



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

September 14, 2018

CERTIFIED MAIL # 7017 3380 0000 0863 8284

Steve Morris, CEO/Administrator
Inspiring Hospice Partners of Oregon
dba Heart of Hospice
2621 Wasco Street
Hood River, Oregon 97031

RE: CN Application #18-05 – Heart of Hospice

Dear Mr. Morris:

We have completed review of the Certificate of Need application submitted by Inspiring Hospice Partners of Oregon dba Heart of Hospice. The application proposes the establishment of a Medicare and Medicaid certified hospice agency in Thurston County. Enclosed is a written evaluation of the application.

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

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

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

Appeal Option 1:

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

Steve Morris, CEO/Administrator
Inspiring Hospice Partners of Oregon dba Heart of Hospice
Certificate of Need Application #18-05
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Page 2 of 2

<u>Mailing Address:</u>	<u>Physical Address</u>
Department of Health	Department of Health
Certificate of Need Program	Certificate of Need Program
Mail Stop 47852	111 Israel Road SE
Olympia, WA 98504-7852	Tumwater, WA 98501

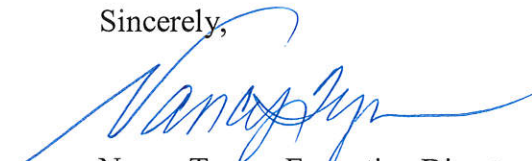
Appeal Option 2:

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

<u>Mailing Address:</u>	<u>Physical Address</u>
Department of Health	Department of Health
Adjudicative Service Unit	Adjudicative Service Unit
Mail Stop 47879	111 Israel Road SE
Olympia, WA 98504-7879	Tumwater, WA 98501

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

Sincerely,



Nancy Tyson, Executive Director
Health Facilities and Certificate of Need

Enclosure

EXECUTIVE SUMMARY

EVALUATION DATED SEPTEMBER 14, 2018, FOR TWO CERTIFICATE OF NEED APPLICATIONS, EACH PROPOSING TO ESTABLISH A MEDICARE AND MEDICAID HOSPICE AGENCY IN THURSTON COUNTY

- **INSPIRING HOSPICE PARTNERS OF OREGON DBA HEART OF HOSPICE PROPOSING TO ESTABLISH AN AGENCY IN TUMATER**
- **ENVISION HOSPICE OF WASHINGTON, LLC PROPOSING TO ESTABLISH AN AGENCY IN OLYMPIA**

BRIEF APPLICANT AND PROJECT DESCRIPTIONS

Inspiring Hospice Partners of Oregon dba Heart of Hospice

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

Heart of Hospice proposes to establish a new Medicare and Medicaid certified hospice agency in Tumwater to serve Thurston County. The agency would be located at 111 Tumwater Boulevard Southeast, #C211 in Tumwater [98501]. [source: Application, p6 and Lease Agreement, Attachment 8]

If this project is approved, Heart of Hospice proposes that the new agency would be operating by the end of August 2018. [source: Application, p7]

The estimated capital expenditure for the project is \$22,000. The amount represents the Certificate of Need review fee for the project. Heart of Hospice plans to open a branch office in Tumwater, but will be using existing, owned equipment for the office. [source: Application, p20 and p30]

Envision Hospice of Washington, LLC

Envision Hospice of Washington, LLC [Envision Hospice] is a Washington State limited liability corporation owned by private persons. Its parent, Envision Home Health of Washington, is located in King County. Envision Home Health of Washington provides Medicare and Medicaid home health services to residents of King and Pierce counties. Envision Hospice currently does not provide hospice services in Washington State. [source: Application, p5 and Appendix B]

Envision Hospice proposes to establish a Medicare and Medicaid hospice agency in Olympia to serve Thurston County. The agency would be located at 402 Black Hills Lane Southwest, #B, Olympia [98502]. [source: Application, p8, and Lease Agreement, p6]

If this project is approved, Envision Hospice proposes that the new agency would be operating by the end of October 2018. [source: Application, p12]

The estimated capital expenditure for the project is \$20,000. The amount represents the office equipment and furnishings necessary to open the office in Olympia. [source: December 29, 2017, screening response, Appendix S-1]

APPLICABILITY OF CERTIFICATE OF NEED LAW

Inspiring Hospice Partners of Oregon dba Heart of Hospice

This project is subject to Certificate of Need review as the construction, development, or other establishment of a health care facility under RCW 70.38.105(4)(a) and WAC 246-310-020(1)(a).

Envision Hospice of Washington, LLC

This project is subject to Certificate of Need review as the construction, development, or other establishment of a health care facility under RCW 70.38.105(4)(a) and WAC 246-310-020(1)(a).

CONCLUSIONS

Inspiring Hospice Partners of Oregon dba Heart of Hospice

For the reasons stated in this evaluation, the application submitted by Inspiring Hospice Partners of Oregon dba Heart of Hospice proposing to establish a Medicare and Medicaid certified hospice agency in Thurston County is not consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need denied.

Envision Hospice of Washington, LLC

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

Project Description:

This certificate approves the establishment of a Medicare and Medicaid certified hospice agency in Olympia, within Thurston County. Hospice services provided at the new agency include nursing care, pastoral care, medical social work, respite services, and home care aide services. Additional services include 24-hour continuous care in the home at critical periods and bereavement services for the family for 13 months post end of life. Envision Hospice also intends to provide these hospice services to nursing home residents.

Conditions:

1. Approval of the project description as stated above. Envision Hospice of Washington, LLC further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Envision Hospice of Washington, LLC shall finance the project using cash reserves as described in the application.
3. Prior to providing Medicare and Medicaid certified hospice services in Thurston County, Envision Hospice of Washington, LLC will provide a listing of key staff to the Certificate of Need Program for its review. The listing of key staff shall include the name and professional license number.

Approved Costs:

The approved capital expenditure for the project is \$20,000, which is solely related to office equipment and furnishings necessary to open an office in Olympia.

EVALUATION DATED SEPTEMBER 14, 2018, FOR TWO CERTIFICATE OF NEED APPLICATIONS, EACH PROPOSING TO ESTABLISH A MEDICARE AND MEDICAID HOSPICE AGENCY IN THURSTON COUNTY

- **INSPIRING HOSPICE PARTNERS OF OREGON DBA HEART OF HOSPICE PROPOSING TO ESTABLISH AN AGENCY IN TUMATER**
- **ENVISION HOSPICE OF WASHINGTON, LLC PROPOSING TO ESTABLISH AN AGENCY IN OLYMPIA**

APPLICANT DESCRIPTION

Inspiring Hospice Partners of Oregon dba Heart of Hospice

Inspiring Hospice Partners of Oregon, LLC is a Washington State limited liability corporation owned by one private person, Steve Morris. The corporation is located at 2621 Wasco Street in Hood River, Oregon [97031]. [source: Application, p4 and Washington State Secretary of State website]

Under the dba of Heart of Hospice, Inspiring Hospice Partners of Oregon, LLC operates a hospice agency located at 2621 Wasco Street in Hood River, Oregon. Through this agency, Heart of Hospice currently serves the Columbia Gorge area of both Oregon and Washington. For Oregon, the agency serves Hood River and Wasco Counties. For Washington, the agency provides Medicare and Medicaid hospice services to the residents of Skamania and Klickitat counties. [source: Application, p5]

For this application, Inspiring Hospice Partners of Oregon, LLC is the applicant and will be referenced in this evaluation as using the dba of “Heart of Hospice.”

Envision Hospice of Washington, LLC

Envision Hospice of Washington, LLC is a Washington State limited liability corporation owned by private persons. Its parent, Envision Home Health of Washington is one of three privately owned corporations that have the same or overlapping membership.¹ Of the three, only two, Envision Home Health of Washington, LLC and Envision Hospice of Washington, LLC are active with the Washington State Secretary of State office. The following eight members have ownership of Envision Home Health of Washington, LLC. [source: Application, p5 and Appendix B]

Name	Name
Rhett Anderson	Chad Fullmer, PT
Greg Atwood, RN	Darin McSpadden, OT
Wyatt Cloward, OT	Sherie Stewart, MSW
Jason Crump, PT	Derek White, PT

Envision Home Health of Washington, is located in King County and is approved to provide Medicare and Medicaid home health services to residents of King and Pierce counties. Envision Hospice of Washington, LLC currently does not provide hospice services in Washington State. [source: Application, p5 and Appendix B]

For this application, Envision Hospice Washington, LLC is the applicant and will be referenced in this evaluation as “Envision Hospice.”

