincy expects to obtain construction financing in July 2020, construction of the replacement hospice care center would be complete in October 2021 and it would be operational in January 2022. Under this timeline, year 2022 would be full calendar year one of operation and 2024 would be full calendar year three. [source: Applicant’s first screening response, p8]

APPLICABILITY OF CERTIFICATE OF NEED LAW

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

EVALUATION CRITERIA

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

To obtain Certificate of Need approval, an applicant must demonstrate compliance with the 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).

Specific to this project, numeric need for the hospice care beds at The Hospice House is deemed met because the hospice care center has been operational at its current site since approximately 1996 and the relocation does not include any increase in hospice care center beds.

TYPE OF REVIEW

This application was submitted during the 2019-2020 hospice care center concurrent review cycle outlined in WAC 246-310-295(3). The department did not receive any other hospice care center applications for Benton County. As allowed under WAC 246-310-295(5), the department converted the application to the regular review timeline outlined in WAC 246-310-160 which is summarized below.

APPLICATION CHRONOLOGY

Action	Chaplaincy Healthcare
Letter of Intent Submitted	June 13 2019
Application Submitted	November 27, 2019
Department’s pre-review activities <ul style="list-style-type: none"> • DOH 1st Screening Letter • Applicant's Responses Received • DOH 2nd Screening Letter • Applicant’s Supplemental Screening Responses Received 	December 12, 2019 February 6, 2020 February 28, 2020 April 13, 2020
Beginning of Review	April 21, 2020
End of Public Comment <ul style="list-style-type: none"> • No public hearing conducted and public comments accepted through end of public comment 	May 26, 2020

Action	Chaplaincy Healthcare
Rebuttal Comments Due ¹	June 5, 2020
Department's Anticipated Decision Date	July 20, 2020
Department's Actual Decision Date	July 21, 2020 ²

AFFECTED PERSONS

“Affected persons” are defined under WAC 246-310-010(2). In order to qualify as an affected person, someone must first qualify as an “interested person,” defined under WAC 246-310-010(34).

During the review of this project, no entities sought or received affected person status.

SOURCE INFORMATION REVIEWED

- Tri-Cities Chaplaincy Certificate of Need application received November 7, 2019
- Tri-Cities Chaplaincy first screening responses received February 6, 2020
- Tri-Cities Chaplaincy supplemental screening responses submitted April 13, 2020
- Department of Health Integrated Licensing and Regulatory System database [ILRS]
- Compliance history for Tri-Cities Chaplaincy obtained from the Washington State Department of Health – Office of Health Systems Oversight
- DOH Provider Credential Search website: <https://www.doh.wa.gov/pcs>
- Chaplaincy Healthcare website at <http://chaplaincyhealthcare.org>
- CMS QCOR Compliance website: https://qcor.cms.gov/index_new.jsp

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Tri-Cities Chaplaincy proposing to relocate The Hospice House in its entirety to a new site is consistent with applicable review criteria of the Certificate of Need Program, provided the applicant agrees to the following in its entirety.

Project Description:

This certificate approves the relocation of The Hospice House to a new site in Benton County, at 1336 Spaulding Avenue in Richland [99352].

Chaplaincy Healthcare states that the following factors will remain with the relocation.

- 10 beds (no change in the licensed bed capacity)
- Chaplaincy will operate with the same Medicare and Medicaid provider numbers
- No change in the service area
- The existing hospice care center will close once the replacement hospice care center opens

Conditions:

1. Approval of the project description as stated above. Tri-Cities Chaplaincy 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. Tri-Cities Chaplaincy will finance this project as described in the application.

Approved Costs:

The approved capital expenditure associated with this project is \$8,823,824, which includes costs for land purchase, construction and fixed equipment, moveable equipment, and associated fees.

¹ No public comments were received for this project, therefore no rebuttal comments were submitted.

² The release of the evaluation was delayed as a result of mandatory state furlough days.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210) Need

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that the Tri-Cities Chaplaincy application meets the applicable need criteria in WAC 246-310-210.

(1) The population served or to be served has need for the project and other services and facilities of the type proposed are not or will not be sufficiently available or accessible to meet that need.

As stated above in the Evaluation Criteria section of this evaluation, numeric need is deemed met for this project because the hospice care center has been operational at its current site for many years. The availability and accessibility review under this criterion will focus on the services proposed to be provided by the hospice care center at the new site.

Chaplaincy Healthcare

In response to this sub-criterion, the applicant provided the information that focused on the current building, as well as historical and projected patient volumes. [source: Applicant's 1st screening responses, pp6-13]

"After several years of analysis, Chaplaincy's Board and leadership has concluded that the existing Hospice House needs significant updates and improvements. Because the existing facility would need to be closed during the renovation (estimated at 10 to 12 months), and because the cost was nearly as high as new construction, it was decided that replacement was superior. Chaplaincy has acquired property at 1336 Spaulding Ave., a location approximately 5.6 miles from our current location in Kennewick. This new property is also located in Benton County.

"Upon completion of the replacement, the existing Hospice House will close.

"This project does not propose any changes to the hospice agency's support services or operations. The replacement Hospice House will, however, be located closer to the agency's administrative offices so that administrative staff time traveling to and from the Hospice House will be reduced. All existing services will continue to be provided at the replacement facility.

