



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

May 13, 2021

Brian Stewart, SVP, Home & Community  
PeaceHealth  
e-mail: [bstewart1@peacehealth.org](mailto:bstewart1@peacehealth.org)

RE: Certificate of Need Application #21-37 PeaceHealth

Dear Mr. Stewart:

We have completed review of the Certificate of Need application submitted by PeaceHealth proposing to establish a Medicare and Medicaid home health agency in Whatcom County. Enclosed is a written evaluation of the application.

For the reasons stated in the enclosed decision, the application is consistent with the applicable criteria of the Certificate of Need Program, provided PeaceHealth agrees to the following in its entirety.

**Project Description:**

This certificate approves the establishment of a Medicare and Medicaid certified home health agency to serve the residents of Whatcom County. The new home health agency will be located at 2980 Squalicum Parkway, #101 in Bellingham [98225], within Whatcom County. Home Health services provided for Whatcom County residents include skilled nursing, home health aide, therapies, and medical social services. Services may be provided directly or under contract.

**Conditions:**

1. Approval of the project description as stated above. PeaceHealth 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. PeaceHealth will obtain and maintain Medicare and Medicaid certification for its home health agency.
3. The approved service area for the Medicare and Medicaid certified home health services is Whatcom County. PeaceHealth must be available and accessible to residents of the entire county, regardless of age, for which the Certificate of Need is granted.

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4. Prior to providing Medicare and Medicaid home health services to the residents of Whatcom County, PeaceHealth will provide to the Certificate of Need Program the name and license number of key staff for the agency.

**Approved Costs:**

The approved capital expenditure for this project is \$48,039.

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 this e-mail address:  
[fslcon@doh.wa.gov](mailto:fslcon@doh.wa.gov).

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,



Eric Hernandez, Program Manager  
Certificate of Need  
Office of Community Health Systems

Enclosure

**EVALUATION DATED MAY 13, 2021, FOR A CERTIFICATE OF NEED APPLICATION SUBMITTED BY PEACEHEALTH PROPOSING TO ESTABLISH A MEDICARE AND MEDICAID CERTIFIED HOME HEALTH AGENCY IN WHATCOM COUNTY.**

**APPLICANT DESCRIPTION**

**PeaceHealth**

PeaceHealth is based in Vancouver, Washington and is a not-for-profit Catholic health system offering care to communities in Washington, Oregon, and Alaska. PeaceHealth has approximately 16,000 caregivers, a medical group practice with more than 1,100 providers and 10 medical centers serving both urban and rural communities throughout the Northwest. [source: PeaceHealth website]

PeaceHealth owns, operates, and manages a total of ten hospitals and four in-home service agencies in the three states.

- Alaska – one hospital and one home care agency;
- Oregon – four hospitals and one home health agency;
- Washington – five hospitals, one home care agency, and one hospice agency.

[source: Application, Exhibit 2]

For this project, PeaceHealth is the applicant and will be referenced in this evaluation as ‘PeaceHealth.’

**PROJECT DESCRIPTION**

**PeaceHealth**

With this application, PeaceHealth intends to establish a Medicare and Medicaid certified home health agency in Whatcom County. The agency will be located in a PeaceHealth-owned medical office building at 2980 Squalicum Parkway, #101 in Bellingham [98225] within Whatcom County. [source: Application, p7 and p21]

PeaceHealth provided the following description of services to be provided through the home health agency. [source: Application, p7]

*“Generally, patients to be served will be home bound and in need of intermittent medical care including skilled nursing care, physical therapy, occupational therapy, or speech language pathology services. These patients typically have had an illness or injury that restricts their ability to leave their place of residence. Patients will be referred and admitted to PeaceHealth Home Health from the hospital, other inpatient settings, other providers (i.e.: hospice) and directly from the community.”*

The estimated capital expenditure for this project is \$48,039 including moveable equipment and associated taxes. Since this project proposes to provide services from an existing office in an existing building, there are no construction costs. [source: Application, p22]

Assuming Certificate of Need approval in August 2021, PeaceHealth expects to begin providing Medicare and Medicaid home health services to residents of Whatcom County by January 2022. Under this timeline, calendar year 2022 is year one and calendar year 2024 is year three. [source: Application, p8]

**APPLICABILITY OF CERTIFICATE OF NEED LAW**

This application is subject to Certificate of Need review as the construction, establishment, or other development of a health care facility under 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 any application. WAC 246-310-200(2) provides additional direction in how the department is to make its determinations.

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.

Specific to this project, the applicant must demonstrate compliance with the criteria found in WAC 246-310-210 (need) including applicable portions of the 1987 Washington State Health plan; 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment).

**TYPE OF REVIEW**

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

**APPLICATION CHRONOLOGY**

Action	PeaceHealth
Letter of Intent Received	June 26, 2020
Application Received	December 28, 2020
Department’s pre-review activities <ul style="list-style-type: none"> <li>• DOH 1<sup>st</sup> Screening Letter Sent</li> <li>• Applicant's Responses Received</li> </ul>	January 20, 2021 March 8, 2021
Beginning of Review	March 15, 2021
No Public Hearing Conducted	None requested or conducted
End of Public Comment	April 19, 2021
Rebuttal Comments Due <sup>1</sup>	May 3, 2021
Department’s Anticipated Decision Date	June 17, 2021
Department's Actual Decision Date	May 13, 2021

**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 requested interested or affected person status.

**SOURCE INFORMATION REVIEWED**

- PeaceHealth’s Certificate of Need application received December 28, 2020
- PeaceHealth’s screening responses received March 8, 2021
- Public comment submitted on or before April 19, 2021
- 1987 Washington State Health Plan
- Office of Financial Management Population Data 2017
- Department of Health Integrated Licensing and Regulatory System database [ILRS]

<sup>1</sup> Because all public comments submitted are in support of the project, the applicant did not provide rebuttal comments.

## **SOURCE INFORMATION REVIEWED (continued)**

- Licensing and/or survey data provided by the Department of Health's Office of Health Systems Oversight
- Licensing data provided by the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service
- PeaceHealth's website: <https://www.peacehealth.org>
- CMS QCOR Compliance website: [https://qcor.cms.gov/index\\_new.jsp](https://qcor.cms.gov/index_new.jsp)
- Washington Secretary of State corporation data

## **CONCLUSION**

### **PeaceHealth**

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

### **Project Description:**

This certificate approves the establishment of a Medicare and Medicaid certified home health agency to serve the residents of Whatcom County. The new home health agency will be located at 2980 Squaticum Parkway, #101 in Bellingham [98225], within Whatcom County. Home Health services provided for Whatcom County residents include skilled nursing, home health aide, therapies, and medical social services. Services may be provided directly or under contract.

### **Conditions:**

1. Approval of the project description as stated above. PeaceHealth 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. PeaceHealth will obtain and maintain Medicare and Medicaid certification for its home health agency.
3. The approved service area for the Medicare and Medicaid certified home health services is Whatcom County. PeaceHealth must be available and accessible to residents of the entire county, regardless of age, for which the Certificate of Need is granted.
4. Prior to providing Medicare and Medicaid home health services to the residents of Whatcom County, PeaceHealth will provide to the Certificate of Need Program the name and license number of key staff for the agency.

### **Approved Costs:**

The approved capital expenditure for this project is \$48,039.

## **CRITERIA DETERMINATIONS**

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that the PeaceHealth project meets the applicable need criteria in WAC 246-310-210 and applicable portions of the 1987 Washington State Health plan.

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

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

### **Home Health Numeric Methodology-1987 Washington State Health Plan (SHP)**

The SHP methodology is a five-step process, outlined generally below, that projects the number of home health visits in a planning area. [source: SHP, pB-35]

Step one: Project the population of the planning area, broken down by age cohort

Age Cohort
0-64
65-79
80+

Step two: Project the number of home health patients

This is done by multiplying each projected population age cohort by their corresponding use rate.

Age Cohort	Use Rate
0-64	0.005
65-79	0.044
80+	0.183

Step three: Project number of patient visits

This is done by multiplying each age cohorts' number of patients by their corresponding number of visits.

Age Cohort	Use Rate	Visits
0-64	0.005	10
65-79	0.044	14
80+	0.183	21

Step four: Determine the projected home health agencies need

This is done by dividing the total projected number of visits by 10,000, which is described in the SHP as the "target minimum operating volume for a home health agency." The resulting number represents the maximum projected number of agencies needed in a planning area. The SHP states fractions are rounded down to the nearest whole number.

