



State of Washington  
Department of Health

May 12, 2015

CERTIFIED MAIL # 7011 1570 0002 7808 8225

John Gallagher, CEO  
Sunnyside Community Hospital & Clinics  
1016 Tacoma Ave, PO Box 719  
Sunnyside, Washington 98944

RE: CN15-10

Dear Mr. Gallagher:

We have completed review of the Certificate of Need application submitted by Sunnyside Community Hospital & Clinics proposing to establish a new Medicare/Medicaid certified home health agency to serve the residents of Yakima County. For the reasons stated in this evaluation, the application is consistent with applicable criteria of the Certificate of Need Program, provided Sunnyside Community Hospital & Clinics following in its entirety.

**Project Description**

This Certificate of Need approves Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics to establish a new Medicare/Medicaid certified home health agency in Yakima County. Sunnyside Yakima Home Health will provide skilled nursing care and certified home health aide services. Physical therapy, occupational therapy, speech therapy, and medical social work services will be provided through contract services or directly by the hospital. Services will be available to all residents of Yakima County.

**Conditions**

1. Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics agrees with the project description stated above. Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Prior to providing services, Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics will provide copies of the fiscal intermediary forms as stated on page 23 of the application for the department's review and approval. The fiscal intermediary forms must be consistent with the forms Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics provided to National Government Services

3. Prior to providing services, Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics will provide the approved version of the adopted medical director's role and responsibility for the department's review and approval. Copy of the approved document must be consistent with the draft document provided in the application.
4. Prior to providing services, Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics will provide the approved versions of the adopted policies listed below for the department's review and approval.
  - Patient Rights
  - Informed Consent Policy
  - Non Discrimination Policy
  - Charity Care Policy 1
5. Prior to providing services, Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics will provide an executed copy of the office space co-sharing agreement for the department's review and approval. The executed office space co-sharing agreement must be consistent with the information provided in the application.

**Approved Capital Costs:**

The approved capital expenditure associated with this project is \$12,500.

Please notify the Department of Health within 20 days of the date of this letter whether you accept the above in its entirety. Your written response should be sent to the Certificate of Need Program, at one of the following addresses.

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

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

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

Sincerely,



Steven M. Saxe, FACHE  
Director, Office of Community Health Systems

Enclosure

**EVALUATION DATED MAY 12, 2015 FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY SUNNYSIDE COMMUNITY HOSPITAL ASSOCIATION DBA SUNNYSIDE COMMUNITY HOSPITAL & CLINICS PROPOSING TO ESTABLISH A MEDICARE AND MEDICAID CERTIFIED HOME HEALTH AGENCY IN YAKIMA COUNTY**

**APPLICANT DESCRIPTION**

Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics is a private non-profit healthcare facility owned by the Sunnyside Community Hospital Association. Sunnyside Community Hospital is an acute care hospital certified by the Centers for Medicare and Medicaid Services as a critical access hospital. Sunnyside Community Hospital is located in Sunnyside within Yakima County. Sunnyside Community Hospital owns and operates four specialty clinics and six rural health clinics within Benton and Yakima counties. [Source: Application Page 1, Exhibit 1 and <http://sunnysidehospital.org/about-us/>]

**Background Descriptions**

Sunnyside Community Hospital submitted two applications to provide home health services to the residents of Yakima and Benton counties. The two home health agencies would both share existing office spaces in a medical office suite located in Yakima County. From this Yakima County location, Sunnyside Community Hospital would provide home health services to the residents of Yakima County.

**PROJECT DESCRIPTION**

Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics proposes to establish a Medicare certified home health agency in Yakima County to serve the residents of Yakima County. The home health agency would be known as Sunnyside Yakima Home Health and it would be located at 812 Miller, Suite #A within Yakima County. The home health agency will share office spaces with Sunnyside Community Hospital Home Medical Supply and Sunnyside Benton Home Health. Sunnyside Yakima Home Health will provide skilled nursing care and certified home health aide. Physical therapy, occupational therapy, speech therapy services, and medical social work would be provided as contracted services to patients in their place of residence. The estimated capital expenditure associated with the establishment of Sunnyside Yakima Home Health is \$12,500, which is limited to equipment and furnishing. [Source: Application, Face page, pages 5 -6]

Sunnyside Community Hospital anticipates it will be providing home health services to Yakima County residents by July 2016. Under this timeline, the agency's first full calendar year of operation is 2017 and year three is 2019. [Source: Supplemental information received December 11, 2014] For ease of reference, the department would refer to Sunnyside Community Hospital as 'Sunnyside' and the proposed Home Health agency as 'Sunnyside Yakima Home Health'.