Utilization and market conditions

"The data presented in Table 4 shows flat hospice care center census over the past three years. There are several reasons for the flat volumes (despite local population growth), these factors include:

1) The vast majority of our hospice patients prefer to spend the end of their lives in their own homes. We have responded by increasing services, support and programming in the home to help them realize this goal. Chaplaincy views the purpose of the hospice care center as providing general inpatient care (GIP) and respite care, not routine home care. In 2019, only 4% of our hospice patients used Hospice House.

2) 73% of the days provided at Hospice House in 2019 were GIP (in lieu of hospitalization) and respite care. These stays are typically short and the overall length of stay for all patients was less than 6 days.

"There were also several market factors, unique to the greater Tri-Cities region that also served to flatten census. Specifically, the local palliative care program was without a medical director for the latter part of 2018 and much of 2019 which reduced the number of referrals. Significant and extended winter weather in early 2019 also impacted census as did a scheduled flooring project in July and August at Hospice House.

“Given that we have already adjusted programming to better support our routine home care patients, we do expect census to grow slightly again, due to the strong population growth in the service area, especially within the 65+ population. As an FYI, for the first month of 2020, Hospice House’s ADC has been over 6.0.”

Applicant’s Table

**Table 4
Chaplaincy Hospice House
Number of Patients Admitted, Patient Days, ADC and Occupancy, 2017-2019**

Year	Number of Patients Admitted at Hospice House	Number of Patient Days at Hospice House	Hospice House ADC	Occupancy
2017	409	2,186	6.0	59.9%
2018	356	2,102	5.8	57.6%
2019	366	2,087	5.7	57.2%

Source: Applicant

“Table 6 provides the estimated patients and patient days for 2020-2024. Chaplaincy assumed the following:

- Based on 4th Quarter 2019 and January 2020 actual, total 2020 patients admitted to Hospice House is assumed to be 390 at an average length of stay of 5.7 (2019 actual). This calculated to 2,223 (ADC of 6.1) patient days.
- Patients are assumed to grow by about 1.7% per year between 2020 and 2024; which is approximately one-half of the projected growth rate for the 65+ population in Benton and Franklin Counties.”

Applicant’s Table

**Table 6
Tri-Cities Chaplaincy
Hospice House
Projected Patients and Patient Days**

Year	Patients	Patient Days	ADC	Occupancy
2020	390	2,223	6.09	61%
2021	397	2,263	6.20	62%
2022	404	2,303	6.31	63%
2023	411	2,343	6.42	64%
2024	418	2,383	6.53	65%

Source: Applicant

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Chaplaincy Healthcare has been operating in Benton County for many years and provides hospice and hospice care center services to the residents of Benton and Franklin counties. Chaplaincy operates the only hospice care center in the service area.

Based on the information provided in the application, the department concludes that Chaplaincy Healthcare provided sufficient documentation to demonstrate that continued operations within Benton and Franklin Counties are responsive to community need. **This sub-criterion is met.**

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

To evaluate this sub-criterion, the department evaluates an applicant's admission policies, willingness to serve Medicare and Medicaid patients, and willingness 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 recognized that women live longer than men and therefore more likely to be on Medicare longer.

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

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 underinsured. With the passage of the Affordable Care Act in 2010, the amount of charity care decreased over time. However, with recent federal legislative changes affecting the ACA, it is uncertain whether this trend will continue.

Chaplaincy Healthcare

While the hospice care center will relocate to a new site, all policies will remain in effect. The following policies are currently used in Chaplaincy's overall operations as well as The Hospice House. [source: Application, Exhibit 2]

- Charity Care Policy – revised November 2019
- Admission to Hospice Care Policy – revised December 2017
- Non-Discrimination – undated
- Referrals to Hospice Care Policy – revised October 2015

Chaplaincy Healthcare is currently Medicare and Medicaid certified and provided the current source of revenues by payer and stated that the relocation of the hospice care center would not change the payer mix. Department's Table 1 shows the current and projected payer mix. [source: Applicant's first screening response, p7]

**Department's Table 1
Chaplaincy Hospice House Payer Mix**

Revenue Source	Current and Projected Hospice Care Center Payer Mix
Medicare	69%
Medicaid	11%
Private/Self Pay	12%
Commercial Insurance	8%
Total	100.0%

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Chaplaincy Healthcare has been providing healthcare services to the residents of Benton and Franklin counties and surrounding areas since it became licensed in 1981. The hospice care center was established in 1996. The project proposes a relocation of the hospice care center, and all services and associated policies currently used by Chaplaincy Healthcare will remain in effect.

The Admission Policy provided in the application is used to admit all patients and outlines the process for admission to Chaplaincy Healthcare's services. This policy includes the following non-discrimination language:

“Patients who meet the admission criteria are admitted to Chaplaincy Health Care regardless of race, sexual preference, age, handicap, gender, communicable disease or religion, and/or ability to pay.”

The Non-Discrimination policy ensures patients will be treated or admitted to the hospice in compliance with applicable civil rights laws:

“Chaplaincy Health Care complies with applicable Federal civil rights laws and does not discriminate on the basis of race, color, national origin, age, disability, or sex. Chaplaincy Health Care does not exclude people or treat them differently because of race, color, national origin, age, disability, or sex.”

Chaplaincy Healthcare currently provides services to both Medicare and Medicaid patients. The application does not propose to change that status. The hospice's current Medicare revenues are approximately 69% of total revenues; Medicaid revenues are currently 11%; self-pay is 12%, and commercial insurance revenues are expected to remain at 8%. Financial data provided in the application also shows both Medicare and Medicaid revenues.

Based on the information provided in the application, 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.