Step five: Subtract the existing number of home health agencies in a planning area

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

**PeaceHealth**

PeaceHealth provided a discussion of the numeric methodology and applied it based on the department’s methodology discussed above. The applicant’s numeric methodology projected net need for five agencies in Whatcom County as shown in the applicant’s table below. [source: Application, p14]

*Applicant’s Table*

**Table 6**

**Unmet Need for Home Health Agencies in Whatcom County**

Estimated Home Health Agency Gross Need	Existing Medicare Certified/Medicaid Eligible Agencies Counted in Supply	Licensed Only In-Home Care Agencies Counted in Supply	Subtract Agencies Included in Supply?	Net Need for Medicare Certified/Medicaid Eligible Agencies
7	2	0	2	5

Source: Applicant

**Public Comments**

None

**Rebuttal Comments**

None

**Department Evaluation**

The SHP methodology is a five-step process that projects the number of home health visits in a planning area. This section outlines the five-step process outlined above and applies them to Whatcom County. [source: SHP, pB-35]

**Step one: Project the population of the planning area, broken down by age cohort**

**Department’s Table 1**

**Numeric Need Methodology for Whatcom County**

**Step One – Project Planning Area Population by Age Cohort**

Age Cohort	2022	2023	2024
0-64	190,722	192,178	193,633
65-79	35,565	36,556	37,546
80+	10,229	10,816	11,403

[source: OFM "Projections of the Population by Age and Sex for Growth Management, 2017 GMA Projections - Medium Series"]

**Step two: Project the number of home health patients**

This is done by multiplying each projected population age cohort by their corresponding use rate. The table below shows this step.

**Department’s Table 2**

**Numeric Need Methodology for Whatcom County**

**Step Two – Projected Number of Home Health Patients**

Age Cohort	Use Rate	2022	2023	2024
0-64	0.005	954	961	968
65-79	0.044	1,565	1,608	1,652
80+	0.183	1,872	1,979	2,087

Step three: Project number of patient visits

This is done by multiplying each age cohorts’ number of patients by their corresponding number of visits.

**Department’s Table 3**  
**Numeric Need Methodology for Whatcom County**  
**Step Three – Projected Number of Home Health Visits**

Age Cohort	Use Rate	Visits	2022	2023	2024
0-64	0.005	10	9,536	9,609	9,682
65-79	0.044	14	21,908	22,518	23,128
80+	0.183	21	39,310	41,566	43,822
<b>Totals</b>			<b>70,754</b>	<b>73,693</b>	<b>76,632</b>

Step four: Determine the projected home health agencies needed

This is done by dividing the total projected number of visits by 10,000, which is considered the “*target minimum operating volume for a home health agency.*” The resulting number represents the maximum projected number of agencies needed in a planning area. The SHP states fractions are rounded down to the nearest whole number.

**Department’s Table 4**  
**Numeric Need Methodology for Whatcom County**  
**Step Four – Projected Number of Home Health Agencies Needed**

	2022	2023	2024
Total Number of Visits from Step 3 Table	70,754	73,693	76,632
Target Minimum Operating Volume	10,000	10,000	10,000
Number of Agencies	7.08	7.37	7.66
<b>Number of Agencies Needed</b>	<b>7</b>	<b>7</b>	<b>7</b>

Step five: Subtract the existing number of home health agencies in a planning area

The fifth and final step in the numeric methodology is to subtract the existing number of home health agencies in a planning area from the projected number of agencies needed. This results in the net number of agencies needed for the planning area. The following analysis of which agencies are sufficiently available and accessible for Whatcom County will be used in order to determine which will be counted in the supply.

The department started with a listing of licensed home health agencies that serve Whatcom County with a status of ‘active’ and listed home health as a category. This resulted in 15 total licenses.

The definition in the 1987 Washington State Health Plan for a home health agency states, “*Home health agency means an entity coordinating or providing the organized delivery of home health services. Home health services means the provision of nursing services along with at least one other therapeutic service or with a supervised home health aide service to ill or disabled persons in their residences on a part-time or intermittent basis, as approved by a physician.*” [source: SHP, pB-34] This filter did not eliminate any of the 15 licenses based on the service categories listed on each agency’s license. Therefore, 15 agencies remain.

Of the 15 agencies, two are Medicare and Medicaid certified home health agencies and 13 are considered ‘licensed only’ home health agencies. The two Medicare and Medicaid certified agencies will be counted in the supply.



For the remaining 13 ‘licensed only’ agencies, the department reviewed its internal database<sup>2</sup>, the agency’s most recent two annual CN utilization surveys (if available), and the home health agency’s public website to determine whether the agency fits the 1987 SHP definition of a home health agency. Below is a discussion of the 13 agencies with notes identifying the rationale for either including or excluding each in the numeric methodology for Whatcom County.

**Department’s Table 5  
Review of Licensed Only Agencies Serving Whatcom County Residents**

License #	Agency Name and City/County Location	Rationale for Inclusion or Exclusion
IHS.FS.00000219	A-One Home Care Everett/Snohomish	Whatcom, plus Chelan, Island, King, Skagit, & Snohomish Number of HH FTEs = 31 Services Skilled nursing & home health aide Website: includes HH services No 2019 survey completed No 2018 survey completed. <b>Summary: Excluded</b>
IHS.FS.00000227	Ashley House Federal Way/King	Whatcom, plus 38 counties Number of HH FTE = 79 Services: skilled nursing, HHA, medical social, RT Website: Residential facility located in King County 2019 Survey completed - Whatcom County not Identified as a county served No 2018 survey completed <b>Summary: Excluded</b>
IHS.FS.00000231	Avail Home Health Yakima/Yakima	Whatcom, plus 38 counties Number of HH FTE = 125 Services: skilled nursing, HHA, personal care, respite Website: focuses on private duty nursing No 2019 survey completed No 2018 survey completed <b>Summary: Excluded</b>
IHS.FS.60852239	Critical Nurse Staffing LLC Richland/Benton	Whatcom, plus 38 counties Number of HH FTEs = 45 Services: skilled nursing & home health aide Website: focuses on adults No 2019 survey completed; Whatcom County not included in counties served 2018 survey completed <b>Summary: Excluded</b>
IHS.FS.00000184	Everhome Healthcare Edmonds/Snohomish	Whatcom, plus 9 counties Number of HH FTEs = 11 Services: skilled nursing, HH aide, PT, OT, ST, Medical Social, IV, respite care Website: full range of HH services No 2019 survey completed No 2018 survey completed <b>Summary: Excluded</b>

<sup>2</sup> Integrated Licensing and Regulatory System (ILRS).

License #	Agency Name and City/County Location	Rationale for Inclusion or Exclusion
IHS.FS.60892797	Harbor Health Solutions LLC Olympia/Thurston	Whatcom, plus 17 counties Number of HH FTEs = 18 Services: skilled nursing, HH aide, PT, OT, ST, Medical Social, IV, respite care Website: Unclear No 2019 survey completed No 2018 survey completed <b>Summary: Excluded</b>
IHS.FS.60164493	Infusion Solutions Bellingham/Whatcom	Whatcom, plus 5 counties Number of HH FTEs = 10.7 Services: skilled nursing, IV DME Website: Home infusion therapy services & specialty pharmacy No 2019 survey completed No 2018 survey completed <b>Summary: Excluded</b>
IHS.FS.60670421	Nuclear Care Partners LLC Richland/Benton	Whatcom, plus 38 counties Number of HH FTEs = 39 Services: skilled nursing & HH aide Website: focuses on atomic workers No 2019 survey completed No 2018 survey completed <b>Summary: Excluded</b>
IHS.FS.60083889	Popes Kids Place Centralia/Lewis	Whatcom, plus 38 counties Number of HH FTEs = 25 Services: skilled nursing, PT, HH Aide, IV, personal care, respite care Website: focuses on pediatric only No 2019 survey completed No 2018 survey completed <b>Summary: Excluded</b>
IHS.FS.60263077	Rehab Without Walls Lynnwood/Snohomish	Whatcom, plus 11 counties Number of HH FTEs = 9 Services: skilled nursing, ST, Medical social, OT, PT Website: focuses on rehabilitation only No 2019 survey completed No 2018 survey completed <b>Summary: Excluded</b>
IHS.FS.00000096	Right At Home Seattle/King	Whatcom, plus 14 counties Number of HH FTEs = 20 Services: skilled nursing, HH aide, IV Website: focuses on senior care 2019 survey completed-Whatcom County not included as county served No 2018 survey completed <b>Summary: Excluded</b>
IHS.FS.00000097	Seattle Children's Hospital Home Care Services Bothell/King	Whatcom, plus 38 counties Number of HH FTEs = 66.02 Services: skilled nursing, DME, RT, nutritional counseling, IV services Website not found: Seattle Children's Hospital focuses on pediatric No 2019 survey completed No 2018 survey completed <b>Summary: Excluded</b>

License #	Agency Name and City/County Location	Rationale for Inclusion or Exclusion
IHS.FS.00000452	Total Care Yakima/Yakima	Whatcom, plus 38 counties Number of HH FTEs = 93 Services: skilled nursing, HH aide, personal care, respite care Website includes pediatric & adults No 2019 survey completed for Whatcom County; other counties submitted No 2018 survey completed <b>Summary: Excluded</b>

In summary, none of the 13 licensed only agencies are included in the count of available home health agencies for Whatcom County. While a number of them are providing a wide range of home health services, they were excluded for one or more of the following reasons:

- Not enough home health FTEs to serve Whatcom County from their location;
- They did not identify any Whatcom County patients served in one or more of their completed utilization surveys;
- Website includes limitations of services or type of patients served.