**APPLICABILITY OF CERTIFICATE OF NEED LAW**

This project is subject to Certificate of Need review as the establishment of a new health care facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

## **EVALUATION CRITERIA**

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

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

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

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

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

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

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

WAC 246-310 does not contain service or facility standards for home health agencies. To obtain Certificate of Need approval, Sunnyside must demonstrate compliance with the applicable criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment).<sup>1</sup> Consistent with WAC 246-310-200(2)(b), the home health agency projection methodology and standards found in the 1987 State Health Plan, Volume II, Section (4)(d) is used to assist in the evaluation of home health applications.

## **TYPE OF REVIEW**

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

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<sup>1</sup> Each criterion contains certain sub-criteria. The following sub-criteria are not discussed in this evaluation because they are not relevant to this project: WAC 246-310-210(3), (4), (5), and (6) and WAC 246-310-240(2),(3)

**APPLICATION CHRONOLOGY**

Action	Sunnyside Yakima County Home Health
Letter of Intent Submitted	July 8, 2014
Application Submitted	October 6, 2014
Department's Pre-review Activities including <ul style="list-style-type: none"> <li>• DOH 1st Screening Letter</li> <li>• Applicant's Screening Responses Received</li> </ul>	October 27, 2014 December 11, 2014 <sup>2</sup>
Beginning of Review	January 12, 2015
End of Public Comment <ul style="list-style-type: none"> <li>• Public comments accepted through</li> <li>• Public hearing conducted<sup>3</sup></li> <li>• Rebuttal Comments Received</li> </ul>	February 17, 2015 N/A March 4, 2015
Department's Anticipated Decision Date	April 20, 2015
Department's Actual Decision Date	May 12, 2015

**AFFECTED PERSONS**

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

*"...an "interested person" who:*

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

Throughout the review of this project, no entity sought and received affected person status under 246-310-010(2).

**SOURCE INFORMATION REVIEWED**

- Rebuttal comments from Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics received March 4, 2015
- Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics supplemental information received December 11, 2014
- Completed provider utilization surveys received from existing Yakima County home health providers for calendar year 2013
- Public comments received December 12, 2014 through February 17, 2015
- Rebuttal comments from Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics received March 4, 2015
- Population data obtained from the Office of Financial Management based on year 2010 census and published May 2012.

<sup>2</sup> The applicant requested the department to continue screening until the application is deemed complete.

<sup>3</sup> The department did not conduct a public hearing.

- 1987 Washington State Health Plan Performance Standards (SHP) for Health Facilities and Services, Home Health methodology and standards
- Licensing and survey data provided by the Department of Health's Investigations and Inspections Office
- Licensing and compliance history data provided by the Department of Health's Medical Quality Assurance Commission

## **CONCLUSION**

For the reasons stated in this evaluation, the application submitted by Sunnyside Community Hospital dba Sunnyside and Clinics proposing to establish a Medicare and Medicaid certified home health agency to serve the residents of Yakima County is consistent with applicable criteria of the Certificate of Need Program, provided Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics agrees to the following in its entirety.

## **Project Description**

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## **Approved Capital Costs:**

The approved capital expenditure associated with this project is \$12,500 and is solely for equipment.

## **CRITERIA DETERMINATIONS**

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

Based on the source information evaluated and provided the applicant agrees to the conditions stated in the 'conclusion' section of this evaluation, the department determines Sunnyside Community Hospital dba Sunnyside Community Hospital and Clinics met the need criteria in WAC 246-310-210(1) and (2) and the home health agency methodology and standards outlined in the 1987 State Health Plan, Volume II, Section (4)(d).

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

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

### **Home Health Numeric Methodology-1987 SHP**

The SHP methodology is a multiple step process that projects the number of home health visits in a planning area. The method uses the following elements:

- Projected population of the planning area, broken down by age groups [0-64; 65-70; & 80+];
- Estimated home health use rates per age group; and
- The number of visits per age group.

The total projected number of visits is then divided by 10,000, which is considered the 'target minimum operating volume' for a home health agency. The resulting number represents the maximum projected number of agencies needed in a planning area. The SHP states fractions are rounded down to the nearest whole number. [Source: State Health Plan, pB-35] The final step in the numeric methodology is to subtract the existing number of home health agencies in a planning area from the projected number of agencies needed. This results in the net number of agencies needed for the planning area.

### **Sunnyside**

Using the SHP methodology, Sunnyside determined the projected number of patient visits in Yakima County in 2017 its first year of operation would be 59,167. Dividing the projected number of visits by 10,000 resulted in 6.03 agencies that will be needed in Yakima County in 2017. The applicant counted agencies with restrictions as less than one. Sunnyside identified 2.80 existing Medicare/Medicaid home health agencies that are currently providing services to the residents of Yakima County. The agencies were subtracted from the 6.14 agencies to get a net need for 3.23 Medicare Certified/Medicaid Eligible agencies. They then subtracted 1.06 licensed only agencies to get a net need of 2.16 home health agencies. [Source Application, pages 12-17] A summary of methodology is presented in the table below.