Department Evaluation

This sub-criterion is not applicable to this application.

- (4) The project will not have an adverse effect on health professional schools and training programs. The assessment of the conformance of a project with this criterion shall include consideration of:
 - (a) The effect of the means proposed for the delivery of health services on the clinical needs of health professional training programs in the area in which the services are to be provided.
 - (b) If proposed health services are to be available in a limited number of facilities, the extent to which the health professions schools serving the area will have access to the services for training purposes.

Department Evaluation

This sub-criterion is not applicable to this application.

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

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

Chaplaincy Healthcare

The Chaplaincy provided the following assumptions to project patient days, hospice care center utilization, and projected increases in patient volumes for The Hospice House. [source: Applicant's first screening response, p13, Appendix 6]

“Key assumptions include:

- Based on 4th Quarter 2019 and January 2020 actual, total 2020 patients admitted to Hospice House is assumed to be 390 at an average length of stay of 5.7 (2019 actual). This calculated to 2,223 (ADC of 6.1) patient days.
- Patients are assumed to grow by about 1.7% per year between 2020 and 2024; which is approximately one-half of the projected growth rate for the 65+ population in Benton and Franklin Counties.

“Volume Assumptions

Provided in Table X of the application. Details regarding assumptions were included in response to Question #X of the application.”

Chaplaincy Healthcare operates on a January 1 to December 31 fiscal year. Based on the assumptions above, the hospice care center’s utilization projections are shown in Table 2 below beginning in fiscal year 2022 through fiscal year 2024. [source: Application, p12]

**Department’s Table 2
Chaplaincy Hospice House
Projected Utilization for Years 2022 through 2024**

	FY 2022	FY 2023	FY 2024
Patient Days	2,303	2,343	2,383
Average Daily Census	6.31	6.42	6.53

The assumptions used to project revenue, expenses, and net income for Chaplaincy Healthcare for fiscal years 2023 through 2025 are below. [source: Applicant’s first screening response, p13; Appendix 6]

Revenues

1. Gross patient revenues for the projected years of 2022 through 2024 are proportionate to the increase in patient days. Gross revenue per patient day is based upon preliminary 2019 financials which includes an adjustment to revenue to the FY2020 new Medicare rates (effective 10/1/2019) for general inpatient care, respite care and routine home care. No other inflation or increases in charges were assumed.

The percentage of days by level of care was based on preliminary 2019 experience. No changes were assumed.

**Table X
Daily Rates by Level of Care and Percentage of Total Patient Days**

Level of Care	Daily Rate	% of Total Patient Days
<i>General Inpatient Care</i>	\$1,000.07	52%
<i>Inpatient Respite Care</i>	\$442.21	21%
<i>Routine Care < 61 days</i>	\$190.17	27%
<i>Routine Care > 60 Days</i>	\$150.30	0%

Source: Applicant

2. *Net patient revenue for each year of 2022 through 2024 is consistent with the reimbursement by payer contracts for preliminary 2019. The pro forma statement does not assume any increases or decreases in reimbursement. Charity care and bad debt expense are proportionately the same as the base year of 2019. Specifically, charity care is 6.5% of gross patient service revenues and bad debt is 1.7% of gross patient services revenues.*
3. *Consistent with Medicare cost reporting, a 2% adjustment has been made each year for the sequester (reduction in revenue).*
4. *Other Revenue:*
 - MD Fees: Assumed to be the same as 2019.*
 - Public support: donations to the hospice house were assumed to remain flat even though census is projected to grow slightly.*
 - Thrift Store: Chaplaincy presently operates two thrift stores and the net revenues from these two stores are used to support Hospice House. A 3rd store will be established by April 2020 in a rapidly growing area of Pasco. It will have twice the square footage of the existing thrift stores and is projected to generate a profit of \$140,000 with a full 12 months of operation. However, we have conservatively assumed no growth in net revenue between 2022 and 2024. And, it is expected that by 2022, it is expected that the three stores will have net revenues to Hospice House of 250,000.*

Expenses

5. *Salary expense corresponds to the current and proposed FTE's needed for the Hospice House. No increase in FTEs was assumed. The statement does not include any compensation increases.*
6. *Employee benefits are kept constant throughout the statement, at the same percentage of salary as 2019 or 12%.*
7. *Other personnel costs include: FICA, workers compensation and other employment costs. With no increases in staffing, no changes from 2019 were assumed.*
8. *Medical supplies: none; all patient care costs are included in 'other expenses', below.*
9. *Office supplies: held flat at 2019 costs.*
10. *Laboratory tests: none*
11. *Pharmacy: were assumed to be \$22.96 per patient day.*
12. *Medical director fees: These are for the associate medical director (who provides back up support to the medical director). 2019 amounts were held flat.*
13. *Equipment Lease & Maintenance: None*
14. *Building rent or Lease: None*
15. *Depreciation/Amortization: Increases in 2022 due to opening of replacement facility. Straight line depreciation assumed, 25 years for the building and 10 years for equipment.*
16. *Insurance: 2019 amounts were held flat.*
17. *Cost Allocations: based on a review of other hospice care center CN applications, Chaplaincy assumed 5% of expenses (excluding depreciation and interest expenses).*
18. *Utilities: utility costs were assumed to decrease by 18% based on the efficiency of the new facility.*
19. *Other operating expenses: includes telephone, postage, banking fees, non office supplies, copying/printing. 2019 amounts were held flat.*
20. *Education/Travel: this includes conference fees and travel to conferences 2019 amounts were held flat.*
21. *Hospice supplies and patient transportation: were assumed to be \$29.28 per patient day.*
22. *Interest expense: Interest expense included for construction loan. Assumes \$5.5 million; amortized over 25 years at an fixed interest rate of 3.5%.*
23. *There are no start up or opening expenses associated with the replacement hospice care center.*

“Hospice Care Center without Replacement Assumptions:

The only difference between the with and without pro forma financials are the depreciation expense and the interest expense line items. The depreciation expense assumes no additional capital investment and, therefore, no interest expense.