The table below shows the only active agencies to be counted in the supply of home health agencies serving Whatcom County are the two Medicare and Medicaid approved agencies.

**Department’s Table 6**  
**Active Agency Counted in Supply for Home Health in Whatcom County**

License #	Agency Name	Rationale for Inclusion
IHS.FS.00000089	Avamere Home Health Care, LLC	CN Approved for Whatcom County
IHS.FS.60491681	EmpPre Home Health of Bellingham	CN Approved for Whatcom County

The table below is a summary of the factors used in the department’s numeric home health methodology for Whatcom County.

**Department’s Table 7**  
**Department’s Numeric Methodology Assumptions and Data**

Assumption	Data Used
Planning Area	Whatcom County
Population Estimates and Forecasts	Age Group: 0 – 85+ OFM Population Data released year 2017, medium series: Projection Year 2024 – 242,582
Utilization by Age Cohort	Age 0-64 = 0.005 Age 65 – 79 = 0.044 Age 80+ = 0.183
Number of Visits by Age Cohort	Age 0-64 = 10 visits Age 65 – 79 = 14 visits Age 80+ = 21 visits
Existing Number of Providers	2 providers based on the preceding analysis

The next table is a summary of step five of the methodology. It includes a row with the number of existing agencies (2) that are counted in the supply and subtracted from the total number of agencies needed. The methodology and supporting data are provided in Appendix A attached to this evaluation.

**Department's Table 8**  
**Numeric Need Methodology for Whatcom County**  
**Step Five – Projected Number of Home Health Agencies Needed**

	2022	2023	2024
Total Number of Visits from Step 3 Table	70,754	73,693	76,632
Target Minimum Operating Volume	10,000	10,000	10,000
Number of Agencies	7.08	7.37	7.66
Number of Agencies Needed	7	7	7
Subtract Number of Existing Agencies	2	2	2
<b>Net Agencies Needed</b>	<b>5</b>	<b>5</b>	<b>5</b>

As shown in the preceding table, need for five additional home health providers is shown in projection year 2024. Based solely on the numeric methodology, need for an additional home health agency in Whatcom County is demonstrated in projection year 2024.

In addition to applying the numeric need methodology, the department must determine whether other services and agencies of the type proposed are not or will not be sufficiently available and accessible to meet that need.

**PeaceHealth**

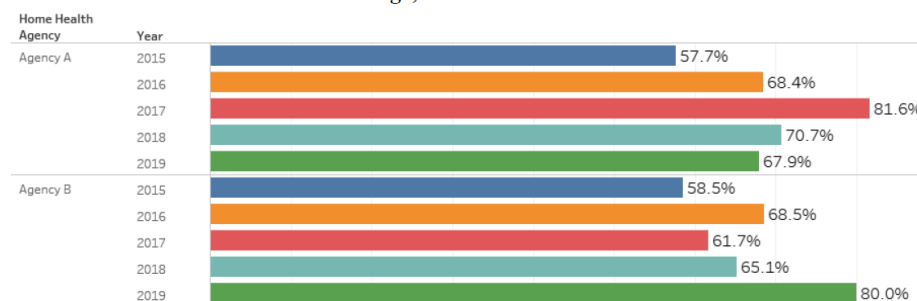
PeaceHealth provided the following statements related to these sub-criteria. [source: Application, pp17-18]

*“An insufficient supply of home health agencies restricts patient access and potentially impacts outcomes. The methodology outlined earlier in this section demonstrates need for additional home health agencies in Whatcom County.*

*PeaceHealth St. Joseph experiences higher rates of readmission within 30 days of discharge and our community has lower rates of home health use than the Statewide average. Despite having very good home health providers, and despite the fact that we enjoy very collegial relationships with these providers, there are frequent delays in care initiation. Too many patients require in the range of 48+ hours from discharge to be admitted to home health initiated and anecdotal information indicates that Medicaid recipients in our County and those living in the most rural areas are most at risk and most impacted. This fact is confirmed by data home health agencies report to CMS on the number of patients admitted within two days of referral. Nationally, 77% of patients are admitted within 48 hours. In Whatcom County, and as depicted in Chart 1, with the exception of one provider in one year, the rate is below the average.*

*Applicant's Chart*

**Chart 1**  
**Whatcom County Home Health Agencies**  
**Admission within 48 hours of Discharge, 2015-2019**



Source: Berg Data, 2020

*Further, data collected by CMS also demonstrates that Whatcom County has lower utilization per 1,000 population for both Medicare Non-Dual Eligible beneficiaries (56 admissions per 1,000 population vs. national utilization of 96; 58% of the national average) and dual eligible Medicare beneficiaries (85 admissions per 1,000 population vs. national utilization of 175; 48% of the national average)<sup>1</sup>. In terms of numbers, nearly 1,050 patients would have been served in the non dual eligible category if Whatcom County was at the national average and an additional 280 dual eligible patients could have been served.*

*Numeric need has also been identified by the methodology, but more importantly, PeaceHealth St. Joseph Medical Center and PHMG both have firsthand experience with delays and gaps for certain patient cohorts, most commonly those with Medicaid as a payer and residents of the most rural areas of the County.*

*In order to improve health outcomes, reduce readmissions and emergency room visits, lower costs and enhance equity, we have determined that establishing a home health agency would be beneficial to Whatcom County residents.*

*For all of the above reasons, this application will not result in an unnecessary duplication of services.”*

#### Public Comments

The department received public comments for this project. All comments submitted support the addition of another home health agency to serve Whatcom County. Below are excerpts of the comments.

#### Serge Lindner, MD, Chief of Primary Care, PeaceHealth Medical Group

*“I am Board Certified in Internal Medicine and Geriatric Medicine and the Chief of Primary Care at PeaceHealth Medical Group (PHMG) in Whatcom County. I also practice at the PHMG Center for Senior Health and have a strong clinical interest in the care of homebound patients. Nearly every day I encounter frail senior patients ready for discharge that have wound care, behavioral health, post-surgical and other needs that would benefit from timely home health. I am also acutely aware that the location of the patient's residence as well as their payer status currently does play a role in ability to discharge to home health. In my experience, there is a pressing need for better home health access in Whatcom County. Please accept this letter as my full support for the proposal of Peace Health Home Health to establish a home health agency.*

*An insufficient supply of home health agencies restricts patient access and potentially impacts outcomes. PeaceHealth St. Joseph experiences higher rates of readmission within 30 days of discharge and our community has lower rates of home health use than the Statewide average, in part because there are frequent delays in care initiation. This fact is confirmed by data home health agencies report to CMS on the number of patients admitted within two days of referral. Nationally, 77% of patients are admitted within 48 hours. In Whatcom County the rate is consistently below the average.*

*Further, data collected by CMS and reported in the CN application demonstrates that Whatcom County has lower utilization per 1,000 population for both Medicare Non-Dual Eligible beneficiaries and dual eligible Medicare beneficiaries compared to the national average.*

*A number of studies have shown that patients who receive home health care after being discharged from the hospital are less likely to be readmitted, and other studies show patients who receive home health care report better quality of life. A recent analysis of randomized controlled trials concluded that "a home visit within three days of discharge by a nurse can address specific health care needs related to*

*symptoms that patients experience. In addition, if the nurse performs a medication reconciliation, the number of adverse drug events can be reduced. Peace Health St. Joseph Medical Center and PHMG both have firsthand experience with delays and gaps for certain patient cohorts. In order to improve health outcomes, reduce readmissions and emergency room visits, lower costs and enhance equity, I urge approval of the Peace Health application.”*

Karla Hall, RN, CCM, Director Care Management for PeaceHealth’s Lower Northwest Network

*“I am pleased to submit this letter in support of the proposal of PeaceHealth to establish a Medicare certified/Medicaid eligible home health agency in Whatcom County. I serve as the Director of Care Management for PeaceHealth’s Lower Northwest Network, which includes Skagit and Whatcom Counties. I understand that the Department’s home health methodology identifies need for up to five additional agencies. and PeaceHealth is experiencing the impacts of the unmet need on a daily basis.*

*PeaceHealth St. Joseph runs at one of the highest midnight occupancies of any hospital in the State. To assure we have beds available for patients we work hard to assure that we have discharge plans in place for and are able to transfer patients when they are medically ready for this discharge. This is also what most patients want and expect, but we are experiencing problems with home health in several communities and for several payers. The delay in discharge impacts patients, families, and the health care delivery system in the county.*

*PeaceHealth St. Joseph Medical Center identifies, on average, about 120 patients per month whose preferred discharge is to home with home health, but we discharge only about 100 to this level of care. Our analysis documents that this is due primarily to payer, or the patient’s location of residence in the County. Specifically, our existing home health providers struggle to cover the more rural communities and set limits on the number of Medicaid patients served. In addition, PeaceHealth increasingly participates in various negotiated value-based managed care agreements, wherein patients are directly admitted to home health from the emergency department and/or provider’s office. We need timely access to home health for these individuals to be able to avoid hospitalization or extended observation in the ED.”*