**Table 1**  
**Summary of Applicant 2018 Need Projections**  
**Yakima County**

<b>Estimated Home Health Agency Need</b>	
Total Population	263,998
# Total Patient Visits	61,403
#Total Projected Visits / 10,000 minimum visits	6.03
Existing Medicare Certified/Medicaid Eligible Agencies	2.80
Medicare Certified/Medicaid Eligible need	3.23
Subtract Licensed only	1.06
Net Need	2.16

Based on the summary shown in the table above, the applicant concluded there is a need for 2 additional home health agencies in Yakima County.

**Department’s Numeric Methodology**

The department used the SHP methodology to assist in determining need for home health agencies in Yakima County. There are home health agencies providing services to the residents of Yakima County. Of the home health agencies, are Medicare certified providers and the remaining are licensed only providers. A summary of the department’s methodology is presented in the table below. The complete methodology is Appendix A attached to this evaluation.

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

	2015	2016	2017	2018	2019
# Total Patient Visits	58,091	59,223	60,359	61,491	62,627
#Total Projected Visits/ 10,000 minimum visits	5.81	5.92	6.04	6.15	6.26
Net Need Rounded down	5	5	6	6	6
Existing Home Health Agencies	5	5	5	5	5
Net Need per SHP	0	0	1	1	1

As shown in the table above, need for one additional agency is projected in 2017. Based solely on the numeric methodology need for one additional home health agency by 2017 within Yakima County is demonstrated.

In addition to the numeric methodology, an applicant must also demonstrate that existing providers would not be available and accessible to meet the projected need. To assist in its evaluation of the availability of the existing providers, the department reviewed the capacity and patient volumes for home health providers located within the planning area. Within the planning area, the department identified nine agencies that have home health licenses. Three of these agencies are Medicare certified agencies and responded to the department’s home health survey. Two of these agencies are “licensed only” and did not respond to the department’s home health survey. Four of these

agencies do not provide home health services and did not respond to the department's home health survey.

On October 10, 2014, the department sent a utilization survey to the nine agencies providing services within the planning area requesting 2013 home health utilization data, average daily census, and maximum capacity. Of the nine agencies surveyed, the three Medicare certified agencies provided responses to the department's survey. The Medicare certified agencies providing responses to the surveys were Mountainview Home Health, Memorial Home Care Services, and Yakima Regional Home Health and Hospice.<sup>4</sup> The table below is a summary of the survey responses received by the department.

**Table 3  
Summary Yakima County Home Health Patient Visits Year 2013**

<b>Name</b>	<b>Total Visits</b>	<b>ADC</b>	<b>Maximum Capacity of Patients</b>
Mountainview Home Health	16,756	103-175	205
Memorial Home Care Services	14,240	112	170
Yakima Regional Home Health and Hospice	13,928	92	155
<b>Total</b>	44,924		

Information in the table above shows three Medicare home health agencies located in the planning area provided 44,924 patient visits with Mountainview Home Health providing 37% of the visits, Memorial Home Care Services providing 32% of the visits, and Yakima Regional providing 31% of the visits.

Sunnyside projected it would provide the number of visits stated in the table below. [Source: December 11, 2014, supplemental information, page 40]

<b>2016- Part Year</b>	<b>Year 1--2017</b>	<b>Year 2--2018</b>	<b>Year 4--2019</b>
1,200	2,700	3,301	4,201

Given projections, the department subtracted the applicant's projected visits from the department's projected visits for each year to arrive at a remaining potential number of visits for year 2016-2019. Assuming that the four agencies number of visits would remain constant, the department subtracted its projected visits from the existing agencies reported number of visits and the balance of projected visits represents the potential unmet numbers of visits in Yakima County for that year as shown in the table below.

<sup>4</sup> When an agency does not return a utilization survey, the department concludes that agency has made the determination that the proposed project will either not impact them or any impact the proposed new agency will have is not significant.

**Table 4**  
**Summary-Additional Patients to Reach Maximum Capacity**  
**And Estimated Number of Visits**

Year	Department's Projected Visits	Sunnyside Projected Visits	Reported Agency Visits	Balance of Projected Visits
2016	59,167	1,200	44,924	13,043
2017	60,271	2,700	44,924	12,647
2018	61,403	3,301	44,924	13,178
2019	62,566	4,201	44,924	13,441

As shown in Table 4 above, the number of projected visits within the planning area is sufficient to accommodate another provider.

**The Department Evaluation**

The applicant modified the home health methodology to only partially count some of the agencies providing services in Yakima County. The applicant stated that due to restrictions on two agencies and fact that licensed only agencies can't serve most of the population; their capacity should be reduced. The department does not make these reductions to the home health agencies capacity.