¹ The three corporations are Envision Home Health of Washington, LLC; Envision Home Health, LLC, a Utah corporation; and Independence Rehab, LLC, a multi-state staffing agency. [source: September 27, 2017, screening response, Attachment S-1]

PROJECT DESCRIPTION

Inspiring Hospice Partners of Oregon dba Heart of Hospice

For this project, Heart of Hospice proposes to establish a Medicare and Medicaid hospice agency in Thurston County. The agency would be located at 111 Tumwater Boulevard Southeast, #C211 in Tumwater [98501], within Thurston County. [source: Application, p6]

Services to be provided in at the hospice agency include:

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

All services would be provided directly by Heart of Hospice, except physical and occupational therapy. These services would be contracted. [source: Application, p7]

If approved, Heart of Hospice expects the Medicare and Medicaid certified hospice services would be available to the residents of Thurston County within two months of approval or by August 1, 2018. Given this timing, calendar year 2019 is the first calendar year of operation and year 2021 would be year three. [source: Application, p7]

The estimated capital expenditure for the project is \$22,000. The capital costs are solely related to the Certificate of Need review fee for this project. Since the agency is currently providing services in Washington State (Skamania and Klickitat counties), Heart of Hospice does not expect any additional capital costs. [source: Application, p20]

Envision Hospice of Washington, LLC

Envision Hospice does not own or operate a hospice agency in Washington State. Its parent, Envision Home Health of Washington owns and operates a home health agency in King County. Home health services are provided to Medicare and Medicaid patients in both King and Pierce counties.

For this project, Envision Hospice proposes to establish a Medicare and Medicaid hospice agency in Thurston County. The agency would be located at 402 Black Hills Lane Southwest #B, in Olympia [98502], within Thurston County. [source: Application, Site Lease Agreement, p6 and Amendment to Agreement of Lease, p1]

Services to be provided in at the hospice agency include nursing care, pastoral care, medical social work, respite services, and home care aide services. Additional services include 24-hour continuous care in the home at critical periods and bereavement services for the family for 13 months post end of life. Envision Hospice also intends to provide these hospice services to nursing home residents. [source: Application, p9]

If approved, Envision Hospice expects the Medicare and Medicaid certified hospice services would be available to the residents of Thurston County within three months of approval or by October 1, 2018.

Given this timing, calendar year 2019 is the first calendar year of operation and year 2022 would be year three. [source: Application, p11]

The estimated capital expenditure for the project is \$20,000. The costs are for furniture, phone system, and office equipment, which includes computers, copiers, and printers, needed to equip the hospice agency. [source: December 29, 2017, screening response, Appendix S-1]]

APPLICABILITY OF CERTIFICATE OF NEED LAW

Both applications are subject to Certificate of Need review as the construction, development, or other establishment of a health care facility under RCW 70.38.105(4)(a) and 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 WAC 246-310 does not contain service or facility standards in sufficient detail to make the required determinations, WAC 246-310-200(2)(b) identifies the types of standards the department may consider in making its required determinations. Specifically WAC 246-310-200(2)(b) states:

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

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

WAC 246-310-290 contains service or facility specific criteria for hospice projects and must be used to make the required determinations. To obtain Certificate of Need approval, the applicant must demonstrate compliance with the applicable criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment); and WAC 246-310-290 (hospice standards and forecasting method).

TYPE OF REVIEW

As directed under WAC 246-310-290(3) the department accepted these two projects under the 2017 annual hospice agency concurrent review timeline for Thurston County. During the same review cycle, both applicants also submitted an application for Snohomish County. While this evaluation focuses on the Thurston County projects, some areas of the evaluation must take into consideration the possibility that one applicant could be approved for both Thurston and Snohomish counties. A chronological summary of the 2017 annual review for Thurston County is shown below.

APPLICATION CHRONOLOGY

Action	Heart of Hospice	Envision Hospice
Letter of Intent Submitted	September 28, 2017	September 29, 2017
Application Submitted	October 30, 2017	October 31, 2017
Department's pre-review activities <ul style="list-style-type: none">• DOH 1st Screening Letter• Applicant's Responses Received	November 30, 2017 December 29, 2017	November 30, 2017 December 29, 2017
Beginning of Review	January 16, 2018	
Public Hearing Conducted	None Requested or Conducted	
Public Comments accepted through the end of public comment on March 19, 2018	March 19, 2018	
Rebuttal Comments Submitted	April 18, 2018	
Department's Anticipated Decision Date	June 18, 2018	
Department's Revised Decision Date with 90-Day Extension	September 18, 2018	
Department's Actual Decision Date	September 14, 2018	

AFFECTED PERSONS

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

"...an "interested person" who:

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

WAC 246-310-010(2) requires an affected person to first meet the definition of an 'interested person.'

WAC 246-310-010(34) defines "interested person" as:

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

Under concurrent review, each applicant is an affected person for the other application. In addition to the each applicant, the following persons requested affected person status for these two applications.

Franciscan Hospice and Palliative Care

Franciscan Hospice and Palliative Care (Franciscan Hospice) is part of the CHI Franciscan Health System. Its parent is Catholic Health Initiatives, a nationwide non-profit entity. In Washington State, CHI Franciscan Health System operates a variety of healthcare facilities, including a hospice agency located in Tacoma, within Pierce County.² Currently, Franciscan Hospice provides Medicare and Medicaid certified hospice services in King, Pierce, and Kitsap counties. Franciscan Hospice also provides licensed only hospice services in Thurston County.

Franciscan Hospice meets the definition of an “interested person” under WAC 246-310-010(34). Other than submitting a request for interested person, Franciscan Hospice did not provide written comments specific to either Thurston County application. Franciscan does not meet the definition of an “affected person” for this project.

Providence Sound HomeCare and Hospice

Providence Sound HomeCare and Hospice is part of Providence Health & Services Washington. In Washington State, Providence Health & Services operates a variety of healthcare facilities, including a hospice agency located in Lacey, within Thurston County.³ Currently, Providence Sound HomeCare and Hospice provides Medicare and Medicaid certified hospice services in Lewis, Mason, and Thurston counties.

Providence Sound HomeCare and Hospice meets the definition of an “interested person” under WAC 246-310-010(34). Providence Sound HomeCare and Hospice submitted comments specific to these Thurston County hospice applications. Providence Sound HomeCare and Hospice meets the definition of an “affected person” for this project.

SOURCE INFORMATION REVIEWED

- Inspiring Hospice Partners of Oregon dba Heart of Hospice Certificate of Need application received October 30, 2017
- Inspiring Hospice Partners of Oregon dba Heart of Hospice screening responses received December 29, 2017
- Envision Hospice of Washington, LLC Certificate of Need application received October 31, 2017
- Envision Hospice of Washington, LLC supplemental application information received November 22, 2017
- Envision Hospice of Washington, LLC screening responses received December 29, 2017
- Envision Hospice of Washington, LLC supplemental screening responses received January 25, 2018⁴
- Envision Hospice of Washington, LLC public comments received March 19, 2018
- Providence Health & Services dba Providence SoundHomeCare and Hospice public comment received March 19, 2018
- Highline Internal Medicine public comment received March 19, 2018
- Adult Family Home Council of Washington State public comment received March 19, 2018
- Osborn Cancer Care public comment received March 19, 2018

² In Home Service (HIS) #00000287.

³ In Home Service (IHS) #00000420.

⁴ Certificate of Need Program rules allow an applicant to supplement screening responses up to 10 days following the beginning of review. For these applications, review began on January 16, 2018, so each applicant could supplement screening responses to up 5:00pm on January 26, 2018.

SOURCE INFORMATION REVIEWED (continued)

- UW Medicine Neighborhood Clinics public comment received March 19, 2018
- End of Life Washington public comment received March 19, 2018
- Assured Hospice public comment received March 19, 2018
- Inspiring Hospice Partners of Oregon dba Heart of Hospice rebuttal responses received April 17, 2018⁵
- Envision Hospice of Washington, LLC rebuttal responses received April 18, 2018
- Providence Health & Services dba Providence SoundHomeCare and Hospice rebuttal responses received April 18, 2018g
- Licensing and/or survey data provided by the Department of Health's Investigations and Inspections Office
- Department of Health Integrated Licensing and Regulatory System database [ILRS]
- Licensing and/or survey data provided by the Department of Health's Investigations and Inspections Office
- Licensing data provided by the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service
- Heart of hospice website at <http://inspiringhealthcareresources.com/heart-of-hospice/>
- Envision Home Health of Washington's website at www.envhhwa.com
- Certificate of Need historical files

CONCLUSIONS

Inspiring Hospice Partners of Oregon dba Heart of Hospice

For the reasons stated in this evaluation, the application submitted by Inspiring Hospice Partners of Oregon dba Heart of Hospice proposing to establish a Medicare and Medicaid certified hospice agency in Thurston County is not consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need denied.