“Chaplaincy Consolidated Financial Statements

The combined agency financial statements (“with” and “without” the project) assume no growth in census for the agency. The only growth is associated with the hospice care center. The only change in revenue is based on the addition of the 3rd thrift store. The total revenue and associated expenses are captured in the consolidated financial statement. “

Based on the assumptions above, the Chaplaincy provided revenue and expense statements for Chaplaincy Healthcare as a whole, and separate statements for the hospice care center. The statement shows historical fiscal year 2019 and projection years 2022 through 2024. [source: Applicant’s first screening response, Exhibit 6; Applicant’s second screening response, p52] If this project is approved, full year one at the new site is 2022 and year three is 2024. Table 3 below shows projection years 2022 through 2023 for the hospice care center alone. Table 4 shows the same years for the entire hospice agency.

**Department’s Table 3
Chaplaincy Healthcare Hospice House
Revenue and Expense Statement for Fiscal Years 2022 through 2023**

	FY 2022	FY 2023	FY 2024
Net Revenue	\$1,932,088	\$1,956,144	\$1,982,190
Minus Total Expenses	\$2,124,746	\$2,121,718	\$2,118,504
Net Profit / (Loss)	(\$192,658)	(\$165,574)	(\$136,314)

**Department’s Table 4
Chaplaincy Healthcare
Revenue and Expense Statement for Fiscal Years 2022 through 2023**

	FY 2022	FY 2023	FY 2024
Net Revenue	\$14,906,949	\$14,930,739	\$14,956,493
Minus Total Expenses	\$13,993,095	\$14,001,609	\$14,009,938
Net Profit / (Loss)	\$913,854	\$929,130	\$946,556

Net revenue includes both inpatient and outpatient revenue, minus any deductions for contractual allowances, bad debt, and charity care. Total expenses include all expenses specific to the hospice care center, such as staffing, supplies, and any purchased services. This line item also includes any losses in non-operating revenue.

As shown in the table above, Chaplaincy projected that the new hospice care center will be operating at a loss for the first three years of operation at the new site

As shown in the table above, the Chaplaincy projected that the overall hospice will operate at a profit in each year after the hospice care begins operations at the new site, but the hospice care center itself will operate at a loss that decreases in each year of the projection period. Chaplaincy provided the following rationale for sustaining ongoing losses at the hospice care center in the projection years. [source: Applicant’s first screening response, p20]

“As a cost center, Hospice House does not break even from operations. As a separate cost center, it has never broken even from operations. Chaplaincy uses a part of its annual donations to subsidize Hospice House This information was also discussed with CN Program staff (January 24, 2020) and CN staff indicated that it understood the situation and that this would not be an obstacle to securing CN approval.”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

To evaluate this sub-criterion, the department first reviewed the assumptions used by the applicant to determine the projected number of patient days and patient volumes for the hospice care center. Given that the facility has been in operation for many years, the applicant relied upon historical volumes, market shares, and increases to project utilization. Using actual experience is a reliable assumption and the department concludes the assumptions used are reasonable.

For its projected revenue and expenses, the applicant also based its projections on Chaplaincy Health’s actual experience. The projected revenue and expense statement for Chaplaincy Healthcare as a whole shows revenues covering expenses through the entire projection period.

To assist in the evaluation of this sub-criterion, the department reviewed the pro forma financial statements submitted by Chaplaincy. To determine whether the hospice would meet its immediate and long range capital costs, department reviewed historical year 2019 for Chaplaincy Healthcare. The information shown in the table below. [source: Applicant’s second screening response, p54]

**Department’s Table 5
Chaplaincy Healthcare Balance Sheet for Historical Year 2019**

Assets		Liabilities	
Current Assets	\$ 3,181,119	Current Liabilities	\$ 957,125
Property/Plant/Equipment	\$ 4,523,597		
Investments	\$ 2,910,774		
		Net Assets	\$ 9,658,364
Total Assets	\$ 10,615,489,	Total Liabilities and Equity	\$ 10,615,489

The department reviewed the project’s costs compared to Chaplaincy’s various assets. That table is shown below:

**Department’s Table 6
Chaplaincy Healthcare Replacement Hospice Care Center Project**

Capital Expenditure	\$8,823,824
Percentage of Total Assets	83.12%
Percentage of Equity	91.36%

The applicant is building a completely new facility that will replace the existing hospice care center. Chaplaincy will increase its total assets by over 80% after this project is completed. This is a substantial increase in assets.

As described earlier in this evaluation, Chaplaincy will either raise the capital for the project through fundraising, or through conventional loan financing, consistent with loan documents provided during the review process. The projected financial statements for Chaplaincy are built using the “worst-case” or loan-financing option and carry the costs of servicing the debt for the new hospice care center. If the applicant’s fundraising goals are met, those costs will not be incurred and the overall hospice agency would be expected to have a greater positive margin than is projected here.