The department determined that there is a need for one additional agency in 2017 which is the first full year of the applicant's operation of the home health agency. The department determined that there would be additional unmet visits even with the approval of Sunnyside Yakima Home Health agency. **The department concludes this sub-criterion is met.**

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

Sunnyside Community Hospital does not currently provide home health services in Washington. To determine whether all residents of Yakima County would have access to an applicant's proposed services, the department requires applicants to provide a copy of its current or proposed admission policy.

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

To demonstrate compliance with this sub-criterion, Sunnyside provided copies of its Patient's Rights, Informed Consent and Nondiscrimination Policies that would be used at the home health agency. The Patient's Rights policy states, "Each patient has the right to impartial access to treatment, regardless of race, religion, sex, sexual orientation, ethnicity, age of handicap". In addition, the document also stated, "Printed copies are for reference only. See the hospital intranet for approved version". [Source: Application, Exhibit 8] For this reason, the policy is considered a

draft. If this project is approved, the department would attach a condition requiring Sunnyside to provide the approved versions of the applicant's Patient's Rights, Informed Consent and Nondiscrimination Policies.

To demonstrate compliance with this sub-criterion, Sunnyside provided its Admission Policy that would be used at the home health agency. The document states any patient needing treatment will be accepted for treatment without regard to race, creed, color, age, sex, or national origin. [Source: Application, p75] This policy is undated and unsigned; therefore the policy is considered a draft. If this project is approved, the department would attach a condition requiring an approved Admission Policy.

The department uses the facility's Medicaid eligibility or contracting with Medicaid to determine whether low-income residents would have access to the proposed services. Sunnyside does not currently provide home health services in Washington, but does provide hospital services. Information presented within the application stated the applicant would seek Medicaid certification. A review of the anticipated revenue sources indicates that the applicant expects 37% to be from Medicaid. [Source: Application, Page 27 and Supplemental information received December 11, 2014, Attachment 4]

The department uses Medicare certification to determine whether the elderly would have access or continue to have access to the proposed services. Information within the application indicates the applicant would provide services to Medicare patients. A review of the anticipated revenue sources indicates that Sunnyside Yakima Home Health expects to receive Medicare reimbursements at 60%. [Source: Application, Page 27 and Supplemental information received December 11, 2014, Attachment 4]

A facility's charity care policy should confirm that all residents of the service area, including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to healthcare services of the applicant. The policy should also include the process one must use to access charity care at the facility. Sunnyside Community Hospital demonstrated its intent to provide charity care to home health patients in Benton County by submitting its Charity Care Policy 1. The document stated, "*Printed copies are for reference only. See the hospital intranet for approved version*". [Source: Application, Exhibit 8] For this reason, the policy is considered a draft. If this project is approved, the department would attached a condition requiring Sunnyside to provide the hospital Charity Policy 1 approved version.

The draft policy outlines the process one would use to access services. Additionally, Sunnyside Community Hospital also included a 'charity care' line item as a deduction from revenue within its pro forma financial statement. [Source: Application, Page 92 and Supplemental information received December 11, 2014, Attachment 2] Based on the above information and the applicant's agreement to the conditions related to its Patient's Rights, Informed Consent, Nondiscrimination Policies and Charity Policy 1, the department concludes **this sub-criterion is met.**

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

Based on the source information evaluated and provided the applicant agrees to the conditions identified in the ‘conclusion’ section of this evaluation, the department concludes that Sunnyside Yakima Home Health has met the financial feasibility criteria in WAC 246-310-220.

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

WAC 246-310 does not contain specific WAC 246-310-220(1) financial feasibility criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what the operating revenues and expenses should be for a project of this type and size. Therefore, using its experience and expertise the department evaluates if the applicant’s pro forma income statements reasonably project the proposed project is meeting its immediate and long-range capital and operating costs by the end of the third complete year of operation.

- Sunnyside anticipates that it would serve 171 patients during partial year 2016 and provide 2,700 patients visits
- In year 2017 Sunnyside’s first full year of operation, the patient totals would increase by 22% to 208 and with 3,301 patient visits.
- Starting in 2019, the third full year of operation Sunnyside anticipates patients total over year two to increase by 27% to 266 and 4,201 patient visits. The applicant stated this growth rate is reasonable and is consistent with previous applications approved by the department.

To evaluate this sub-criterion, the department reviewed the assumptions used by Sunnyside to determine the projected number of patient days and patients that it would serve in Yakima County. Summarized below are the assumptions.