Envision Hospice of Washington, LLC

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

Project Description:

This certificate approves the establishment of a Medicare and Medicaid certified hospice agency in Olympia, within Thurston County. Hospice services provided at the new agency include nursing care, pastoral care, medical social work, respite services, and home care aide services. Additional services include 24-hour continuous care in the home at critical periods and bereavement services for the family for 13 months post end of life. Envision Hospice also intends to provide these hospice services to nursing home residents.

⁵ Heart of Hospice did not provide public comments on the Envision Hospice application; however, Heart of Hospice provided rebuttal comments to the public comments submitted by Envision Hospice.

Conditions:

1. Approval of the project description as stated above. Envision Hospice of Washington, LLC further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Envision Hospice of Washington, LLC shall finance the project using cash reserves as described in the application.
3. Prior to providing Medicare and Medicaid certified hospice services in Thurston County, Envision Hospice of Washington, LLC will provide a listing of key staff to the Certificate of Need Program for its review. The listing of key staff shall include the name and professional license number.

Approved Costs:

The approved capital expenditure for the project is \$20,000, which is solely related to office equipment and furnishings necessary to open an office in Olympia.

CRITERIA DETERMINATIONS

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

Based on the source information reviewed, the department determines that the Inspiring Hospice Partners of Oregon dba Heart of Hospice project **does not meet** the applicable need criteria in WAC 246-310-210.

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

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

WAC 246-310-290(7)-Hospice Agency Numeric Methodology

The Department of Health's Certificate of Need Program uses the numeric methodology outlined in WAC 246-310-290 for determining the need for additional hospice agencies in Washington State. The methodology is a six-step process of information gathering and mathematical computation. The first step examines historical hospice utilization rates at the statewide level. The remaining five steps apply that utilization to current and future populations at the service area level and are intended to determine total baseline hospice services need and compare that need to the capacity of existing providers. The completed methodology is presented as Appendix A attached to this evaluation.

Each year, prior to the letter of intent period for the annual hospice concurrent review cycle, the department produces and posts to its website the projected hospice need, by county, that will be used in the upcoming review cycle. For the year 2017 concurrent review cycle, the year 2017 numeric methodology was posted. The numeric methodology projected a need for one hospice agency in Thurston County.

Inspiring Hospice Partners of Oregon dba Heart of Hospice

In response to the numeric methodology section of this sub-criterion, Heart of Hospice provided the following statements. [source: Application, p9]

"Heart of Hospice has not calculated its own numeric need using the projection methods in WAC (246-310-290). Instead, we have relied on the departments' 2017-2018 Hospice Numeric Need Methodology released September 2017."

Heart of Hospice then provided a description of steps included in the numeric methodology

Public Comment and Rebuttal Comment

Public comment submitted for the Heart of Hospice application also focused on the Envision Hospice project. The public comments and each applicant's rebuttal statements will be addressed following the Envision review.

Envision Hospice of Washington, LLC

Envision Hospice provided a description of its application of the numeric methodology and provided a copy of the 2017 numeric methodology posted to the department's website. [source: Application, Appendix D]

Public Comment for Heart of Hospice and Envision Hospice

During the review of these two projects, both Providence Sound HomeCare and Hospice (Providence) and Assured Home Health, Hospice and Home Care (Assured) provided public comment related to the numeric need criterion. For Thurston County, both Providence and Assured directed their comments to each applicant—Heart of Hospice and Envision Hospice. For reader – and writer – ease, the public comments and rebuttal comments are restated below, with the understanding that that they focus on both applicants.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment, p10]

“According to the Department's 2017-2018 Hospice Need model that follows the numeric methodology provided under WAC 246-310-290, there is projected unmet need for one (1) additional hospice agency in Thurston County. Therefore, at most, only one of the two applicants could be approved, if all certificate of need criteria, as defined in WAC 246-310-210-Determination of Need; WAC 246-310-220-Financial Feasibility; WAC 246-310-230-Structure and Process of Care; and WAC 246-310-240-Cost Containment, are met.

Findings from the Department's 2017-2018 Hospice Need model indicate that at most, only one of the two applicants could be approved, if all certificate of need criteria, as discussed above, are met. Approval of a second agency is not supported by the need methodology and would represent an unnecessary duplication of services.”

Assured Home Health, Hospice and Home Care [source: March 19, public comment, p1]

“The applicants are seeking a Certificate to provide Hospice services in Thurston County. The apparent basis for these applications is that the applicant's see a need based on numerical methodologies.”

Rebuttal Comments

Heart of Hospice [source: April 17, 2018, rebuttal comment]

“The threshold question for the award of the Certificate of Need in question is the existence of a need. The Department of Health (the "Department") has made a determination that such a need exists, based on its own methodology; Envision and the service providers from which it has solicited letters of support all agree that the need exists. Needless to say, Heart of Hospice agrees and has nothing more to add to that analysis.”

Envision Hospice

No rebuttal comments were provided by Envision Hospice for this sub-criterion.

Department Evaluation-Numeric Methodology

This portion of the evaluation will describe, in summary, the calculations made at each step and the assumptions and changes made in that process. The titles for each step are excerpted from WAC. The completed methodology is presented as an appendix to this evaluation.

Step 1: Calculate the following four statewide predicted hospice use rates using CMS and department of health data or other available sources.

- (i) The predicted percentage of cancer patients sixty-five and over who will use hospice services. This percentage is calculated by dividing the average number of hospice admissions over the last three years for patients the age of sixty-five and over with cancer by the average number of past three years statewide total deaths sixty-five and over from cancer.*

(ii) *The predicted percentage of cancer patients under sixty-five who will use hospice services. This percentage is calculated by dividing the average number of hospice admissions over the last three years for patients under the age of sixty-five with cancer by the current statewide total of deaths under sixty-five with cancer.*

(iii) *The predicted percentage of non-cancer patients sixty-five and over who will use hospice services. This percentage is calculated by dividing the average number of hospice admissions over the last three years for patients age sixty-five and over with diagnoses other than cancer by the current statewide total of deaths over sixty-five with diagnoses other than cancer.*

(iv) *The predicted percentage of non-cancer patients under sixty-five who will use hospice services. This percentage is calculated by dividing the average number of hospice admissions over the last three years for patients under the age of sixty-five with diagnoses other than cancer by the current statewide total of deaths under sixty-five with diagnoses other than cancer.*

For these sub-steps within Step 1, the department obtained utilization data for 2014 through 2016 from the licensed and Certificate of Need approved hospice providers throughout the state. The department asked providers to report their admissions by age group (under 65 and 65 and over) and diagnosis (cancer/non-cancer) for each of the most recent three years. This information is provided by county of residence. The results of this survey were compared with data provided by the Department of Health's Center for Health Statistics and Cancer Registry office to determine the percentages of deaths due to cancer and non-cancer causes for the two age groups.

Step 2: Calculate the average number of total resident deaths over the last three years for each planning area.

This step was completed using death statistics from the Department of Health's Center for Health Statistics. The total deaths in each of the planning areas for 2014-2016 were averaged for each planning area.⁶

Step 3: Multiply each hospice use rate determined in Step 1 by the planning area's average total resident deaths determined in Step 2.

In this step, the use rates from Step 1 are multiplied by the applicable age group's death rate for each planning area to determine the number of likely hospice patients for each of the four age/diagnosis categories.

Step 4: Add the four subtotals derived in Step 3 to project the potential volume of hospice services in each planning area.

The numbers of likely hospice patients from each of the four categories derived in Step 3 are added together for each planning area. This number is described as the "potential volume" of hospice services in the area. This represents the number of patients expected to elect hospice services in the area.

⁶ In applying Step 2, the department reads "total" to mean the total number of death for each of the four categories of patients identified in Step 1. The department adopts this reading because the various steps in the methodology build on each other and should be read together.

Step 5: Inflate the potential volume of hospice service by the one-year estimated population growth (using OFM data).

The values derived in Step 4, above, were inflated by the expected populations for each planning area. The age-specific population projections for each county were obtained from the state’s Office of Financial Management. The most recent age-specific data set is the “Population Projections developed for Growth Management Act based on year 2012 census using the ‘medium series.’ This age-specific data is available for 5-year intervals only. The department used these 5-year interval values to estimate population projections for the interstitial years. The department applied the one-year estimated population growth to the potential volume of hospice services derived in Step 4 to estimate potential hospice volume in 2017, the first year following the three-year data range.

Step 6: Subtract the current hospice capacity in each planning area from the above projected volume of hospice services to determine unmet need. Determine the number of hospice agencies in the proposed planning area which could support the unmet need with an ADC [average daily census] of thirty-five.