John Singletary, RN, System Director of Clinical Excellence Home and Community

*“Palliative care has demonstrated a significant positive impact on the overall wellbeing of patients experiencing chronic, life-limiting illnesses, as well as their families.*

*Having palliative care services available, alongside home health and hospice, supports patients and families during times of transition, with easier access to healthcare, and promoting patient autonomy.*

*PeaceHealth palliative care does this through the compassionate services of a multidisciplinary team (providers, social workers, nurses, chaplains) who provide an extra layer of support navigating the healthcare system, advocating for patient and family needs, clarifying goals of care, providing symptom management, and assistance understanding how the patient defines quality of life. PeaceHealth palliative care then helps promote the patient’s choices for healthcare.*

*PeaceHealth palliative care makes it easier through transition of care to home health, hospice, and other community services. It can be provided in combination with home health and continue supporting the patient after home health has discontinued.*

*By combining these services, home health, palliative care, and hospice, PeaceHealth is fulfilling its mission of relieving pain and suffering and treating each person in a loving and caring way.”*

Jodi Joyce, CEO Unity Care Northwest

*“Unity Care NW is a non-profit, Federally Qualified Health Center (FQHC) providing affordable primary medical, dental, behavioral health, and pharmacy services for children and adults. We work to improve access to health care for everyone, regardless of insurance status or ability to pay. We also strive to assure high-quality health care in a respectful, coordinated, and caring manner for the whole person, the whole family, and the whole community. Today, one of every ten residents of Whatcom County receive their care at Unity Care NW.*

*This letter expresses Unity Care NW’s full support of PeaceHealth’s certificate of need application to establish home health services in Whatcom County. While Whatcom County enjoys quality home health providers, our experience is that there is a greater need for services in the more remote areas of the County and for Medicaid patients than they can provide. A significant percentage of our patients live in the more remote communities and, because of our FQHC status, most of our clients are Medicaid. These barriers can make access to home health care difficult for our patients and can delay their return to health and well-being.*

*PeaceHealth and Unity Care NW share a vision for population-based health that reduces and mitigates barriers to access. A PeaceHealth home health agency will improve access in general, meet an unmet need, and importantly, will equitably serve all payers and all corners of the County. Unity Care NW urges the Program’s timely approval of PeaceHealth’s certificate of need application.”*

Rebuttal Comments

None

Department Evaluation

PeaceHealth provided information to support the addition of another Medicare and Medicaid certified home health agency in Whatcom County. Given that there are two agencies serving Medicare and Medicaid patients in the county, patient choice could be factor for the addition of another agency.

PeaceHealth also asserted that some patients have not had access to receive timely initiation of services due to lack of certified agencies serving the county. This assertion is supported by all public comments submitted during the review.

Typically, the department reviews the number of home health visits by agencies counted in the supply against the projected number of visits to further assess availability and accessibility. Historical visit information is only available to the department through its use of annual surveys. Since there was a very limited number of completed surveys returned in recent years, even by CN-approved agencies, the department did not conduct this analysis for this project.

During the review of this project, neither of the two existing providers of Medicare and Medicaid home health services in Whatcom County provided public comments in support or opposition to the project. With no comments in opposition, the department must conclude that an additional provider for Whatcom County would not substantially affect the existing agencies.

The department concludes that the numeric methodology supports need for an additional home health agency in Whatcom County. The numeric methodology and preceding analysis demonstrate that the applicant could be approved. PeaceHealth provided reasonable rationale for its project. Based on the information above, the department concludes that the applicant demonstrated need for its proposed project and **meets this sub-criterion.**

(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 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.

### **PeaceHealth**

The applicant provided copies of the following policies and associated documents currently used at its existing home health agencies in Alaska, Oregon, and its hospice agency in Washington. These policies and documents would continue to be used to provide services at the new Whatcom County home health agency. [source: Application, Exhibit 4 and March 8, 2021, screening response, Attachment 2]

- Admission Policy, including the Admission Criteria and Process – Policy Number 403.129.7
- Non-Discrimination Policy – Policy Number 900.1.399
- Financial Assistance (Charity Care) Policy – Policy Number 900.1.262

The existing Admission Policy includes the following statement.

*“The purpose of this procedure is to establish a standard process by which a patient is assessed for eligibility and admitted to Home Health services.”*

The existing Non-Discrimination Policy includes the following statement.

*“The purpose of this policy is to ensure that all PeaceHealth Patients and visitors are treated in a welcoming, equitable and nondiscriminatory manner, consistent with applicable federal and state laws.*

*It is the policy of PeaceHealth, a recipient of federal financial assistance, that Patients are provided with equitable services in a manner that respects, protects, and promotes Patient rights. PeaceHealth does not exclude, deny benefits to, or otherwise discriminate against any person on the basis of age, color, creed, disability, ethnicity, gender, gender identity or expression, marital status, national origin, race, religion, sex, sexual orientation, veteran or military status or any other basis prohibited by federal or state law. This applies in admission to, participation in, or receipt of the services and benefits under*



*any of its programs and activities, whether carried out by PeaceHealth directly or through a contractor or any other entity with which PeaceHealth arranges to carry out its programs and activities.*

*This statement is in accordance with the provisions of Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, Section 1557 of the Patient Protection and Affordable Care Act of 2010, and Regulations of the U.S. Department of Health and Human Services issued pursuant to these statutes at Title 45 Code of Federal Regulations Parts 80, 84, 91, and 92.”*

The Non-Discrimination Policy also provides the process one would use to file a complaint or grievance related to discrimination.

The Financial Assistance or Charity Care Policy provided is currently in use and includes the following statement.

*“The purpose of this policy is to provide information about Financial Assistance programs offered by PeaceHealth that assist guarantors, provide patients with medical management, and support the financial stability of PeaceHealth.”*

During the review of this project, PeaceHealth provided the following statements regarding the new agency’s availability and accessibility to all residents of Whatcom County. [source: Application, p19 and March 8, 2021, screening response, p2]

*“PeaceHealth Home Health will be available and accessible to residents residing throughout the entirety of Whatcom County.*

*PeaceHealth will serve pediatric patients as needed. While PeaceHealth expects that the majority of patients to be served are age 18 and over, in our hiring we will recruit staff that also have expertise in serving pediatric patients so that we can assure that the agency will be able to provide services to any age group.*

*Systemwide, PeaceHealth’s current Community Health Needs Assessments (CHNA) serve as a north star. What we know is that many PeaceHealth patients throughout our three-state delivery system lack support systems. In Whatcom County, we have identified an opportunity gap referred to as going **beyond the walls of the hospital and deeper into our communities**; going to where the people are. While much of the focus of these efforts around this opportunity gap are focused on social, economic, and behavioral factors that impact health, we have learned that going beyond the walls of the hospital is especially important as patients leave our direct care and return home, managing their own health.*

*Our vision, “To provide safe, evidence-based, compassionate care every time, every touch,” also guides our actions. Access to essential health care is a fundamental right. PeaceHealth champions the well-being of all persons without regard to age, gender, health status, creed, sexual orientation, culture, race, ethnicity, or economic, immigration, or employment status. This is part of our statement of common values. PeaceHealth’s existing Non-Discrimination Policy will be used for PeaceHealth Home Health, and a copy is provided in Exhibit 4.*

*In addition, PeaceHealth will provide health care regardless of ability to pay. In support of this, PeaceHealth Home Health will use the existing PeaceHealth charity care policy, referred to as Bridge Assistance. Bridge Assistance is available for patients whose adjusted gross income for federal poverty level falls at or below 400% of the current federal poverty level. According to 2016-2018 charity care data produced by the Department (the latest data currently available), the three-year charity care*

average for the Puget Sound region, the region that includes Whatcom County, was 1.21% of total revenue and 3.61% of adjusted revenue. PeaceHealth St. Joseph Medical Center was below the regional average of charity care at the total revenue percentage (1.08%) and slightly above of adjusted revenue (3.67%). Home Health has budgeted higher at 2.0% of total revenue.”

In Washington State, PeaceHealth currently provides Medicare and Medicaid home health services to Clark County residents and Medicare and Medicaid hospice services Whatcom County residents. For this project, the applicant submitted its projected sources of revenue (which includes Medicare and Medicaid) by payer for the new Whatcom County home health agency based on its current operations in the state. The projected payer mix is shown below. [source: Application, Exhibit 5]

**Department’s Table 9  
PeaceHealth HHA  
Projected Revenue Percentages by Payer for Year Three**

Revenue Source	Whatcom County
Medicare/ Medicare Advantage	81.3%
Medicaid/Medicaid Managed Care	9.9%
Commercial	8.5%
Government/Worker’s Compensation	0.2%
Self Pay	0.1%
<b>Total</b>	<b>100.0%</b>

Public Comments

None

Rebuttal Comments

None

**Department Evaluation**

For this project, PeaceHealth provided the Admission Policy that is currently used at its home health agencies in Alaska, Oregon, and Washington and hospice agency in Washington State. The Admission Policy describes the process and criteria PeaceHealth will use to admit a patient for home health services in Whatcom County.