The department notes above that the hospice care center itself is expected to lose between \$192,658 and \$136,314 each year, decreasing between 14% and 18% each year. Despite this projected loss, the overall hospice agency reasonably projects an increasing positive net income, increasing at a rate of about 0.17% per year.

A hospice care center is not a stand-alone entity that can be severed from its parent organization. Only licensed hospice providers may operate a hospice care center in Washington. The finances of hospice care centers are more akin to a cost center of a hospice than a stand-alone healthcare facility. As a consequence, it is not unreasonable to approve construction of this new facility, even though the hospice care center itself is not expected to break even in the first few years. The losses projected for the hospice care center amount to between 14% and 20% of the total positive margin projected for Chaplaincy. As stated by Chaplaincy in its screening materials, the current hospice care center has never returned a positive margin, nor is it expected to. Hospice reimbursement is generally made on a per-diem basis, with no variation for the type of care provided on a particular day. As a result, hospice providers are reimbursed more than the cost of care for low-acuity patient days, and below the cost of care for high-acuity patient days, such as those spent in a hospice care center. Care provided in a hospice care center is necessarily more expensive than care provided to a patient in their own home. Consequently, it is reasonable that Chaplaincy’s proposed replacement facility may be considered financially feasible because it does not create an unreasonable decrease in the overall hospice agency’s margins.

Based on the information provided in the application, including public comments, the department concludes that Chaplaincy Healthcare provided sufficient documentation to demonstrate that the immediate and long-range operating costs of the project can be met. **This sub-criterion is met.**

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

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

Chaplaincy Healthcare

To demonstrate compliance with this sub-criterion, the applicant provided the following information. [source: Applicant’s first screening response, p6]

“After several years of analysis, Chaplaincy’s Board and leadership has concluded that the existing Hospice House needs significant updates and improvements. Because the existing facility would need to be closed during the renovation (estimated at 10 to 12 months), and because the cost was nearly as high as new construction, it was decided that replacement was superior.”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As noted earlier in this evaluation and demonstrated by the applicant’s statement above, the cost of renovating the existing facility would be nearly as high as construction of a new facility, and would likely require additional investment in the future. As a result, the project as proposed is unlikely to add a significant amount of costs to Chaplaincy that would not otherwise have been necessary to maintain the current facility.

Based on the information provided in the application, the department concludes that **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.

Chaplaincy Healthcare

The estimated capital expenditure associated with the replacement of The Hospice House is \$8,823,824. The table below shows a breakdown of those costs. [source: Applicant’s first screening response, p15]

**Department’s Table 7
Breakdown of Estimated Capital Expenditure**

Item	Cost	Percentage of Total
Land Purchase	\$596,402	6.76%
Land Improvements	\$500,000	5.67%
Construction Costs	\$5,402,168	61.22%
Moveable Equipment	\$221,050	2.51%
Architect/Engineer Fees	\$722,477	8.19%
Consulting Fees	\$177,092	2.01%
Supervision & Site Inspection	\$37,370	0.42%
Cost of financing to include construction financing	\$70,000	0.79%
Washington State Sales Tax	\$507,665	5.75%
Permits, Insurance, Inspections	\$154,100	1.75%
Fundraising Cost	\$435,500	4.94%
Total Capital Expenditure	\$8,823,824	100.0%

The applicant provided the following table showing the sources and uses of financing for the replacement hospice care center. [source: Applicant’s first screening responses, p16]

Applicant's Table

Source of Financing	Amount
a. Capital Campaign	\$1,350,000
b. Bond Issue	0
c. Commercial Loans	\$5,500,000
d. Government Loans	0
e. Grants	0
f. Bequests and Donations	0
g. Private Foundations	0
h. Accumulated Reserves	\$2,000,000
i. Internal Loans	
j. Capital Allowance	0
k. Other –	0
TOTAL (must equal the total capital expenditure)	\$8,850,000

The applicant provided the following timeline for the project. [source: Applicant's first screening response, p8]

Date to obtain construction financing	July 2020
Date to obtain the funds for the project	July 2020
Date for completion and submittal of preliminary drawings to DOH Construction Review Services	April 2020
Date for completion and submittal of final drawings to DOH Construction Review Services	July 2020
Date for completion of construction	October 2021
Date to obtain the license for the facility and begin providing services	January 2022

Focusing on the sources of financing chosen by Chaplaincy, the following information was provided. [source: Applicant's first screening response, pp16-18]

“Chaplaincy recently initiated a capital campaign for the replacement Hospice House. While we are confident that the capital campaign will raise the funds needed for this project, for purposes of this application, we are providing a conservative, “worst case scenario” that converts the \$5.5 million construction loan to permanent financing, and assumes interest and principal payments on a 25 year term loan at an interest rate of 3.5%

“As was discussed in earlier questions in this section, Chaplaincy does not expect that permanent financing or financing beyond the construction period will be necessary. However, our pro forma conservatively assumes permanent debt, and we expect to have documentation of the terms of the loan within the next 30 days.

“Included in Exhibit 5 is a letter from Bob Rosselli, Board President, documenting the commitment to use existing reserves of \$1.5 million towards the project. The audited financials in Appendix 1 demonstrate that these funds are available.

“The financing proposed by Chaplaincy was selected because:

- 1) With the exception of the loan, the capital campaign and the use of reserves do not result in any financing costs or debt to the organization. Assuming that the capital campaign is a success, no*

additional financing expenses will be needed to construct the replacement Hospice House. However, in an effort to be conservative and to be fully responsive to the December 2019 screening questions, Chaplaincy has included the costs associated with permanent financing (a term loan of \$5.5 million).