Department Evaluation

Using the patient origin study provided by the applicant, the department determined that 93.3 % of the hospital’s patients are coming from the Lower Yakima Valley. This large number of patients coming from the local area supports Sunnyside’s contention that they would capture 90% of these patients. Also the Prosser Home Health agency has closed which was the agency most likely to serve these patients previously. Sunnyside also is proposing to increase the utilization of home health services by patients discharged from the hospital. This is also reasonable given the closure of the Prosser home health agency.

Using the assumptions summarized above, Sunnyside projected the number of visits summarized in the table below. [Source: Application, Page 20]

**Table 5  
Sunnyside Projected Patients and Patient Visits**

	<b>Partial Year 2016</b>	<b>Full Year -1 2017</b>	<b>Full Year -2 2018</b>	<b>Full Year-3 2019</b>
# of Unduplicated Patients	76	171	208	266
# of Visits Per Patient	15.8	15.8	15.9	15.8
# of Home Health Visits Per Year	1,200	2,700	3,301	4,201

Using the projected number of patients by Sunnyside in the table above, the applicant prepared its projected revenue and expense statement for the home health agency. Summarized in table below is that information. [Source: Supplemental information, received December 11, 2014, Attachment 4]

**Table 6**  
**Sunnyside Yakima Home Health Projected Revenue and Expense Statements for Yakima County**

	<b>Partial Year 2016</b>	<b>Full Year 2017</b>	<b>Full Year 2018</b>	<b>Full Year 2019</b>
Net Revenue	\$130,760	\$294,108	\$394,352	\$457,634
Total Operating Expenses	\$169,717	\$313,026	\$382,010	\$439,942
Net Profit /(Loss)	(\$38,957)	(\$18,918)	\$12,342	\$17,692
Net Revenue Patient Per Visit	\$108.97	\$108.93	\$119.46	\$108.95
Operating Expenses Per Patient Visit	\$141.43	\$115.94	\$115.73	\$104.72
Net Profit (Loss) Per Patient Visit	(\$32.46)	(\$7.01)	\$3.74	\$4.21

The 'Net Revenue' line item is gross revenue and any deductions for charity care, bad debt, and contractual allowances. The 'Total Operating Expenses' line item includes salaries and wages for the proposed home health agency. As shown in the table above, Sunnyside projected the proposed Yakima County home health agency would incur losses in years 2016 and 2017. It would generate a profit in years 2018 and 2019.

Both the Yakima County and Benton County applications were submitted by the same applicant and will be operated as one agency serving two counties Sunnyside intends to co-locate the two agencies in Yakima County. Therefore, the department has provided a consolidated the revenue and expense statement in the table below.

**Table 7**  
**Consolidated Revenue and Expense Statement Benton and Yakima Counties**

	<b>Partial Year 2016</b>	<b>Full Year 2017</b>	<b>Full Year 2018</b>	<b>Full Year 2019</b>
Net Revenue	\$244,439	\$505,023	\$651,987	\$756,968
Total Operating Expenses	\$283,396	\$523,941	\$639,645	\$739,276
Net Profit /(Loss)	(\$65,525)	(33,724)	\$17,612	\$23,287
Net Revenue Patient Per Visit	\$122.22	\$112.23	118.52	108.12
Operating Expenses Per Patient Visit	\$141.70	116.43	116.28	105.60

As shown in the table above, Sunnyside projected the proposed consolidated home health agency would incur losses in years 2016 and 2017. It would generate a profit in years 2018 and 2019.

Sunnyside Yakima Home Health agency will be located within existing office spaces used by Sunnyside Community Hospital Home Medical Supply in Yakima County. Site control information provided by the applicant shows the site is owned by Family Practice Associate, PLLC. [Source: Application, Exhibit 5] The applicant's revenue and expense pro forma identified a 'rental and lease' line item for the Sunnyside Yakima Home Health agency. The proposed home health location single line drawing provided by the applicant shows the location square footage. [Source: Application Page 7, Exhibits 4 and 5] However, the applicant did not provide documentation showing

Sunnyside Yakima Home Health home health's terms of the existing space co-share. If this application is approved, the department would attach a condition that the applicant provides documentation showing the co-sharing agreement.

Sunnyside identified Tatiana Antoci, MD an employee of Sunnyside Community Hospital as the medical director for the proposed home health agency and provided a draft medical director roles and responsibilities. [Source: Application Page 3 and Supplemental information received December 11, 2014, Attachment 1] The cost associated with the medical director position is substantiated in the pro forma revenue and expense statement under salary and benefits line items. [Source: Supplemental information, received December 11, 2014, p44]

In addition to the projected revenue and expense statements, Sunnyside provided projected balance sheets for calendar years 2016 and 2019. [Source: Supplemental information, received December 11, 2014, pp42 & 43]

Both the Yakima County and Benton County applications were submitted by the same applicant and will be operated as one agency serving two counties. Therefore, the department has provided consolidated balance sheets in the tables below.