PeaceHealth also provided a copy of its Non-Discrimination Policy used in conjunction with its Admission Policy referenced above. This policy includes the language ensuring the home health agency would accept patients based on need for services. The Non-Discrimination Policy also provides the process one would use to file a complaint or grievance related to discrimination.

PeaceHealth provided a copy of the Financial Assistance or Charity Care Policy used for its hospitals and in-home service agencies in Washington State. This is the policy that would also be used for the new home health agency in Whatcom County. The policy provides the circumstances that a patient may qualify for charity care and the process to be used to access the charity care. The pro forma financial statements provided by PeaceHealth also include a charity care line item as a deduction from revenue.

To further demonstrate compliance with this review criteria, the applicant provided its projected sources of revenue percentages for years 2022 through 2024. While all four years were provided by the applicant, only year three is shown in Table 9 above.

After reviewing the information provided, the department concludes that the new agency would be available and accessible to all residents of Whatcom County. **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**

The criteria under WAC 246-310-210(3), (4), and (5) do not apply to this application.

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that the PeaceHealth project 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 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>3</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.

As a part of its review, the department must determine that a project is financially feasible – not just as a stand-alone entity, but also as an addition to its own existing operations, if applicable. To complete its review, the department may request an applicant to provide projected financial information for the parent corporation if the proposed agency would be operated under the parent.

### **PeaceHealth**

This project proposes to establish a Medicare and Medicaid home health agency within Whatcom County. The applicant provided the assumptions used to determine the projected number of patients and visits for the new agency. These assumptions are restated below. [source: Application, pp15-17]

- *Services commence in January 2022.*
- *An average of 15 visits per patient episode were assumed based on PeaceHealth's home health experience in other communities. PHMG also conservatively assumed that each patient has only one episode.*
- *The following distribution of visits by discipline was assumed based on PeaceHealth's experience in other communities:*
  - *Skilled Nursing: 55%*
  - *Physical Therapy: 28%*
  - *Occupational Therapy: 9%*
  - *Speech Therapy: 2%*
  - *Social Work: 1%*
  - *Home Health Aides: 5%*

*As noted in Table 7, PeaceHealth Home Health is expecting to provide 9,000 visits in 2022 (first year of operation); growing to 14,400 by 2024 (the 3rd full year of operation). PeaceHealth Home Health used the following assumptions to estimate utilization:*

- *The SHP methodology conservatively projects growth of about 4% annually, or about 3,000 visits each year. PeaceHealth Home Health assumes it will realize about 50% of the volume growth each year.*
- *PeaceHealth St. Joseph Medical Center identifies, on average, about 120 patients per month needing home health at discharge, but we consistently discharge only about 100 to this level of care (due to payer, patient's location of residence in the County, and delays in initiating care or patient, family or provider choosing another discharge option). We are assuming that 75% of the 20 underserved patients per month will choose PeaceHealth Home Health services in Year 1. We estimate this percentage will increase to 80% in Year 2 and 85% in Year 3. While hospital discharge volume has been increasing, we have conservatively not assumed any growth in the volume of these patients.*

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<sup>3</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 decide on loans it might make to the company. Stock investors use these statements to determine whether the company represents a good investment.

- Given our growing and active participation in various negotiated value-based managed care agreements, we assume significant growth in the number of patients that will be “community admits” or directly admitted to home health from the emergency department and/or provider’s office. In Year 1, we conservatively assumed on average, 5.25 patients per week will be admitted from the community. In Year 2, this is assumed to increase to 7.5 patients per week and to 10.5 patients per week in Year 3. Note: these volumes are not in the SHP methodology because they represent a category of patients that, at the time the methodology was developed, were generally not eligible for the Medicare home health benefit.
- Finally, it was assumed that a small number of patients would be admitted from other community providers, including hospitals outside of the County returning residents for post-hospitalization as well as referrals from hospice, long-term care, specialty clinics, etc. The assumption is 5 patients per week in Year 1 (1.25 patients/week), 8.25 patients per month (about 2 patients/week) in Year 2 and 9 patients per month (2.25 patients/week) in Year 3. Table 8 provides the detail.

*Applicant’s Table*

**Table 8**

**PeaceHealth Home Health Visit Assumptions, 2022-2024**

<b>Assumption</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Incremental Visits per SHP.	2,742	2,919	3,124
Incremental Visits to PeaceHealth Home Health at 25% in 2022; increasing to 50% in 2023 and 2024	1,297	1,460	1,562
PH SJ discharges (20/month * 75% *15 visits/patient); increases to 80% in 2023 and 85% in 2024)	2,700	2,880	3,060
Direct Admits/ED provider office	4,095 (5.25 patients/month* 12 months * 15 visits/patient))	5,850 (7.5 patients/month* 12 months * 15 visits/patient))	8,190 (10.5 patients/month* 12 months * 15 visits/patient))
Other Sources	900 (5 patients/month* 12 months * 15 visits/patient))	1,485 (8.25 patients/month* 12 months * 15 visits/patient))	1,620 (9 patients/month* 12 months * 15 visits/patient))
<b>Total Visits</b>	<b>8,992</b>	<b>11,675</b>	<b>14,432</b>
<b>Rounded for Pro Formas to nearest 100</b>	<b>9,000</b>	<b>11,700</b>	<b>14,400</b>

*Source: Applicant*

PeaceHealth provided the following statements and tables used to determine its revenue and expenses for the new Whatcom County agency. [source: Application, pp58-59]

**Revenue:**

*Revenue is based on existing PeaceHealth home health operations and includes the following payer mix:*

*Applicant's Table*

Payer	Percentage of Revenue
Medicare/Medicare Advantage	81.3%
Medicaid/Medicaid Managed Care	9.9%
Commercial	8.5%
Government/Worker's Comp	0.2%
Self-Pay	0.1%
<b>Total</b>	<b>100.0%</b>

*Contractual Adjustments*

- *Contractual adjustments were based on existing PeaceHealth Home Health (PeaceHealth Southwest) and were assumed to be: 28.1%.*
- *Charity care: Assumed to be 2.0% of gross charges.*
- *Bad Debt: Assumed to be 0.5% of gross charges.*

***Expenses:***

- *Staffing ratios based on existing PeaceHealth home health operations and estimated and the following FTEs by discipline are projected. Salaries included in Table 12. Benefits assumed to be 26.2% of salaries and wages.*
- *Medical supplies: expense based on existing PeaceHealth home health operations and assumed to be \$3.45 per visit.*
- *Supplies and non Medical Equipment: expense based on existing PeaceHealth home health operations and assumed to be \$0.51 per visit.*
- *Answering Service: assumed to be \$500 per month and is based on existing PeaceHealth home health operations.*
- *Non-clinical purchased services include coding services, and is estimated to be \$5,000 per year based on existing PeaceHealth home health operations.*
- *Travel: Expense based on existing PeaceHealth home health operations and assumed to be assumed to be \$11.29 per visit.*
- *Utilities: is assumed to be \$11,287 per year and is based on PeaceHealth's past experience and billing for this space.*
- *Dues and Subscriptions: Expense based on existing PeaceHealth home health operations and assumed to be assumed to be \$5,000 per year. It is for membership in the homecare association.*
- *Other Misc Expenses: this includes Office Supplies and Computer Equipment. It is assumed to be \$5,000 per year based on existing PeaceHealth home health operations.*
- *Start up costs are estimated at \$101,077. These costs include staffing pre-opening and marketing costs.*
- *Allocated Overhead: is PeaceHealth allocated overhead and is assumed to be 6.9% of gross revenue.*

PeaceHealth provided its Whatcom County revenue and expense statement showing the first three years of operation for the new home health agency. The table on the following page shows full years 2022 through 2024. [source: March 8, 2021, screening response, Attachment 1]

**Department's Table 10**  
**PeaceHealth Home Health Agency**  
**Revenue and Expense Statement for Projected Years 2022 through 2024**

	<b>Year 1-2022</b>	<b>Year 2-2023</b>	<b>Year 3-2024</b>
Net Revenue	\$1,632,817	\$2,122,485	\$2,612,508
Total Expenses	\$1,572,437	\$2,018,638	\$2,377,003
<b>Net Profit / (Loss)</b>	<b>\$60,380</b>	<b>\$103,847</b>	<b>\$235,505</b>

PeaceHealth clarified that it does not create balance sheets at the specific home health agency level, however, the applicant created a specific Whatcom County only pro forma balance sheet for this review. A summary of the balance sheet is below. [source: March 8, 2021, screening response, Attachment 1]

**Department's Table 11**  
**PeaceHealth Home Health Agency Whatcom County**  
**Projected Balance Sheet for Years 2022 through 2024**

<b>Assets</b>	<b>Year 1-2022</b>	<b>Year 2-2023</b>	<b>Year 3-2024</b>
Current Assets	\$92,353	\$217,923	\$472,118
Property & Equipment	\$0	\$0	\$0
Other Assets	\$0	\$0	\$0
<b>Total Assets</b>	<b>\$92,353</b>	<b>\$217,923</b>	<b>\$472,118</b>
<b>Liabilities</b>	<b>Year 1-2022</b>	<b>Year 2-2023</b>	<b>Year 3-2024</b>
Current Liabilities	\$80,010	\$101,732	\$120,421
Long Term Liabilities	\$0	\$0	\$0
Total Capital	\$12,343	\$116,191	\$351,696
<b>Total Liabilities &amp; Capital</b>	<b>\$92,353</b>	<b>\$217,923</b>	<b>\$472,117</b>

Note: Numbers may not add exactly due to rounding.