Current hospice capacity is defined in the rule as the average number of admissions for the most recent three years of operation for those agencies that have operated or have been approved to operate in the planning area for three years or more. For the remaining agencies that have not operated in the planning area for at least three years, an average daily census (ADC) of thirty-five is assumed for that agency.

For Thurston County, there are two agencies that provide both Medicare and Medicaid hospice services to the residents. They are:

- Assured Home Health, Hospice and Home Care located at 2102 Carriage Street Southwest, #H in Olympia.
- Providence SoundHome Care and Hospice located at 4200 – 6th Avenue, #201 in Lacey.

Both agencies have been in operation for more than three years.

In order to provide a numeric need methodology as described above, data from existing Washington State hospice providers must be obtained. On May 12, 2017, the department conducted its annual survey of agencies that provide hospice services in Washington State. All agencies in Washington State were surveyed, including the two Thurston County providers above.

The department calculated the ADC for each hospice agency by multiplying the state’s most recent average length of stay (ALOS), calculated from responses to the department’s survey, by each hospice agency’s average admissions for the past three years and divided that total by 365 (days per year). The result of this calculation projects numeric need for one hospice agency in Thurston County. The calculations and result for years 2017 through 2020 is shown in the table below.

**Table 1
Thurston County Hospice Methodology Summary for Years 2016- 2019**

	Year 2017	Year 2018	Year 2019	Year 2020
Unmet Need for Patients Days	666	685	717	732
Unmet Patient Days divided by 365	31	34	37	39
Number of Agencies Needed (subtract 35)	0	0	1	1

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

The public comment provided by Providence Sound HomeCare and Hospice and Assured Home Health and Hospice acknowledge numeric need for one hospice agency in Thurston County. Providence's comment further notes that the numeric methodology does not support approval of both projects. Neither Providence nor Assured dispute the results of the numeric methodology.

The department concludes that each applicant has demonstrated numeric need for their respective project. Further, neither application is superior to the other.

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

Inspiring Hospice Partners of Oregon dba Heart of Hospice

In response to this sub-criterion, Heart of Hospice provided the following information. [source: Application, pp11-14]

“At its core, hospice is about supporting patients and their families in living the remaining days of their life on their own terms. Heart of Hospice provides care that focuses on improving quality of life and is committed to the idea that hospice isn't about dying; it's about living and making each journey the best it can be. To this end, we offer a healthcare team specially trained in pain and disease management, as well as a wide range of medical, social, spiritual, and bereavement services.

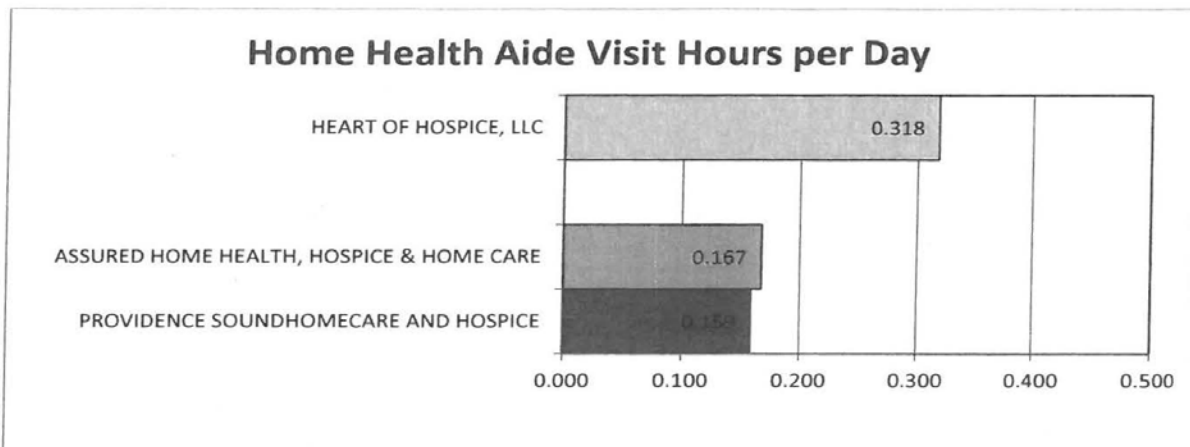
Hospice is a philosophy and approach rather than a place. Care may be provided in a person's home, assisted living facility, a skilled nursing facility, hospital, or independent facility devoted to end-of-life care. It all depends on the family and the person taking the journey.

Heart of Hospice is also committed to ensuring that our comprehensive patient and family focused model of hospice care is available when and where needed - and is able to be specifically responsive to the unique needs of each patient and family regardless of geographic location or specific care needs.

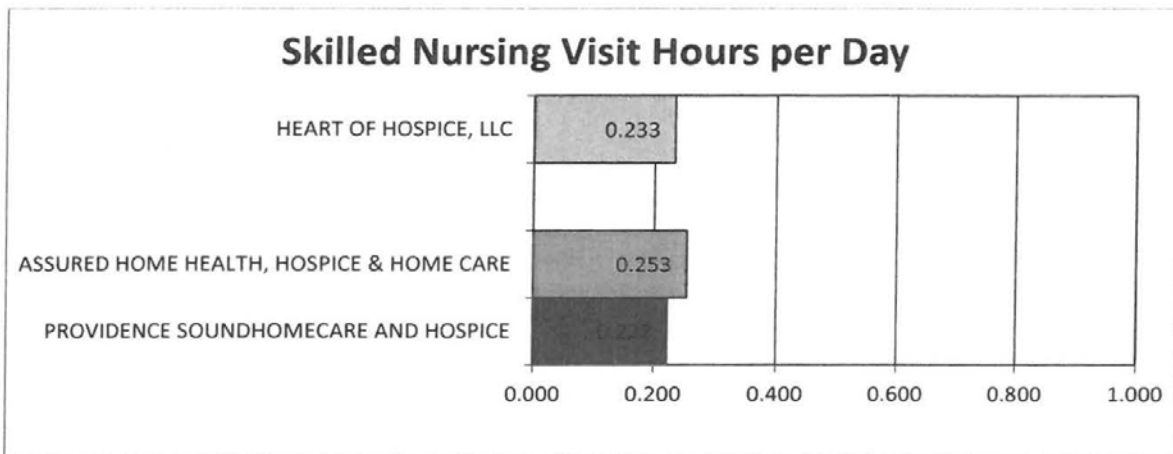
While Washington State Records identified two agencies certified to provide hospice care in Thurston County, records also indicated that neither provider was able to fully take care of the county. It was under this premise that Heart of Hospice has spent significant resources planning and securing a lease in order to serve Thurston County. I truly believe once we have been awarded the CN we will see an increase in both the length of stay and the number of Thurston county residents being served. Our Goal is to increase the access to the county of Thurston. We believe each and every individual who qualifies for the Hospice Benefit should have equal access and understanding as to what the Hospice Benefit entitles them to. Our Goal is simple to increase the knowledge base at both the individual and also the provider level.

Heart of Hospice is absolutely committed to maintaining Medicare Certification and serving each and every resident in Thurston County who desires to have hospice at their time of need.

Heart of Hospice has compared the data received from Medicare Hospice Utilization & Payment Public Use File: A Methodological Overview. See Attachment 2. Heart of Hospice reviewed the data and created the following comparisons.”

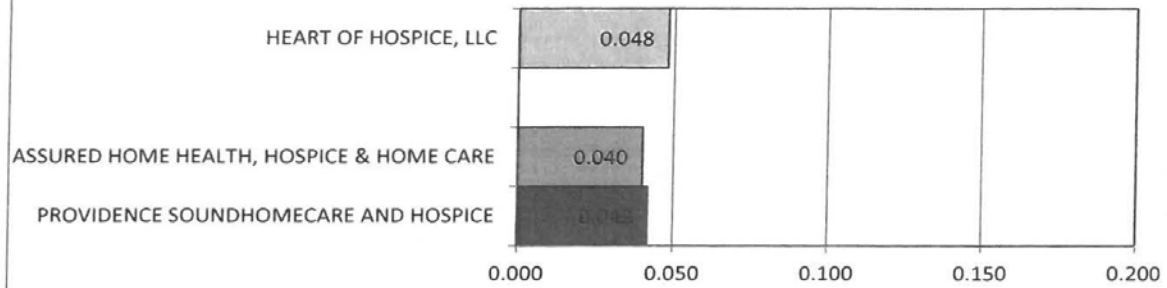


Aides are an important and valuable member of the Hospice Team. They usually provide the most hands on care. Heart of Hospice passionately believes in frequent aide visits as evidenced by almost double the amount of time spent with patients.
 Source: Medicare Hospice Utilization & Payment Public Use File: A Methodological Overview
 Methodology: Dividing hours for Heart of Hospice by the hours for each of the currently operating providers



Generally speaking both providers in Thurston county provide the same amount of Skilled Nursing Visit Hours per Day and Heart of Hospice is in line with those numbers.
 Source: Medicare Hospice Utilization & Payment Public Use File: A Methodological Overview
 Methodology: Dividing hours for Heart of Hospice by the hours for each of the currently operating providers

Social Service Visit Hours per Day



While Heart of Hospice is in line with the current Thurston County providers, since the data collection time, changes have been made to our program, including additional training and oversight, in order to increase the clinical time spent with patients and families. The goal is to be the leader in service for all aspects of Heart of Hospice Clinical work, as this area of hospice is the direct support and advocacy for our patients and their families.