**Table 8**  
**Consolidated forecasted Balance Sheets Benton and Yakima Counties**  
**Partial Year One - 2016**

<b>Assets</b>		<b>Liabilities</b>	
Total Current Assets	\$90,808	Total Liabilities	\$28,000
Property Plant & Equipment	\$25,000	Long Term Debt	\$145,000
Accumulated Depreciation	(\$8,333)	<b>Equity</b>	<b>(\$65,000)</b>
<b>Total Assets</b>	<b>\$107,475</b>	<b>\$90,808</b>	<b>\$107,475</b>

**Third Year of Operation (2019)**

<b>Assets</b>		<b>Liabilities</b>	
Total Current Assets	\$146,275	Total Liabilities	\$36,290
Property Plant & Equipment	\$35,000	Long Term Debt	\$175,000
Accumulated Depreciation	(28,333)	<b>Equity</b>	<b>(\$58,348)</b>
<b>Total Assets</b>	<b>\$151,942</b>	<b>Total Liabilities and Equity</b>	<b>152,942</b>

As shown in the balance sheet information above, the consolidated financials project a negative equity in its year one of operation in 2016 and continuing on in the first full three years of operation. The negative equity is a result of the start-up loan from Sunnyside hospital.

**Department's Evaluation**

A review of the assumptions used by Sunnyside to project its finances showed the average number of visits per patient of 15.8 to be conservative. A review of the Medicare home health Utilization by state provided by the applicant shows that Washington's utilization in 2010 was 880,799 and the average visit per patient for the same time was 21.

Given the department's understanding of how a home health patient may qualify for Medicare payments, the department concludes that the 15.8 visits per patient projected by Sunnyside could

be achieved. It is lower than the average visits per patient for Medicare patients in Washington. A review of Sunnyside Yakima Home Health financial projections shows the proposed project is financially viable. Based on the source information reviewed, the department concludes that the immediate and long-range capital and operating costs of the project could be substantiated. **This sub-criterion is met.**

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

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

The estimated capital expenditure associated with the establishment of the home health agency is \$12,500. All of this amount will be expended on the equipment. [Source: Application, p8] Sunnyside anticipates the majority of its revenue would come from Medicare reimbursements and provided the payer mix for the proposed home health agency. [Source: Application, Page 27]

**Table 9  
Yakima Payer Mix**

<b>Payer</b>	<b>Payer Source Distribution</b>
Medicare	60%
Medicaid	37%
Commercial Insurance	3%
<b>Total</b>	<b>100%</b>

Since the applicant expects that majority of its payer source would be from Medicare, the proposed project is not expected to have any impact on the operating costs and charges for home health services in the planning area because Medicare payments are prospective payments. Based on the information reviewed, the department concludes that the costs of this project will probably not result in an unreasonable impact to the costs and charges for health care services within the services area. Based on the source information evaluated, the department concludes **this sub-criterion is met.**

- (3) The project can be appropriately financed.

WAC 246-310 does not contain specific source of financing criteria as identified in WAC 246-310-200(2) (a) (i). There are also no known recognized standards as identified in WAC 246-310-200(2) (a) (ii) and (b) that directs how a project of this type and size should be financed. Therefore, using its experience and expertise the department compared the proposed project's source of financing to those previously considered by the department.

Sunnyside provided the following capital expenditure breakdown for the proposed project. [Source: Application, p7]



**Table 10**  
**Sunnyside Yakima Home Health Projected Capital Cost**

<b>Item</b>	<b>Cost</b>
Furniture and Equipment	\$7,500
Computers and Printers	\$5,000
<b>Total Project Cost</b>	<b>\$12,500</b>

As shown in the table above, the applicant stated within the application that capital expenditure is \$15,000, but the application cover sheet shows a different amount. The application cover sheet shows that the estimated capital expenditure is \$12,500. Sunnyside is proposing to use reserves to fund this project and it provided a letter of financial commitment signed by its financial officer. [Source: Application, Exhibit 11] Based on the source information evaluated, the department concludes the project can be funded. **This sub-criterion is met.**

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

Based on the source information evaluated and provided the applicant agrees to the conditions identified in the ‘conclusion’ section of this evaluation, the department concludes Sunnyside has met the structure and process of care criteria in WAC 246-310-230.

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

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs that should be employed for projects of this type or size.