Public Comments

None

Rebuttal Comments

None

**Department Evaluation**

Utilization Assumptions

An applicant's utilization assumptions are the foundation for the financial review under this sub-criterion. The department first reviewed the assumptions used by PeaceHealth to determine the projected number of patients and visits by discipline for the Whatcom County agency. PeaceHealth currently operates in home service agencies in Alaska, Oregon, and Washington and relied on its experience and expertise in these states to project its number of visits by discipline. The new agency is expected to be operational in January 2022, therefore, three full years of operation for the new agency are 2022 through 2024. The department concludes that PeaceHealth's utilization assumptions are reasonable for Whatcom County.

### Pro Forma Financial Statements

The applicant provided pro forma financial statements, including its revenue and expense statements and balance sheets to allow the department to evaluate the financial viability of the proposal. Again, PeaceHealth relied on its experience and expertise to determine expenses for Whatcom County services.

The new agency will be located within an existing PeaceHealth-owned medical office building in Bellingham. PeaceHealth states that it does not develop internal leases between its own entities and no costs will be assigned or otherwise allocated to the new home health agency. PeaceHealth provided documentation that it owns the site.

Further, no medical director agreement will be established for the new home health agency, therefore, PeaceHealth provided a copy of the job description for the medical director. The job description outlines roles and responsibilities for both the medical director and PeaceHealth. The medical director position is compensated and the annual costs for medical director services are identified in the assumptions above and substantiated in the pro forma Revenue and Expense Statement.

The department also reviewed the projected balance sheets provided for the Whatcom County agency. It is noted that PeaceHealth does not intend to operate the agency separate from its other services; therefore, the Whatcom County balance sheet was created specifically for this project. The department notes that the balance sheets for Whatcom County are in line for the smaller operations.

In summary, based on the information above, the department concludes that 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.

### PeaceHealth

The applicant projects an estimated capital expenditure of \$48,039 to establish Medicare and Medicaid certified home health services in Whatcom County. The capital expenditure is solely related to furniture and equipment. PeaceHealth also identified approximately \$101,077 for start-up costs to cover pre-opening and marketing expenses. The applicant, PeaceHealth, is responsible for both capital expenditure and start-up costs for the new agency. [source: Application, p22]

Within the application, PeaceHealth stated that there would be no impact on costs and charges and provided the following rationale for this assertion. [source: Application, p23]

*“The capital costs for the project are very small and are solely minor equipment related. These costs will not affect any rate setting, and many payers reimburse based on a fixed schedule.*

*Home health has been demonstrated to provide a lower cost alternative to hospital and other post-acute care settings. And, because of the one to one care delivery, it can support a greater sense of autonomy for patients and for the care provider. Further, and in today's COVID environment, many patients prefer to receive care at home and to remain in their own homes as long as possible. As a result, it is expected that demand for home health will continue to grow and that some payers may also consider expanding the home health benefit.*



*Data has also shown that home health can reduce the likelihood of hospital readmissions by as much as 25% through an integrated continuum of care within a health system. PeaceHealth expects to achieve enhanced continuity in Whatcom County with this service addition. It is anticipated that for those that select PeaceHealth Home Health, better coordination of care, better transition of care and regular monitoring, will result in fewer readmissions and faster return to health.*

*Finally, PeaceHealth St. Joseph is the only acute care hospital located in Whatcom County. It operates at one of the highest average midnight census levels of any non-specialty acute hospitals in the State, and occupancy continues to increase (15% between 2015 and 2019). Overall midnight occupancy pre-COVID, in Q1 2020 was 79%.*

*The Governor's Proclamation #20-24.1 dated May 18, 2020, limits inpatient census to 80% of available (defined as licensed and staffed beds) capacity. The intent of the Proclamation is to assure timely surge capacity. This Proclamation means that PeaceHealth St. Joseph is effectively "at capacity". When patients cannot be admitted or discharged timely (because of a lack of post-acute options) or readmissions are too high, the entirety of the care delivery system is impacted because: patients wait longer for care, patient dissatisfaction is increased, outcomes are potentially impacted, and costs increase."*

#### Public Comments

None

#### Rebuttal Comments

None

#### Department Evaluation

Given that the new home health agency would be located within space at a PeaceHealth-owned building, only furniture and equipment are required. There is no construction required. The department concludes that the estimated capital expenditure of \$48,039 is reasonable.

Focusing on start-up costs, PeaceHealth estimated approximately \$101,077 would be needed to cover expenses prior to operations and reimbursement revenues. PeaceHealth submitted a letter of commitment for funding of both the capital expenditure and any start-up costs necessary.

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 home health care. For this project, PeaceHealth anticipates Medicare patients would be approximately 81% of the Whatcom County agency. 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 the completion of this project as proposed. Medicaid and commercial revenue will make up the majority of the remaining 19% of revenue for the agency.

Based on the information above, the department concludes that 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 for the Whatcom County agency. **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.

**PeaceHealth**

As previously stated, the estimated capital expenditure for this project is estimated at \$48,039 and start-up costs are estimated at \$101,077. All costs will be funded by PeaceHealth. Since the new agency would be located within a PeaceHealth-owned medical office building in Bellingham, there are no construction costs. [source: Application, p21]

PeaceHealth operates home health or hospice agencies in Clark and Whatcom counties and determined the capital expenditures necessary for this project using its experience and expertise of establishing home health agencies in Washington State.

The applicant provided a letter signed by the Executive Vice President and Chief Financial and Growth Officer to demonstrate a financial commitment to the project. The letter assures that the funds are available. [source: Application, Exhibit 7]

To further demonstrate compliance with this sub-criterion, PeaceHealth also provided its historical audited financial statements for fiscal year July 2019 through June 2020.

Public Comments

None

Rebuttal Comments

None

**Department Evaluation**

PeaceHealth provided a reasonable explanation of its estimated capital costs and the rationale for no construction costs for the establishment of a Medicare and Medicaid home health agency in Whatcom County.

PeaceHealth provided a letter of financial commitment as required for this sub-criterion. If this project is approved, the department would attach a condition to ensure the project would be financed as described in the application.

PeaceHealth also provided its audited financial statement for fiscal years 2019 and 2020. The historical statement shows \$4,517,473 in total assets for PeaceHealth, and of that amount, \$420,908 is cash or cash equivalents. Given that the combined capital expenditure and start-up costs for this project is \$149,116, the audited statements demonstrate that PeaceHealth has the financial health to fund this project.

Based on the information provided, the department concludes that with written agreement to the condition in the conclusion section of this evaluation, the PeaceHealth project **meets this sub-criterion**.

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

Based on the source information reviewed and the applicant’s agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that the PeaceHealth project meets 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 area would allow for the required coverage.

**PeaceHealth**

As previously stated, the applicant proposes to establish a new Medicare and Medicaid certified home health agency in Whatcom County. PeaceHealth expects the new agency to be operational by January 2022. To demonstrate that the new services would be appropriately staffed, PeaceHealth provided a table showing proposed staff, broken down by type, for the Whatcom County agency. Based on the timeline stated above, the table below shows full years 2022 through 2024. [source: Application, p8 and March 8, 2021, screening response, pp3-4]

**Department’s Table 12  
PeaceHealth Home Health Agency Proposed FTEs for Years 2022 - 2024**

<b>Staff</b>	<b>Year 1- 2022</b>	<b>Year 2-2023 Increase</b>	<b>Year 3-2024 Increase</b>	<b>Total Staff</b>
Nursing	4.05	0.85	1.10	<b>6.00</b>
Physical Therapists	2.00	0.60	0.60	<b>3.20</b>
Occupational Therapists	0.70	0.20	0.20	<b>1.10</b>
Speech Therapists	0.20	0.00	0.10	<b>0.30</b>
Medical Social Worker	0.10	0.00	0.10	<b>0.20</b>
Home Health Aide	0.30	0.10	0.10	<b>0.50</b>
Assistant Nurse Manager	0.00	1.00	0.00	<b>1.00</b>
Manager Home Care Service	1.00	0.00	0.00	<b>1.00</b>
Office Manager	1.00	0.00	0.00	<b>1.00</b>
Medical Director	0.20	0.00	0.00	<b>0.20</b>
<b>Total FTEs</b>	<b>9.55</b>	<b>2.75</b>	<b>2.20</b>	<b>14.50</b>

PeaceHealth noted in the application that its proposed medical director is an employee and is included in the table above.