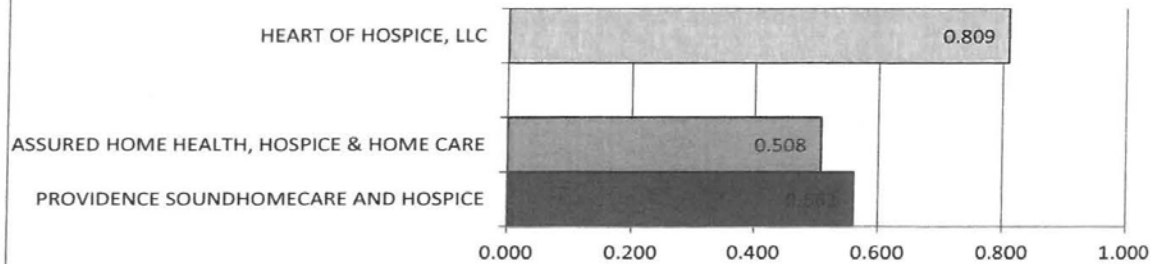
Source: Medicare Hospice Utilization & Payment Public Use File: A Methodological Overview

In the week prior to death Heart of Hospice Aides spent 0.428 hours per day with patients. This number is 131% greater than the average of 0.185 hours per day of the current providers.

Source: Medicare Hospice Utilization & Payment Public Use File: A Methodological Overview

Methodology: Dividing HA hours for Heart of Hospice by the HA hours for each of the currently operating providers

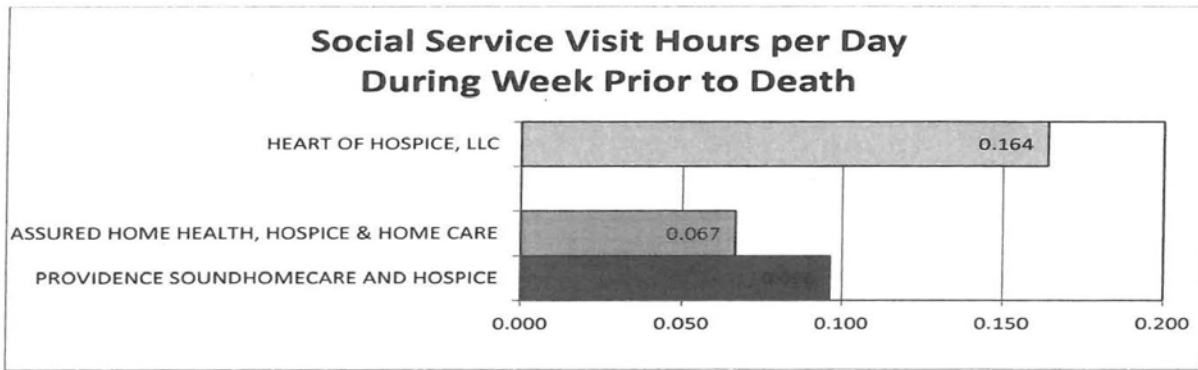
Skilled Nursing Visit Hours per Day During Week Prior to Death



Heart of Hospice provided daily visits to patients in the "Active" phase of dying prior to the requirement by CMS and this is reflected in these numbers. Current Thurston County providers average 0.534 hours per day. Heart of Hospice provides 51% more time with patients at 0.809 hours per day

Source: Medicare Hospice Utilization & Payment Public Use File: A Methodological Overview

Methodology: Dividing hours for Heart of Hospice by the hours for each of the currently operating providers



Heart of Hospice provided daily visits to patients in the "Active" phase of dying prior to the CMS Requirement. The average of current providers' social service visit hours in the week prior to death is 0.081 while Heart of Hospice is double at 0.164.

Source: Medicare Hospice Utilization & Payment Public Use File: A Methodological Overview

“It is statistically proven (according to NHPCO 2016 Stats) that patients elect hospice service at the very end of life. Heart of Hospice works to show patients and their families the extent and array of benefits available to them by coming on service earlier in the terminal disease process. By providing more hours and a higher quality of care to each patient, as the comparative data shows Heart of Hospice does, Heart of Hospice gives an ongoing demonstration of the excellent benefits of hospice care in the community. The effect of this demonstration will be to encourage more patients to avail of hospice services, and at earlier stages of terminal illness, in Thurston County. Our goal is to show families and referral sources, over time, that a higher level of care will truly impact patient outcomes by providing excellent hospice care to the right patient at the right time. Too frequently, patients are referred to hospice only at a time of crisis. Our goal is to change the perception of hospice from a crisis management option to a service which can enhance quality of life for terminally ill patients. This, in turn, will allow more patients access to this level of care.”

[source: December 29, 2017, screening response, p3]

“Geographic distance between patients and the time required to reach patients in rural areas mean that hospice providers have not invested in educating providers and patients about hospice services and the hospice benefit. Therefore, there is a poor understanding of hospice care in much of Thurston County. Heart of Hospice plans to overcome these barriers and increase access to hospice services by directing marketing and education efforts towards rural providers and hospitals in a targeted manner. This marketing/education program will also aim to impact a certain number of rural senior centers, nursing homes and other facilities in underserved areas, where prospective beneficiaries of hospice services remain uneducated as to the hospice benefits available to them.”

[source: December 29, 2017, screening response, p2]

Public Comment

Even though some of the public comment submitted focused both hospice projects, much of the public comment calls out a particular application. For this reason, the department will discuss the public comment for each applicant separately.

Assured Hospice [source: March 19, 2018, public comment]

“We greatly appreciate the desire of these Hospice agencies to provide services in Thurston County. However, we respectfully oppose their applications and submit the following comments on information provided in their applications and their responses to inquiries by the Department.

Both Inspiring Hospice Partners of Oregon dba Heart of Hospice and Envision Hospice of Washington share their care of veterans as a reason for approval. Veterans are a key focus for our agency. We have been an active participant of the Veterans Administrations We Honor Veterans (WHV) Initiative since its inception. As an organization we have 100% participation of Hospice WHV program with many agencies ranked at the highest level 4. Our Thurston county team is at level 3 and will be at level 4 within the year. Our local agencies have also received from the Veterans Administration a Community Partners Award for our work with Veterans in our community and the Veterans Administration. We regularly partner with providers at Madigan Hospital to support veterans coming home to Thurston County on our hospice service, as well as those from American Lake and the Seattle VA Hospital. We have veteran staff and veteran volunteers to ensure our veterans' needs are met.

This applicant also writes that one physician reports delays in access to hospice in Thurston County. Even with the staffing challenges discussed above, we normally respond to a request for admission within four hours of receiving a referral and always complete the admission within 24 hours unless the patient or family choose to delay admission. Because we have agencies in joining counties, we are able to improve timely access to hospice services for our patients. We also have a Home Health Agency in Thurston County that allows us to take care of patients in multiple post-acute settings.

We maintain that there is no need for additional hospice providers in Thurston County, Washington as patient access, patient choice and quality of services are well served by current authorized hospice providers in Thurston County. Therefore, we respectfully request that the applications of Inspiring Hospice Partners of Oregon dba Heart of Hospice and Envision Hospice of Washington for certificates of need for hospice services in Thurston County be denied.

Our hospice agencies have provided care to residents of Washington since 1978. We offer a variety of clinical services to include Hospice care. For example, we utilize an interdisciplinary team of registered nurses, licensed practical nurses, home health aides, medical social workers, chaplains, physicians, nurse practitioners, occupational therapists, physical therapists, speech pathologists, integrative therapists to include but not limited to massage therapists, acupuncturists and music practitioners.

Assured Home Health and Hospice is accredited by The Joint Commission. We are accessible to our patients 24 hours per day, seven (7) days a week ensuring visits in the home occur to provide the best care for hospice patients and families.

Despite our long tenure, sustained service and success in Thurston County, we continue to actively market our services to all potential referral sources, whether individuals, entities, or community to ensure access to all residents. As a result of such efforts, we have become extremely familiar with the programs offered by the other existing agencies in Thurston County. In fact, on those occasions when we were unable to provide immediate assistance to a particular individual, we have coordinated such services with the other agency. We have ensured access to hospice care all who desire it.