Sunnyside expects to hire 1.39 FTE’s in 2016 and increase to a total of 3.29 FTE’s in 2019. Additionally, they expect to contract for physical, occupational, and speech therapy services. The table below summarizes Sunnyside’s proposed FTE’s for years 2016 to 2019. [Source: Application P29, Supplemental information, received December 11, 2014]

**Table 11  
Sunnyside Yakima Home Health Proposed FTEs Years 2016-2019**

<b>Category</b>	<b>Partial Year 2016</b>	<b>Year 1 2017</b>	<b>Year 2 2018</b>	<b>Year 3 2019</b>	<b>Total</b>
Social worker, Occupational, and Speech Therapist	Professional Services Contracts				
Skilled Nursing	0.46	0.58	0.32	0.24	1.60
Home Health Aide	0.18	0.23	0.09	0.07	0.57
Physical Therapist	0.15	0.19	0.09	0.09	0.52
Administration	0.60	0.00	0.00	0.00	0.60
<b>Total FTE's</b>	<b>1.39</b>	<b>1.00</b>	<b>0.50</b>	<b>0.51</b>	<b>3.29</b>

To further demonstrate compliance with this sub-criterion, Sunnyside provided the following statements, “Sunnyside Community Hospital is a well-established, highly regarded health care provider. Historically, Sunnyside Community Hospital has not experienced any major difficulty recruiting qualified personnel”. [Source: Application, Page 31]

Sunnyside identified Tatiana Antoci, MD an employee of Sunnyside Community Hospital as the medical director for the proposed home health agency and provided a draft medical director roles and responsibilities. [Source: Application Page 3 and Supplemental information received December 11, 2014, Attachment 2] Based on the source information evaluated the department concludes that sufficient staffing is available or can be recruited. **This sub-criterion is met.**

- (2) The proposed service(s) will have an appropriate relationship, including organizational relationship, to ancillary and support services, and ancillary and support services will be sufficient to support any health services included in the proposed project.

WAC 246-310 does not contain specific WAC 246-310-230(2) as identified in WAC 246-310-200(2) (a) (i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what relationships, ancillary and support services should be for a

project of this type and size. Therefore, using its experience and expertise the department assessed the materials contained in the application.

Sunnyside Community Hospital is an acute care hospital certified by the Centers for Medicare and Medicaid Services as a critical access hospital. Sunnyside Community Hospital is located in the city of Sunnyside within Yakima County

To address the sub-criterion, the applicant stated, Sunnyside Community Hospital already operates a hospital and clinic system and has the ancillary and support services infrastructures in place to meet the demand from the proposed home health agency. [Source: Application Page 32]

Based on the source information evaluated, and with agreement to the ancillary and support services condition stated within the evaluation, the department concludes there is reasonable assurance the proposed home health agency will have appropriate ancillary and support services. **This sub-criterion is met.**

(3) There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or Medicare program, with the applicable conditions of participation related to those programs.

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2) (a) (i). There are known recognized standards as identified in WAC 246-310-200(2) (a) (ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. As part of its review, the department must conclude that the proposed service would be operated in a manner that ensures safe and adequate care to the public. Therefore, using its experience and expertise the department assessed the applicant's history in meeting these standards at other facilities owned or operated by the applicant.

Sunnyside Yakima Home Health does not currently provide healthcare services in Washington, but Sunnyside Community Hospital provides hospital services in Benton and Yakima counties. [Source: Application Page 1, Exhibit 1] As part of its review, the department must conclude that the proposed service would be operated in a manner that ensures safe and adequate care to the public.<sup>5</sup>

The Department of Health's Investigations and Inspections Office (IIO) conducts quality of care and compliance surveys. Records indicate that since 2012, IIO completed three compliance surveys for Sunnyside Community Hospital. The compliance survey revealed deficiencies typical for the facility and Sunnyside submitted acceptable plans of corrections and implemented the required actions.

Sunnyside identified Tatiana Antoci, MD as the medical director for the proposed home health agency. A review of Dr. Antoci's compliance history did not show any current or past enforcement actions. [Source: Compliance history provided by Medical Quality Assurance Commission]

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

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

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

WAC 246-310 does not contain specific WAC 246-310-230(4) criteria as identified in WAC 246-310-200(2)(a)(i). There are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs how to measure unwarranted fragmentation of services or what types of relationships with a services area's existing health care system should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials in the application.

To demonstrate compliance with this sub-criterion, Sunnyside stated it fully expects that the proposed project would promote continuity in care delivery and support the needs of home health patients in the planning area. Additionally, the applicant asserted that it already provides inpatient and outpatient health care services in Benton and Yakima counties to serve the residents of Yakima and Benton counties therefore it does expect that offering home health services will result in a need for additional agreements or contracts. [Source: Application, Page 32]

Based on the source information evaluated, the department concludes that approval of this project would not cause unwarranted fragmentation of the existing healthcare system. **This sub-criterion is met.**

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

This sub-criterion is evaluated in sub-section (3) above, and based on that evaluation; the department concludes that **this sub-criterion is met.**

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

Based on the source information evaluated and provided the applicant agrees to the conditions identified in the 'conclusion' section of this evaluation, the department concludes Sunnyside has met the cost containment criteria in WAC 246-310-240.