The applicant provided the following statements regarding its assumptions used use to project the number and type of FTEs identified above. [source: Application, p27]

*“PHMG based staffing on PeaceHealth’s actual experience operating other home health agencies. PHMG ratios are in line with PeaceHealth best practices and are within range of national productivity data by discipline.*

*As noted in response to the previous question, PHM based the staffing assumptions on PeaceHealth’s home health operations in other communities. PeaceHealth consistently reviews its staffing ratios to assure that they are more than adequate for the needs of the patient. This process will be followed in*

*Whatcom County to ensure that the staffing is sufficient for both the number of patients as well as the number and types of visits projected.”*

Focusing on recruitment and retention of staff strategies, PeaceHealth provided the following statements. [source: Application, p28]

*“PeaceHealth relies on local management in conjunction with our talent acquisition team to recruit qualified staff. Requisitions are prepared for talent acquisition review, and talent acquisition works with local management to develop a recruiting strategy for each vacancy.*

*Talent acquisition utilizes various means to identify candidates including current employee referrals, online advertisements, social media postings, and community open house events. When positions prove hard to fill, employee sign on bonuses are utilized to increase the number of candidates. PeaceHealth also utilizes traveling staff as needed to meet census peaks. PeaceHealth will employ similar strategies to recruit home health staff.”*

#### Public Comments

None

#### Rebuttal Comments

None

#### Department Evaluation

PeaceHealth relied on its experience and expertise in in Alaska, Oregon, and Washington, along with national standards, to determine its staffing needs and ratios. The ratios are reasonable and consistent with data provided in past home health applications reviewed by the program. This approach is practical for a new agency.

PeaceHealth provided the number of anticipated FTEs to serve Whatcom County residents. As shown in the staffing table above, PeaceHealth expects to establish the majority of its staff in year one (2022) and increase staff in years 2023 and 2024 to account for the increase in visits for the new agency. This approach is both reasonable and prudent.

As an existing provider of healthcare services in Washington State, PeaceHealth intends to use its existing recruitment and retention strategies that have proven successful in the past. The strategies identified by PeaceHealth are consistent with those of other applicants reviewed and approved by the department.

PeaceHealth has identified its medical director for the new agency. Given that all other staff for the new agency have not yet been recruited, PeaceHealth provided the following description of its planned recruitment efforts. [source: Application, p27]

*“Key staff have not yet been recruited. PHMG anticipates that it will begin recruiting staff following CN approval and will have some staff in place by the 4<sup>th</sup> quarter of 2021 (3 months prior to opening).”*

Information provided in the application demonstrates that PeaceHealth is an established provider of healthcare services in Washington State, although its home health agency will be new in Whatcom County. Based on the above information, the department concludes that PeaceHealth 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.

### **PeaceHealth**

PeaceHealth provided the following statements related to this sub-criterion. [source: Application, pp29-30]

*"PeaceHealth has been in Whatcom County since 1890 and enjoys long and supportive working relationships with all existing health care providers. Specific to home health, PeaceHealth Home Health will engage with the hospital, clinics, hospice, nursing homes, assisted living, adult family homes, palliative care service providers as well as the existing home health and home care agencies.*

*PeaceHealth Home Health will build on PeaceHealth's existing relationships with other entities in Whatcom County. PeaceHealth Home Health will also expand any relationships as needed."*

In addition to the information provided above, PeaceHealth provided the following information on its intended hours of operation. [source: Application, p28]

*"PeaceHealth Home Health's business hours will be Monday through Friday from 8:00 a.m. to 5:00 p.m. Staff will be on call 24 hours per day to support patients and families with urgent health care needs."*

### **Public Comments**

None

### **Rebuttal Comments**

None

### **Department Evaluation**

The applicant is currently providing Medicare and Medicaid certified hospice services in Whatcom County and this project proposes to establish a Medicare and Medicaid certified home health services in the county.

Information provided in the application demonstrates that the applicant has the experience and expertise to establish another in-home service agency. Further, PeaceHealth demonstrated it has the ability to establish any new relationships necessary for the home health agency. Based on the information reviewed in the application, the department concludes PeaceHealth **meets this sub-criterion**.

- (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>4</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.

### **PeaceHealth**

In response to this sub-criterion, PeaceHealth provided the following statements. [source: Application, pp30-31]

*“Neither PeaceHealth, PHMG nor the proposed medical director has any history with respect to the items noted in Q17.*

*Based on our conversations with CN staff, we understand that they intend to use QCOR and other CMS data and is specifically looking for the applicant to describe any previous condition level findings and resolutions. Neither PHMG nor PeaceHealth nor any of the agencies or facilities operated by PeaceHealth have any consistent pattern of condition level negative findings.”*

The proposed medical director is an employee, rather than under contract, PeaceHealth provided a copy of the medical director job description. Given that the home health agency would be a new agency in Whatcom County, other key staff have not yet been recruited. [source: Application, Exhibit 8]

PeaceHealth provided the following statements regarding assessment of customer satisfaction and quality improvement for the new home health agency. [source: Application, p28]

*“PeaceHealth Home Health is not an existing agency. However, other PeaceHealth home health agencies have a documented method for assessing customer satisfaction and making improvements based on the findings. PeaceHealth has recently implemented several quality initiatives aimed at improving timely access to care. These same initiatives will be employed in the new home health agency.*

*Specifically, the Health Home and Community Care Quality Assurance and Performance Improvement (QAPI) Committee meets quarterly to review all quality data associated with customer satisfaction and clinical performance improvement indicators and to review it to previously established targets. After the data is reviewed, QAPI initiatives are developed and implemented to address any customer satisfaction and clinical performance shortcomings. In addition, these QAPI initiatives are monitored until the indicators meets the quality standard target threshold identified by the QAPI committee. We expect to use a similar process at PeaceHealth Home Health.”*

PeaceHealth also provided a listing of all healthcare facilities owned, operated, or managed by them throughout the nation. [source: Application, Exhibit 2]

### **Public Comments**

None

### **Rebuttal Comments**

None

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<sup>4</sup> WAC 246-310-230(5).

## **Department Evaluation**

As a 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.<sup>5</sup> For this project, the department reviews two different areas when evaluating this sub-criterion. One is a review of the Centers for Medicare and Medicaid Services (CMS) “Terminated Provider Counts Report” covering years 2018 through 2021. The department uses this report to identify agencies that were involuntarily terminated from participation in Medicare reimbursement.

The department also reviews an applicant’s conformance with Medicare and Medicaid standards in all states, with a focus on Washington State facilities. The department uses the CMS ‘Survey Activity Report’ to identify Washington State facilities with a history of condition level findings. For CMS surveys, there are two levels of deficiencies: standard and condition.<sup>6</sup>

- **Standard Level**  
A deficiency is at the Standard level when there is noncompliance with any single requirement (or several requirements) within a particular standard that is not of such character as to substantially limit a facility’s capacity to furnish adequate care, or which would not jeopardize or adversely affect the health or safety of patients if the deficient practice recurred.
- **Condition Level**  
Deficiency at the Condition level may be due to noncompliance with requirements in a single standard that, collectively, represent a severe or critical health or safety breach, or it may be the result of noncompliance with several standards within the condition. Even a seemingly small breach in critical actions, or at critical times, can kill or severely injure a patient, and such breaches would represent a serious or severe health or safety threat.

PeaceHealth owns, operates, or manages a total of four in-home service agencies and ten hospitals throughout the states of Alaska, Oregon, and Washington. Below is a summary of the two areas reviewed for PeaceHealth.

### **Terminated Provider Counts Report**

Focusing on years 2018 through 2021, none of PeaceHealth’s healthcare facilities were involuntarily terminated from participation in Medicare reimbursement.

### **Conformance with Medicare and Medicaid Standards-Years 2018 through 2021**

PeaceHealth operates four in-home service agencies, and of those, three were surveyed. One agency in each of the states of Alaska, Oregon, and Washington. The Oregon agency had no identified deficiencies. The Alaska agency’s survey resulted in 8 standard level deficiencies in May 2019 that required a follow up visit in July 2019. The Washington agency’s survey resulted in 6 standard level deficiencies in November 2018 that required no follow up visit.

PeaceHealth operates ten hospitals in Alaska (1), Oregon (4), and Washington (5). None of the Oregon hospitals were surveyed between 2018 and 2021. The Alaska hospital was surveyed in May 2018 which resulted in 3 standard deficiencies that required no follow up visits. Four of the five Washington hospitals were surveyed and all four resulted in deficiencies. The table on the following page provides a summary of PeaceHealth’s Washington hospital surveys.