Rebuttal Comment

None

Department Evaluation

Heart of Hospice provided practical and reasonable rationale for submitting an application to provide Medicare and Medicaid hospice services in Thurston County. Heart of Hospice is proposing its agency would be located in Tumwater, within the county and intends to be available to all residents of the Thurston County planning area.

Assured Hospice asserts that Heart of Hospice uses the concept of being available to veterans as a reason for approval. The department disagrees with this assertion. The information within the Heart of Hospice application provides a variety of reasons why the agency proposes to serve Thurston County; it simply identifies care for veterans as another reason.

The department concludes that Heart of Hospice provided reasonable rationale for submission of its application and demonstrated need for the project. If the application is approved, Heart of Hospice's approval would include a condition requiring the agency to be available and accessible to all residents of the service area. With agreement to the condition, Heart of Hospice's application **meets this sub-criterion**.

Envision Hospice of Washington, LLC

In response to this sub-criterion, Envision Hospice provided the following information. [source: Application, pp16-18]

"The negative impact and consequences of unmet hospice needs is best described by listing the benefits of hospice that are not available to those persons whose need is unmet:

Longer lives

Hospice care prolongs the lives of those who choose it compared with those who don't. Terminal patients live from 20 days to more than 2 months longer in hospice, according to studies from 2004 through 2010 noted by the National Hospice and Palliative Care Organization.

Reduced out of pocket expense for patients and their families

Prescription medications are one of the biggest areas of cost savings for hospice patients. Hospice covers the cost of all medications for pain and comfort management related to the terminal illness. Rental costs of durable medical equipment-- hospital beds, wheelchairs, walkers, wound dressings and catheters – are included as part of the paid-by-hospice coverage. Without hospice, the patient would need to pay for this equipment or would need to pay a Medicare rental copayment after submitting a doctor's approval for the equipment.

Personalized and coordinated care plan

End-of-life care can be overwhelming, with a patient often seeing multiple health care professionals. Hospice provides each patient a doctor, nurse, home health aide and social worker, who coordinate the patient's daily care. Other provided health care professionals include a dietitian, and physical, occupational and speech therapists.

Hospice care available at home

Being in hospice care may allow seniors to stay in their home versus going into long-term care or assisted living. Nearly 90% of people over 65 want to stay in their home for as long as possible, according to a 2011 survey by the AARP Public Policy Institute.

Hospice care also can be provided to those in a nursing home or assisted living facility, though the cost of nursing homes or assisted living facilities is not covered by hospice. A 2010 study of cancer patients in hospice by the Mount Sinai School of Medicine found that continuous hospice use leads to a reduction of hospital-based services, including fewer emergency and urgent care visits, and a greater likelihood that a patient will die at home, not in a hospital.

While hospice doesn't provide live-in care, the services it provides can lessen the strain on caregivers. For example, a hospice home health aide can visit 5 days a week and assist the patient.

There are respite options for caregivers

Hospice care provides free respite options for caregivers in 2 ways:

Respite volunteers can provide patient-sitting services. If the caregiver needs a break for a short time (a few hours at most), they can do so without having to pay.

Hospice also provides a longer term respite care option -- up to 5 consecutive days for the patient in a hospice-approved nursing facility.

Social work and bereavement support

Hospice care also includes a social worker on the hospice team. The social worker can help patients and families find additional care and caregiver support services through local and federal programs. They can also help with finalizing burial plans. In conjunction with a spiritual counselor, social workers may also address the emotional needs of the patient and the family regarding the patient's eventual death. The patient and the family decide whether to use these services. Hospice care doesn't end when the patient dies. Bereavement support for up to 1 year after the patient's death is available to immediate family members.

Coordination of care

Coordinating multiple caregivers and providers is difficult for the healthiest person. For the family or terminally person without access to a Medicare-certified hospice, lack of coordination can create an insurmountable barrier to safe and effective care.

The need to control pain appropriately and address bereavement issues early are two aspects of caring for the terminal patient that many family members would despair of. But under the direction of the Medicare hospice interdisciplinary team, these are required aspects of care included in every patient's plan of care.

Yes, with lots of work and personal funds, one could assemble a team like the Medicare certified hospice team. But this service already exists within the Medicare program and all Medicare patients are eligible for it.

Reduced re-hospitalization

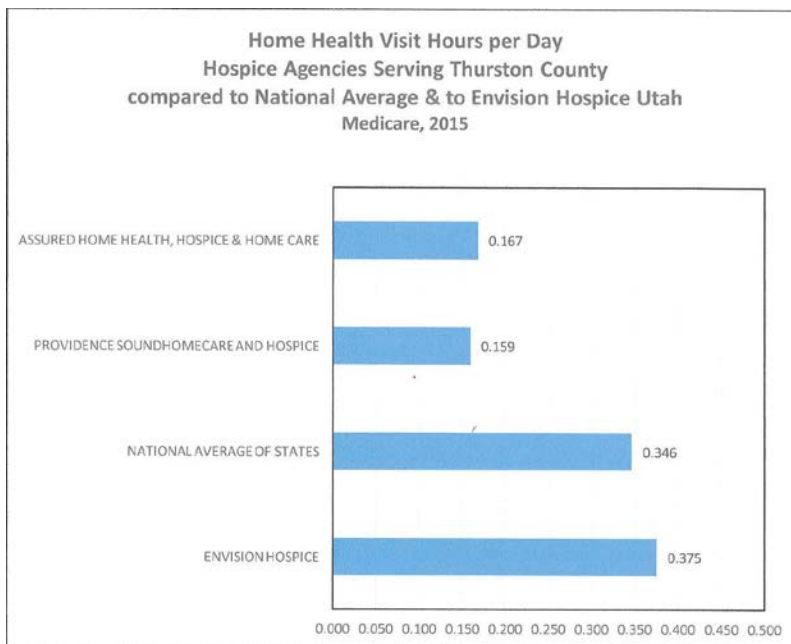
Hospice care reduces re-hospitalization. A study of terminally ill residents in nursing homes showed that residents enrolled in hospice are much less likely to be hospitalized in the final 30 days of life than those not enrolled in hospice (24% vs. 44%).”

Specific to need for an additional agency in Thurston County, Envision provided the following information. [source: Application, pp24-28 and December 29, 2017, screening response, pp6-7]

“As documented in the Department of Health's own 2017 calculation of 2021 Thurston County hospice need, the proposed project is not an unnecessary duplication of services because it will respond to an unmet need of 43 average daily patients per day in 2021.

Fewer hours of care made available

The chart below illustrates the gap between Thurston County hospice agencies' time spent per day in their hospice patients' homes as compared to the national average of all states and to the same measure for Envision Hospice of Utah.



The contrast in availability of staffing in the hospice patient's home between Thurston County hospices, the national average and the equivalent figure for Envision Hospice in Utah is quite great. The Medicare program pays a daily rate to hospice providers and the hospice provider assumes all financial risk for costs and services associated with care for the patient's terminal illness. Thus, the hospice agency decides how often each staff member will visit the patient's home and how long each visit will last.