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

To determine if a proposed project is the best alternative, the department takes a multi-step approach. Step One determines if the application has met the other criteria of WAC 246-310-210 thru 230. If it has failed to meet one or more of these criteria then the project is determined not to be the best alternative, and would fail this sub-criterion.

If the project met the applicable criteria, the department would move to Step Two in the process and assess the other options the applicant or applicants considered prior to submitting the application under review. If the department determines the proposed project is better or equal to other options the applicant considered before submitting their application, the determination is either made that this criterion is met (regular or expedited reviews), or in the case of projects under concurrent review, move on to step three.

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

#### Step One

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

#### Step Two

Before submitting this application, Sunnyside considered the following alternative:

1. Do Nothing

Sunnyside stated this alternative does not respond to need for an additional home health agency within the community therefore, this option was rejected. The need for an agency is greater since the Prosser Home Health closed and this agency served the Lower Yakima Valley area served by Sunnyside.

Given the option considered by the applicant and since the department's methodology shows that an additional capacity can be added within the planning area, the department concludes **this sub-criterion is met.**

**Step Three**

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

## **APPENDIX A**

**State Health Plan Home Health Methodology-Yakima County  
Sunnyside Community Hospital and Clinics, Sunnyside Professional Services  
dba Sunnyside Home Health (CN15-10)**

Population by age group by year						
	2014	2015	2016	2017	2018	2019
<b>Total County Population</b>	253,719	256,341	258,941	261,544	264,145	266,747
<b>Population 0-64</b>	222,371	224,186	225,689	227,193	228,696	230,200
<b>Population 65-79</b>	23,035	23,765	24,744	25,724	26,703	27,683
65-69	10,206	10,551	10,883	11,215	11,546	11,878
70-74	7,517	7,803	8,184	8,565	8,947	9,328
75-79	5,312	5,411	5,677	5,944	6,210	6,477
<b>Total Population 65-79</b>	23,035	23,765	24,744	25,724	26,703	27,683
<b>Population 80 +</b>	8,313	8,390	8,508	8,627	8,745	8,864
80-84	3,890	3,878	3,957	4,037	4,116	4,196
85+	4,423	4,512	4,551	4,590	4,629	4,668
<b>Total Population 80+</b>	8,313	8,390	8,508	8,627	8,745	8,864
<b>Pop. Calc. test back</b>	253,719	256,341	258,941	261,544	264,144	266,747



**State Health Plan Home Health Methodology-Yakima County  
Sunnyside Community Hospital and Clinics, Sunnyside Professional Services  
dba Sunnyside Home Health (CN15-10)**

Step 1-Population by Age Cohort	2014	2015	2016	2017	2018	2019
0-64	222,371	224,186	225,689	227,193	228,696	230,200
65-79	23,035	23,765	24,744	25,724	26,703	27,683
80+	8,313	8,390	8,508	8,627	8,745	8,864
<b>Step 2-Projected Home Health Patients by Age Cohort</b>						
0-64 X 0.005	1,111.86	1,120.93	1,128.45	1,135.97	1,143.48	1,151.00
65-79 X 0.044	1,013.54	1,045.66	1,088.74	1,131.86	1,174.93	1,218.05
80+ X 0.183	1,521.28	1,535.37	1,556.96	1,578.74	1,600.34	1,622.11
<b>Step 3-Projected Home Health visits by age cohort</b>						
0-64	1,111.86	1,120.93	1,128.45	1,135.97	1,143.48	1,151.00
Multiplier	10	10	10	10	10	10
Subtotal 0-64	11,118.55	11,209.30	11,284.45	11,359.65	11,434.80	11,510.00
65-79	1,045.66	1,045.66	1,088.74	1,131.86	1,174.93	1,218.05
Multiplier	14	14	14	14	14	14
Subtotal 65-79	14,639.24	14,639.24	15,242.30	15,845.98	16,449.05	17,052.73
80+	1,521.28	1,535.37	1,556.96	1,578.74	1,600.34	1,622.11
Multiplier	21	21	21	21	21	21
Subtotal 80+	31,946.86	32,242.77	32,696.24	33,153.56	33,607.04	34,064.35
<b>Total Projected Home Health Visits</b>	<b>57,704.65</b>	<b>58,091.31</b>	<b>59,223.00</b>	<b>60,359.20</b>	<b>61,490.88</b>	<b>62,627.08</b>
<b>Step 4-Gross Need (Step 3 Total Visits /10,000)</b>	<b>5.77</b>	<b>5.81</b>	<b>5.92</b>	<b>6.04</b>	<b>6.15</b>	<b>6.26</b>
<b>Step 5- No. of Home Health Agencies</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Step 6 Net Need (Per Method, Fractions are rounded down)</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>

A negative number means there is a surplus