2) *We have not identified any purchase or lease options available in Benton/Franklin Counties for a Hospice House.”*

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As noted above, the applicant intends to fund this project with a variety of sources. Because Chaplaincy is depending on fundraising for a significant portion of the capital cost, and fundraising is not an assured source of funds, it built its projections around a commercial loan. Chaplaincy also provided documentation of the terms and availability of the loan option. If this project is approved, the department would attach a condition requiring the applicant to fund the project as described in the application – either using fundraising or a loan as described in the application materials.

Based on the information provided in the application, and the applicant’s agreement to the financing condition, the department concludes that **this sub-criterion is met.**

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that the Chaplaincy Healthcare application meets the applicable structure and process of care criteria in WAC 246-310-230 and associated standards.

(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 full-time equivalents (FTEs) that should be employed for projects of this type or size. Therefore, using its experience and expertise the department evaluates the applicants staffing proposal to determine the reasonableness of the availability of staff.

Chaplaincy Healthcare

In response to this sub-criterion, Chaplaincy Healthcare provided a staffing table for the hospice care center showing current and years 2022 through 2024. This approach shows the current number of staff for 2020. The Hospice House would continue to be operational at its existing site while the new facility is under construction. Chaplaincy projects the new facility to be operational at the new site beginning January 2022. The staffing table provided shows years 2022 through 2024 as three full years of operation at the new site.

Table 8 below is a recreation of the applicant’s staffing table referenced in the applicant’s screening responses as Table 8. [source: Applicant’s first screening response, p21]

Department's Table 8
The Hospice House Current and Projected FTEs

Type of FTE	Year 2020	Year 2022 Incremental	Year 20234 Incremental	Year 2024 Incremental	Total
RN/LPN	7.30	0.00	0.00	0.00	7.30
MD	0.20	0.00	0.00	0.00	0.20
CNA	7.60	0.00	0.00	0.00	7.60
Social Worker	0.75	0.00	0.00	0.00	0.75
Chaplain	0.30	0.00	0.00	0.00	0.30
Therapies (PD, OT, ST)	0.00	0.00	0.00	0.00	0.00
Volunteer Staff	2.00	0.00	0.00	0.00	2.00
Dietitian*	0.0	0.00	0.00	0.00	0.00
Chef	0.75	0.00	0.00	0.00	0.75
HCC Supervisor RN	1.00	0.00	0.00	0.00	1.00
Total	19.90	0.00	0.00	0.00	19.90

Chaplaincy Healthcare provided the following clarification about the table above. [source: Applicant's first screening responses, p23]

“As detailed in Table 8, this project does not propose the addition of any new staff. Chaplaincy enjoys longevity in staff (average length of employment is 9 years) and regularly has qualified individuals asking if there are openings.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

This section of the evaluation focuses on the staffing of the proposed project. As stated in the project description section of this evaluation, The Hospice House is currently operational and the applicant proposes to relocate the facility in its entirety to a new site in Richland. The hospice care center is licensed for 10 acute care beds and provides a variety of hospice services. The relocation of the hospice care center does not include reduction or increase in services currently provided.

As noted in the table above, no incremental FTE increases are planned. At completion, the new hospice care center is expected to use the same quantity and mix of employees as the current facility. Information provided in the application demonstrates that Chaplaincy Healthcare is a well-established provider of healthcare services in Benton and Franklin counties.

Based on the information above, the department concludes **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.*

Chaplaincy Healthcare

In response to this sub-criterion, the applicant provided the following statements. [source: Applicant's first screening response, pp23-24]

“This project proposes a replacement hospice care center. Under Washington statute only existing Medicare/Medicaid certified hospice agencies can own and operate a hospice care center. By design, hospice promotes continuity by coordinating services and managing and supporting the family.

Chaplaincy has a long and proven history of working closely with community providers throughout Benton and Franklin Counties to ensure that timely and seamless patient transitions continue to occur. A partial listing of providers is included below:

*Kadlec Medical Center
Lourdes Medical Center
Prosser Memorial Health
Trios Health
Life Care Center of Kennewick
Regency Canyon Lakes Rehabilitation and
Nursing Center
Life Care Center of Richland
Richland Rehabilitation Center
Avalon Health & Rehabilitation Center -
Pasco
Amber Hills,
Bonaventure of the Tri-Cities,
Brookdale Canyon Lakes,
Brookdale Meadow Springs,
Brookdale Richland,
Brookdale Torbett,
Callaway Gardens*

*Alzheimer’s Special Care Center,
Creekstone Care Homes, LLC,
Fieldstone Grandridge Independent and
Assisted Living,
Guardian Angel Homes (the Cottage),
Hawthorne Court,
Parkview Estates,
Prestige Assisted Living at Richland,
Rosetta Assisted Living, Fisher
Rosetta Assisted Living-Hoxie,
Rosetta Assisted Living-Olympia,
Rosetta Pasco
Royal Columbian Retirement Inn,
Ruan’s Garden,
Sun Terrace Prosser,
Three Rivers Place,
Tri-Cities Retirement Inn
Tri-Cities Cancer Center*

Additionally, we work closely with physician offices and clinics and Adult Family Homes throughout Benton and Franklin Counties. No changes to these working relationships are proposed with the replacement Hospice House.”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As previously stated, the relocation of the hospice care center does not include reduction or increase in services currently provided. Information provided in the application demonstrates that Chaplaincy Healthcare is a well-established provider of hospice services in Benton and Franklin counties. The application provided a listing of existing relationships that have been established by the hospice. The relocation of the hospice care center is not expected to change any of the existing relationships. Based on the information above, 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.³ 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.