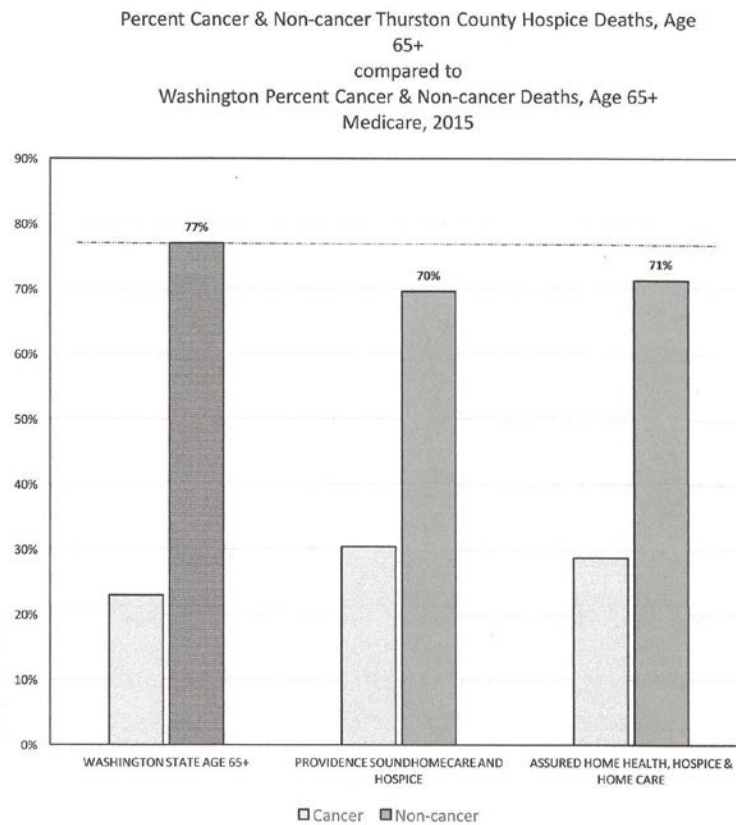
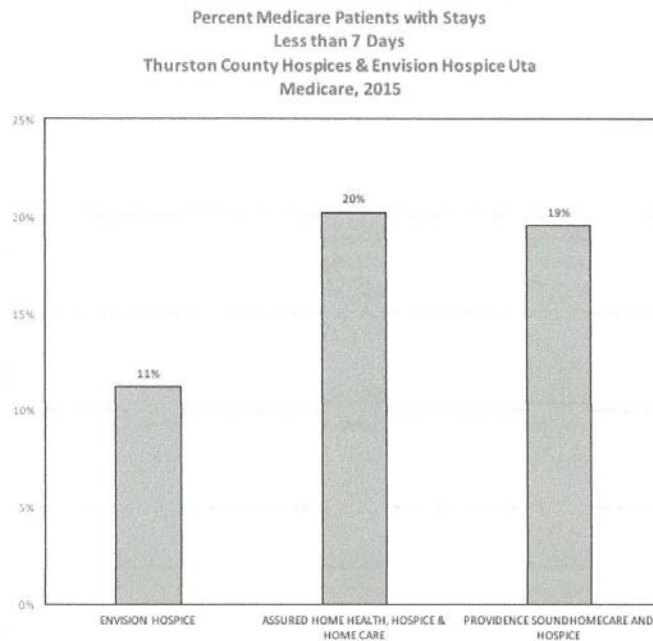
This chart suggests that services to Thurston hospice patients are less available and accessible than one would expect. Based on the figures in this chart, it appears that Thurston patients are receiving between 15% and 46% of the national average amount of in-home care. (In-home care represents 98% of all hospice care).

The hours of home visit per day data comes from the CMS Medicare Public Use File, 2015. This graphic presentation of it shows that access to hospice care in the service area is low even for Medicare beneficiaries that are enrolled in hospice. It means there are access problems to covered hospice services even for those who do enroll.

Too many short stays mean less accessibility

The following chart illustrates the percent of each Thurston County Medicare hospice patients that received care for 7 days or less in 2015. It compares those percentages, ranging from 19% to 26% with Envision's experience in Utah where it has achieved an 11 % result on the same measure. Many

of the benefits of hospice are not realized when stays are this short. That means the benefits are not as available or accessible as when hospice admission is more timely. A community pattern of late referral to hospices is not easily changed but Envision has been able to achieve better results and make more of the hospice program's benefits available and accessible than is possible in just seven days prior to the terminally-ill patient's death.



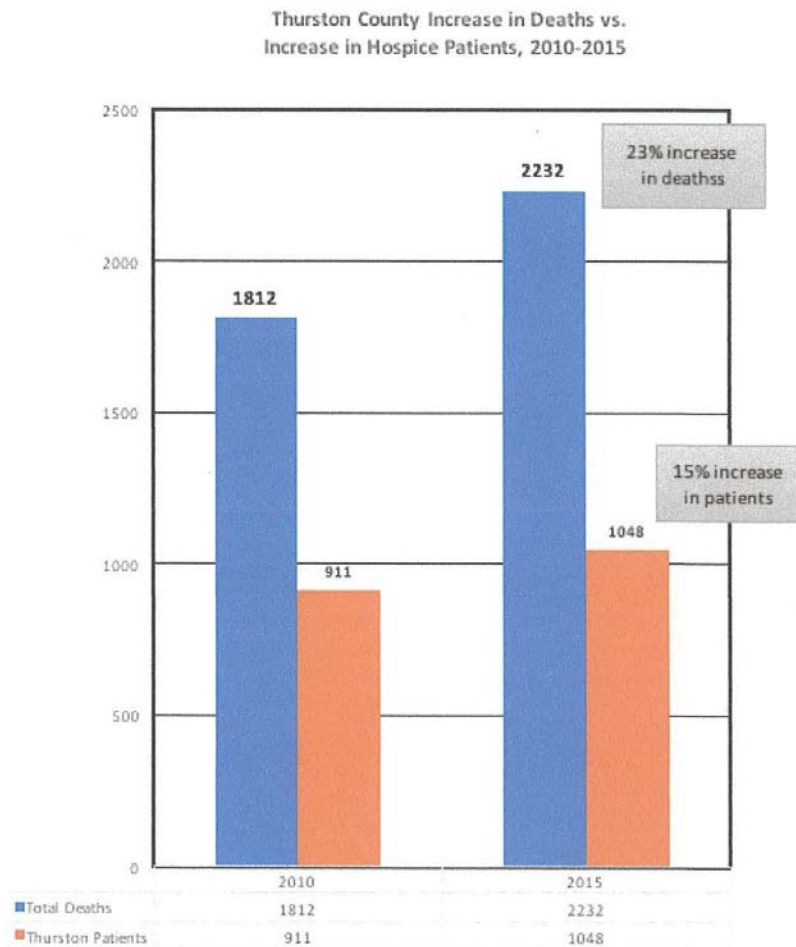
[This graph above] is built on the same data set as [the graph above it]. It shows the marked difference between Envision’s ability to reduce very short stays of seven days or less compared to the averages in the service area where a greater share of hospice enrollees are dying before they have received even seven days of hospice care. It means that Envision has adopted approaches that reach out to and enrollee terminally ill persons earlier in the course of their disease. This is a key goal and marker of improved access: to involve patients and their families early enough that they can benefit from the full range of hospice offerings.

Less access by non-cancer patients

The chart above compares the portion of cancer and non-cancer deaths among Washington residents age 65+ with the portion of cancer vs. non cancer hospice admissions of Thurston County Medicare beneficiaries. While 77% of deaths among this group result from causes other than cancer, most of the county's hospices serve a greater share of cancer patients than they do non-cancer patients.

This chart identifies the group of aged persons with other diseases as not having the availability and access to hospice that their numbers suggest would be appropriate.

The chart below illustrates the lag in access to hospice that has increased since 2010. While Thurston County deaths have increased by 23% during that period, the number of hospice patients has increased by only 15%.



This data is also a portrayal of survey results from the Department's 2016 Hospice Utilization Survey. It is combined with Washington Death Table data to show that most service area hospices are not serving non-cancer patients to the extent those deaths are represented among those who died during the same period. Historically, hospital-owned hospices began with serving their own cancer patients as those were discharged from acute care. It has taken longer – and is more difficult – to provide hospice access to terminally ill persons who may be in other settings.”

Public Comment

Below is the public comment received for the Envision Hospice application related to this sub-criterion.

Highline Internal Medicine [source: March 19, 2018, public comment]

“As the Medical Director (& Family Physician) of the UW Neighborhood Clinics, which has clinics in both these counties, I can attest for the need for hospice services in these areas. Hospice care is essential for achieving the goals for quality of care at the end of life, and I also appreciate that Envision will be serving Medicaid patients as well.

UW Medicine, our parent organization, takes great pride as a leader in clinical innovation and as a champion for health care equity in the Northwest. Given this, I appreciate Envision's commitment to address the special needs of dementia/Alzheimer's patients, especially to help with Advanced Care Planning for that group. They have also shared their commitment to reach out to the Latino community and to disabled patients in these counties.”

Adult Family Home Council of Washington State [source: March 19, 2018, public comment]

“As the Executive Director of my organization, I am keenly aware of the need for an excellent hospice provider, like Envision. In my experience, hospice care has not always been available in a timely manner to all residents of Thurston County adult family homes, for whom hospice had been requested. Sadly, there have been occasions in which residents have died prior to receiving hospice services.

Envision has worked closely with adult family homes in their home health practice in King and Pierce Counties. Knowing that Envision works so closely with our members now, assures me that our population of adult family home residents will be well served by Envision Hospice.

With that knowledge, I feel confident that adult family home owners and residents in Thurston County will benefit from a relationship with Envision Hospice. I know that our organization would welcome the opportunity to work with Envision and would not hesitate to refer patients in need of hospice services.”

Osborn Cancer Care [source: March 19, 2018, public comment]

“At Osborn Cancer Center, we help our patients to prolong their lives and increase their well-being in the face of terrible diseases. Some of our patients eventually need hospice. Our experience has been that, at intervals, patients must wait days or weeks to begin hospice services.

The intensity of the need for hospice for our patients shows us that another hospice provider is much needed in Thurston County. Envision has impressed us with their plan to provide a supplement to current hospice services in the county and their desire to service minority and underserved groups and individuals in Thurston County.