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

<sup>6</sup> Definitions of standard and condition level surveys: <https://www.compass-clinical.com/deciphering-tjc-condition-level-findings/>

Hospital Name/Location	Date Surveyed	Notes
PeaceIsland Medical Center Friday Harbor	March 2018	2 condition level deficiencies 4 standard level deficiencies No Follow Up Visit Required
Southwest Medical Center Vancouver	September 2018	2 standard level deficiencies No Follow Up Visit Required
	June & August 2019	1 standard level deficiency No Follow Up Visit Required
	February 2020; October 2020	2 standard level deficiencies No Follow Up Visit Required
St. John Medical Center Longview	May 2019	5 condition level deficiencies 10 standard level deficiencies One Follow Up Visit Required
St. Joseph Hospital Bellingham	October 2018	2 condition level deficiencies 4 standard level deficiencies No Follow Up Visit Required
	June, July & December 2019	1 condition level deficiency 6 standard level deficiencies One Follow Up Visit Required
	January 2020	2 standard level deficiencies No Follow Up Visit Required

For each of the hospitals that required a follow up visit, all resulted in no deficiencies. All four Washington State hospitals are currently operating in full compliance with state and federal requirements.

As a new home health agency, PeaceHealth has not yet identified all key staff, other than the proposed medical director, Angie KY Lee, MD. Using data from the Medical Quality Assurance Commission, the department confirmed that Dr. Lee holds an active medical license with no enforcement actions. If this project is approved, the department would include a condition requiring PeaceHealth to provide the name and professional license number of key staff for the new home health agency.

In review of this sub-criterion, the department considered the total compliance history of all healthcare facilities owned and operated by PeaceHealth. The department also considered the compliance history of the proposed medical director. Based on the information reviewed, the department concludes there is reasonable assurance that the new home health agency would be operated in compliance with state and federal requirements and the new agency would not have a negative effect on PeaceHealth's compliance. **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.



## PeaceHealth

In response to this sub-criterion, PeaceHealth provided the following statements. [source: Application, p30]

*“As the Need section of this application demonstrates, continuity of care is currently a problem for the sub-set of patients that do not have timely access to home health; this includes certain payers and the most rural residents of the County. The Need section further demonstrates that another home health agency is warranted in Whatcom County. PeaceHealth Home Health will provide continuity of care: we already operate a hospital, a number of medical clinics and a hospice agency in Whatcom County and we already work closely with the two existing home health agencies in Whatcom County.”*

## Public Comments

None

## Rebuttal Comments

None

## Department Evaluation

Given that the home health agency will be a new service for PeaceHealth in Whatcom County, the basic infrastructure must be established for the new services. However, PeaceHealth has been providing Medicare and Medicaid hospice services within Whatcom County for many years. While the services are not the same, they are both in home services that are provided in the patient’s residence and requires coordination with other healthcare providers in the planning area. For this reason, the department concludes that PeaceHealth has the experience and expertise to establish the relationships necessary to provide its proposed home health services.

To evaluate this sub-criterion, the department also considers its own analysis and conclusions of this project as related to WACs 246-310-210, 220, and 230. The department concluded this application was compliant with the need criterion under WAC 246-310-210 and the financial feasibility criterion under WAC 246-310-220.

Based on the information above, the department concludes that approval of the PeaceHealth project would not result in unwarranted fragmentation of home health services in Whatcom 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.*

## PeaceHealth

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 the applicant’s agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that the PeaceHealth project meets the applicable cost containment criteria in WAC 246-310-240.

- (1) *Superior alternatives, in terms of cost, efficiency, or effectiveness, are not available or practicable.*  
To determine if a proposed project is the best alternative, in terms of cost, efficiency, or effectiveness, the department takes a multi-step approach. First the department determines if the application has met

the other criteria of WAC 246-310-210 thru 230. If the project has failed to meet one or more of these criteria then the project cannot be considered to be the best alternative in terms of cost, efficiency, or effectiveness as a result the application would fail this sub-criterion.

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

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

## **PeaceHealth**

### **Step One**

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

### **Step Two**

PeaceHealth identified the following three options it considered prior to submission of this project. [source: Application, p32]

- *Do nothing;*
- *Establish a licensed only agency; and*
- *Undertake the project described in this application.*

The table on the following page shows the rationale used by PeaceHealth to determine the best option for the community. [source: Application, p33]

*Applicant's Table*

**Table 13  
Advantages and Disadvantages of Options Considered**

	No Action	Licensed Only Home Health Entity	Establish Medicare Certified/Medicaid Eligible Home Health Agency
<b>Patient Access to Health Care Services</b>	No ability to improve access, especially for those with access limited due to payer and/or rural location.	A licensed only in-home services agency with a home health service category would not address the majority of access issues because Medicare would not be a payer, and Medicaid requires Medicare certification for contract eligibility.	Greatest ability to address current gaps, especially related to timely discharge for rural and Medicaid and greatest ability to reduce rehospitalization and unnecessary ED visits.
<b>Capital Cost</b>	No capital	Low capital cost (less than \$50,000)	Low capital cost (less than \$50,000)
<b>Legal Restrictions</b>	None	None	Certificate of Need required
<b>Staffing Impacts</b>	None	Requires additional staff, but fewer at the skilled level than a Medicare certified agency would	Requires highest level of additional staff, but still a relatively small number of staff.
<b>Quality of Care</b>	PeaceHealth would still attempt to address gaps that increase hospital readmissions and that cause delays in home health access; but these efforts will be limited without home health certification.	PeaceHealth will still attempt to address gaps that increase hospital readmissions and that cause delays in home health access; but these efforts will be constrained without additional Medicare certified capacity	Provides PeaceHealth with the ability to improve quality of care through reduced readmissions, address delays in home health access and other quality metrics.
<b>Cost or Operation Efficiency</b>	None	Some efficiencies but licensed only entities cannot provide the same level of service as a Medicare certified/Medicaid agency.	Will result in potential reduced costs for patient care when patients can be timely discharged from the hospital and when hospital readmissions are avoided.

*Source: Applicant*

Public Comments

None

Rebuttal Comments

None

**Department Evaluation**

The two options rejected by PeaceHealth of no action and establish a licensed only home health agency in Whatcom County are appropriate. The department did not identify any superior alternatives in terms of cost, efficiency, or effectiveness that is available or practicable for the applicant.

The estimated capital expenditure for this project is \$48,039 and is solely related to moveable equipment and associated taxes. There are no construction costs necessary to establish the new Medicare and Medicaid home health agency in Whatcom County. The department acknowledges that the establishment of the new services can be accomplished with little financial impact to the applicant or residents of the planning area.

The department concludes approval of this project is a viable alternative for Whatcom County. **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.*

**Department Evaluation**

This proposal does not involve construction; this sub-criterion does not apply to this project.

(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.

**PeaceHealth**

In response to this sub-criterion, PeaceHealth provided the following statements. [source: Application, p34]

*“PeaceHealth Home Health fully expects that our project will promote continuity in care delivery by supporting the needs of home health patients and their families. PHMG, through its existing relationships with other PeaceHealth entities that provide a range of inpatient and outpatient services, has concluded that the establishment of PeaceHealth Home Health will reduce rehospitalizations, reduce extended stays in the hospital, increase access all while maintaining or improving quality.”*

**Public Comments**

None

**Rebuttal Comments**

None

**Department Evaluation**

PeaceHealth provided sound and reasonable rationale for establishing a new Medicare and Medicaid home health agency in Whatcom County. This project has the potential to improve delivery of necessary in-home services to the residents of the county. Further, in the need section of this evaluation, the methodology projected net need for five agencies in Whatcom County.

For the reasons stated above, the department concludes that this project has the potential to improve delivery of necessary in-home services to Whatcom County residents. **This sub-criterion is met.**

# **APPENDIX A**

1987 State Health Plan Methodology - Home Health

County: Whatcom

2022	Age Cohort *	County Population *	SHP Formula *	Number of Visits *	=	Projected Number of Visits
	0-64	190,722	0.005	10		9,536
	65-79	35,565	0.044	14		21,908
	80+	10,229	0.183	21		39,310
				TOTAL:		70,754
						Number of Expected Visits per Agency: 10,000
						<b>Projected Number of Needed Agencies: 7.08</b>

2023	Age Cohort *	County Population *	SHP Formula *	Number of Visits *	=	Projected Number of Visits
	0-64	192,178	0.005	10		9,609
	65-79	36,556	0.044	14		22,518
	80+	10,816	0.183	21		41,566
				TOTAL:		73,693
						Number of Expected Visits per Agency: 10,000
						<b>Projected Number of Needed Agencies: 7.37</b>

2024	Age Cohort *	County Population *	SHP Formula *	Number of Visits *	=	Projected Number of Visits
	0-64	193,633	0.005	10		9,682
	65-79	37,546	0.044	14		23,128
	80+	11,403	0.183	21		43,822
		242,582			TOTAL:	76,632
						Number of Expected Visits per Agency: 10,000
						<b>Projected Number of Needed Agencies: 7.66</b>