Chaplaincy Healthcare

In response to this sub-criterion, the applicant provided the following statements. [source: Applicant’s first screening responses, p24]

“Chaplaincy is both the owner or operator. Neither Chaplaincy nor any member of our medical staff has a history with any of the above mentioned sanctions.”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public. To accomplish this task, the department reviewed the quality of care compliance history for the healthcare facilities owned, operated, or managed by the applicant. Chaplaincy Healthcare operates only its hospice, and the hospice care center is a component of that hospice agency.

Washington State Survey Data

Since year 2015, two separate surveys have been conducted and completed by Washington State surveyors. Both surveys resulted in statements of deficiencies that were resolved within the allowable timeline. As of the writing of this evaluation, Tri-Cities Chaplaincy is substantially compliant with both state and federal regulations. [source: DOH ILRS database]

The department also reviewed the survey history using the Center for Medicare and Medicaid Services Quality, Certification & Oversight Reports (QCOR) website and focused on years 2015 through 2020.

Tri-Cities Chaplaincy Survey Focus Years 2015, 2016, 2017, 2018, 2019 and 2020		
Month/Year Surveyed	Type of Survey	Citations Issued
May 11, 2016	Standard	Standard Citations Issued No Follow Up Visits
April 10, 2019	Standard	Standard Citations Issued No Follow Up Visits

³ WAC 246-310-230(5).

As noted in the table above, in 2016 and 2019 Tri-Cities Chaplaincy’s surveys resulted in standard citations. The citations focused on emergency preparedness procedures, meal services/dietary issues, and facilities/environmental issues. The citations were corrected and no follow up visits were necessary.

In addition to the facilities identified above, Chaplaincy also provide the name and credential numbers for key staff currently associated with the hospice. The department reviewed the credential history for each of the key staff shown in the table below.

**Department’s Table 9
Chaplaincy Healthcare Current Staff**

Title	Name	Designation	Credential Number
Dir. Hospice & Palliative Care	Dixie Randall	RN	RN00080561
HCC Clinical Supervisor	Meiske Millward	RN	RN60024345
Medical Director	Dr. Wayne Kohan	MD	MD00024796
RN	Alexandra Dunnagan	RN	RN60559611
RN	Alicia Joice	RN	RN60127323
RN	Anette (Ema) Hayden	RN	RN00135030
RN	April Bradley	RN	RN00159930
RN	Cassia Golden	RN	RN60103415
RN	Cindy (Cynthia) Ely	RN	RN00081764
RN	Jean Megna	RN	RN60217438
RN	Jennifer Putt	RN	RN60025240
RN	Kama Plucker	RN	RN00123736
RN	Kathy (Kathleen) Butcher	RN	RN00140586
RN	Mehgan Gray	RN	RN60809527
RN	Shelley Topham	RN	RN60668994
RN	Jaime Davis (Albertson)	RN	RN60390069
LPN	Rhonda Schafer	LPN	LP00050483
Social Worker	Kari (Karol) Almquist	MSW	CG60246808
Aide	Annie Dunlap	CNA	NC10102357
Aide	Crystal Cervantes	CNA	NC60489743
Aide	Garnet Philleo	CNA	NC60290579
Aide	Jeanna Jolley	CNA	NC60139826
Aide	Kellie Gilles	CNA	NC10086567
Aide	Lisa Paris	CNA	NC60885740
Aide	Miranda McMurtrey	CNA	NC60397498
Aide	Pamela Gustafson	CNA	NC10013362
Aide	Robert McCormick	CNA	NC60726397
Aide	Rosa Perez	CNA	NC60290480
Aide	Silvia Galatis	CNA	NC10088970

Using data from the Washington State Department of Health Office of Customer Service, the department found that all key staff have an active credential with no enforcement actions.

Given the compliance history of the facilities owned or operated by the applicant, the department concludes there is reasonable assurance that Chaplaincy Healthcare would continue to operate in conformance with applicable state and federal licensing and certification requirements after its relocation.

Given the compliance review of the identified staff the department also concludes there is reasonable assurance the healthcare services provided at the new site would continue to be provided in conformance with state and federal requirements.

Based on the information reviewed and the previously stated condition, the department concludes **this sub criterion is met.**

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

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

Chaplaincy Healthcare

In response to this sub-criterion, the applicant provided the following statements. [source: Applicant's first screening responses, p23]

"This project proposes a replacement hospice care center. Under Washington statute only existing Medicare/Medicaid certified hospice agencies can own and operate a hospice care center. By design, hospice promotes continuity by coordinating services and managing and supporting the family.

Chaplaincy has a long and proven history of working closely with community providers throughout Benton and Franklin Counties to ensure that timely and seamless patient transitions continue to occur."

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As previously stated, the relocation of the hospice care center does not include reduction or increase in services currently provided. Information provided in the application demonstrates that Chaplaincy Healthcare is a well-established provider of healthcare services in Benton and Franklin counties. The relocation of the hospice care center is not expected to result in unwarranted fragmentation of services.

For these reasons, the department concludes that approval of this project would not result in unwarranted fragmentation of services in the planning area. **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 for Chaplaincy Healthcare

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

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that the Chaplaincy Healthcare application meets the applicable need 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.

Chaplaincy Healthcare

The applicant provided the following table and accompanying text under this sub-criterion. [source: Applicant’s first screening responses, pp27-28]

*Applicant’s Table 11
Alternatives Considered*

Criteria	Option 1: Remodel at existing location	Option 2: No remodel; remain at existing location	Option 3: Relocate to another site other than the one selected
Advantages/ Disadvantages	No advantages identified. Likely more costly than new facility and very disruptive to patients as facility closed during remodel/renovation.	The advantages are no new debt and no need for a capital campaign. However, the facility is in need of upgrades; particularly extensive heating/cooling system upgrades. Without any remodel/renovation, existing infrastructure could fail; negatively impacting patient care as patients would be moved to another care setting not dedicated to hospice.	No disruption to patient care; another site doesn’t offer the staffing efficiencies to be gained by co-locating with existing hospice agency and other administrative support. The other site evaluated would have had higher capital costs (property was more expensive) and taken longer to build because streets would need to be constructed.
Impacting on operating costs to the facility	Potential to increase operating costs at the facility as repairs/renovations needed.	No increase in operating costs but systems could fail and then operating costs would increase. Admissions might be delayed or reduced; impacting access.	Decrease in operating costs with reduced utility expenses (new systems are more energy efficient).
Impact on staffing	Staff would need to be reassigned, if possible, during closure.	Existing working environment not as efficient as it should be.	Better, more efficient environment.

Criteria	Option 1: Remodel at existing location	Option 2: No remodel; remain at existing location	Option 3: Relocate to another site other than the one selected
Impact on costs to the patient	No impact on costs to patients but would result in decreased access during temporary closure. Could cause temporary increase in ED use, etc.	No impact on costs to patients but could result in decreased access if facility needed to close for repairs/maintenance.	No increase in costs to patients but would have higher operating costs due to the higher capital cost.
Legal Restrictions	None	None	None
Other	No CN required	No CN required	CN required
Reason for rejecting each option	Disruption to patient care	Potential for disruption to patient care and/or reduced access if repairs needed.	Selected location is closer to existing operations and this was determined to be superior and less costly than other site evaluated.

Source: Applicant

“The design of the replacement facility offers a better layout in terms of the nursing station and access to supplies, reducing staff travel within the facility. Oxygen and suction will be permanent in the walls, not wheeled in as needed. This reduces operating costs and also provides a better care environment for patients.

“The location of the replacement facility is about three minutes from the administrative offices of Chaplaincy. For meetings, staff travel will be reduced (currently it is about 12 minutes to the existing Hospice House). The replacement facility will require much less maintenance and therefore, lower costs for maintenance and repairs.”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

The department did not identify any alternatives that were superior in terms of efficiency or effectiveness that is available or practicable for this project. While short-term cost would be lower by doing nothing with the existing facility, it would not serve the patients, because the existing facility is in need of significant renovation. Renovations would disrupt patient care and reduce access. Renovating the existing facility would also leave those systems not affected by the renovation at risk of failure, requiring even more repairs and renovation. After reviewing the advantages and disadvantages of each option presented, the department concludes that this project is reasonable and the best available option for the service area. **This sub-criterion is met.**

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

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

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

Chaplaincy Healthcare

The applicant provided the following statements under this sub-criterion. [source: Applicant's first screening response, p28]

“As part of the planning and design process for the replacement facility, Chaplaincy is engaging in value engineering which will specifically be focused on minimizing the cost of construction without compromising the quality of the construction. This process is expected to ensure that the project is completed within budget and on time.

As noted above, the cost of construction has no impact on the costs and charges for services.”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As stated in this evaluation, documentation provided in the application demonstrates that the hospice care center is an integral part of the existing healthcare system for the Benton-Franklin service area. The department also concludes that this project is not expected to have an unreasonable impact on the costs and charges to the public. For these reasons, the department concludes **this sub-criterion is met.**

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

Chaplaincy Healthcare

The applicant provided the following statements under this sub-criterion. [source: Applicant's first screening responses, pp6-7; pp27-28]

“After several years of analysis, Chaplaincy's Board and leadership has concluded that the existing Hospice House needs significant updates and improvements. Because the existing facility would need to be closed during the renovation (estimated at 10 to 12 months), and because the cost was nearly as high as new construction, it was decided that replacement was superior. Chaplaincy has acquired property at 1336 Spaulding Ave., a location approximately 5.6 miles from our current location in Kennewick. This new property is also located in Benton County.

“No changes to the owner's overall support services and operations are proposed with this project. As noted in response to the previous question, the replacement Hospice House will be located closer to the administrative services so staff time traveling to and from the hospice care center will be reduced.

The design of the replacement facility offers a better layout in terms of the nursing station and access to supplies, reducing staff travel within the facility. Oxygen and suction will be permanent in the walls, not wheeled in as needed. This reduces operating costs and also provides a better care environment for patients.

The location of the replacement facility is about three minutes from the administrative offices of Chaplaincy. For meetings, staff travel will be reduced (currently it is about 12 minutes to the existing Hospice House). The replacement facility will require much less maintenance and therefore, lower costs for maintenance and repairs.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As stated in this evaluation, documentation provided in the application demonstrates that the hospice care center is an integral part of the existing healthcare system for Benton and Franklin counties. Focusing on new construction and equipment, staff concludes that the new hospice care center would have the ability incorporate any technology and physical plant improvements for the new hospice care center. For these reasons, the department concludes **this sub-criterion is met.**