We feel confident that the addition of Envision Hospice provides the type of scope and focus needed by patients in our practice and the community at large, affected by the current lack of hospice availability. We would welcome the opportunity to work with Envision and would not hesitate to refer patients in need of hospice services.”

UW Medicine Neighborhood Clinics [source: March 19, 2018, public comment]

“As the Medical Director (& Family Physician) of the UW Neighborhood Clinics, which has clinics in both these counties, I can attest for the need for hospice services in these areas. Hospice care is essential for achieving the goals for quality of care at the end of life, and I also appreciate that Envision will be serving Medicaid patients as well.

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End of Life Washington [source: March 19, 2018, public comment]

“I urge you to approve Envision Hospice of Washington LLC's application for a Certificate of Need to establish Medicare-certified hospices in Thurston and Snohomish Counties. As you may know, End of Life Washington, formerly Compassion & Choices of Washington, is the non-profit, statewide organization that has stewarded the Death with Dignity Act in Washington State since it became the law in 2008. As such, we work closely with hospices throughout Washington as we seek to ensure access for all terminal patients seeking to avail themselves of their rights under our state's Death with Dignity Act. Thus, we are particularly aware of what counties struggle to provide robust and reliable support for their patients with regards to Death with Dignity. Thurston and Snohomish Counties are two such areas.

Envision Hospice of Washington has clearly stated its intention to establish policies that actively support patients seeking to use the Death with Dignity Act, an enlightened position that already places them far ahead of many other Washington hospices which, for a myriad of reasons, are not positioned to adequately support their patients with this important issue. We regularly assist clients from Thurston and Snohomish Counties who face difficult and even insurmountable obstacles put in their path by their hospice's inability to fully serve their needs with regards to end-of-life decisions. I applaud the administration of Envision Hospices of Washington for their forethought with regards to their patients' right to pursue Death with Dignity. Having access to such a facility would truly help patients in Thurston and Snohomish Counties who feel trapped in a religious or institutional system that does not respect their right to choose at end of life.”

Assured Hospice [source: March 19, 2018, public comment]

“We greatly appreciate the desire of these Hospice agencies to provide services in Thurston County. However, we respectfully oppose their applications and submit the following comments on information provided in their applications and their responses to inquiries by the Department.

Both Inspiring Hospice Partners of Oregon dba Heart of Hospice and Envision Hospice of Washington share their care of veterans as a reason for approval. Veterans are a key focus for our agency. We have been an active participant of the Veterans Administrations We Honor Veterans (WHV) Initiative since its inception. As an organization we have 100% participation of Hospice

WHV program with many agencies ranked at the highest level 4. Our Thurston county team is at level 3 and will be at level 4 within the year. Our local agencies have also received from the Veterans Administration a Community Partners Award for our work with Veterans in our community and the Veterans Administration. We regularly partner with providers at Madigan Hospital to support veterans coming home to Thurston County on our hospice service, as well as those from American Lake and the Seattle VA Hospital. We have veteran staff and veteran volunteers to ensure our veterans' needs are met.

This applicant also writes that one physician reports delays in access to hospice in Thurston County. Even with the staffing challenges discussed above, we normally respond to a request for admission within four hours of receiving a referral and always complete the admission within 24 hours unless the patient or family choose to delay admission. Because we have agencies in joining counties, we are able to improve timely access to hospice services for our patients. We also have a Home Health Agency in Thurston County that allows us to take care of patients in multiple post-acute settings.

We maintain that there is no need for additional hospice providers in Thurston County, Washington as patient access, patient choice and quality of services are well served by current authorized hospice providers in Thurston County. Therefore, we respectfully request that the applications of Inspiring Hospice Partners of Oregon dba Heart of Hospice and Envision Hospice of Washington for certificates of need for hospice services in Thurston County be denied.

Our hospice agencies have provided care to residents of Washington since 1978. We offer a variety of clinical services to include Hospice care. For example, we utilize an interdisciplinary team of registered nurses, licensed practical nurses, home health aides, medical social workers, chaplains, physicians, nurse practitioners, occupational therapists, physical therapists, speech pathologists, integrative therapists to include but not limited to massage therapists, acupuncturists and music practitioners.

Assured Home Health and Hospice is accredited by The Joint Commission. We are accessible to our patients 24 hours per day, seven (7) days a week ensuring visits in the home occur to provide the best care for hospice patients and families.

Despite our long tenure, sustained service and success in Thurston County, we continue to actively market our services to all potential referral sources, whether individuals, entities, or community to ensure access to all residents. As a result of such efforts, we have become extremely familiar with the programs offered by the other existing agencies in Thurston County. In fact, on those occasions when we were unable to provide immediate assistance to a particular individual, we have coordinated such services with the other agency. We have ensured access to hospice care all who desire it.

Rebuttal Comment

Envision Hospice's rebuttal comments are below.

Envision Hospice Rebuttal to Assured [source: April 18, 2018, rebuttal comment]

“Assured discounts Heart of Hospice's rural focus. Assured notes Heart of Hospice's emphasis on rural outreach and suggests it is a duplication of Assured's similar and long-standing effort in Thurston County. Envision agrees and believes the new agency to be approved in Thurston County needs experience in both rural and urban communities. Of the two applicants being considered - Heart of Hospice and Envision – Envision has the more relevant experience. This includes not only

the five counties it serves in Utah but also in King and Pierce Counties where Envision's home health agency currently operates in Washington. The patient origin data Envision Home Health of Washington provided in its application for its King agency to also serve Pierce County showed a primary service area of both urban and rural communities across King County. Specifically to the application of tiebreakers (a) and (e), Heart of Hospice's history and its plan to emphasize rural outreach in the service area is not a new aspect of Thurston County hospice outreach as it is known today.

Assured minimizes Envision's understanding of the Thurston market. Assured downplays Envision's market assessment and believes that Envision's report of just one physician's hospice experience in Thurston County is immaterial. While Envision may have referenced a single physician's experience in its prior materials, its response is two-fold.

First, the 'single physician' is not a generalist physician with the occasional anecdote about difficult access to hospice. This physician is a very experienced board-certified palliative care physician serving as a hospitalist and caring for numerous terminally ill in-patients at once. Daily, she sees the delays experienced by hospital in-patients who wish to go home to hospice but whose hospice care is delayed because they live in a community where hospice demand is much greater than supply.

Second, Envision staff spoke with many providers in Thurston County who believe another agency is needed. Most providers in the highly-concentrated Thurston County healthcare system (where one local hospital has a very large market share) stated they prefer to remain neutral in Certificate of Need decisions, not taking positions relative to existing or potential providers. Envision representatives spoke with staff of a Thurston County medical center and many other providers, small cities, and churches who see hospice needs going unmet, but who prefer to remain neutral during the review process. Nevertheless, the Department received letters of support for Envisions Thurston County proposal from substantial and credible sources.”

Department Evaluation

Envision Hospice provided practical and reasonable rationale for submitting an application to provide Medicare and Medicaid hospice services in Thurston County. The new agency would be located in Olympia, within the county and intends to be available to all residents of the Thurston County planning area.

Public comments for in the application include letters of support for an additional hospice provider in Thurston County. All of the letters specifically support Envision Hospice as the additional provider. Reasons for the support include:

- Envision Hospice's commitment to address the special needs of dementia/Alzheimer's patients;
- Envision Hospice's commitment to reach out to the Latino community and disabled patients;
- Envision Hospice's commitment to serve underserved groups in the county, including Medicare and Medicaid patients; and
- Envision Hospice's commitment to incorporate the Death with Dignity Act into its policies.

Assured Hospice asserts that Envision Hospice uses the concept of being available to veterans as a reason for approval. The department disagrees with this assertion. The information within the Envision Hospice application provides a variety of reasons why the agency proposes to serve Thurston County; it simply identifies care for veterans as another reason.

The department concludes that Envision Hospice provided reasonable rational for submission of its application and demonstrated need for the project. If the application is approved, Envision Hospice’s approval would include a condition requiring the agency to be available and accessible to all residents of the service area. With agreement to the condition, Envision Hospice’s application **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.

Inspiring Hospice Partners of Oregon dba Heart of Hospice

Heart of Hospice provided copies of the following agency-wide hospice policies used by the hospice agency located in Oregon and serving Washington State. [source: Application, Attachment, 21, 22, 23, 25, 26, 27, and 28]

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

Diversity Policy
Fiscal and Fiduciary Responsibilities Policy
Corporate Compliance Policy
Compliance With Regulations Policy

The Admission Policy includes the following non-discrimination language.

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

Heart of Hospice provided the following clarification regarding its Charity Care Policy provided in the application. [source: December 29, 2017, screening response, p13]

“Heart of Hospice always provides hospice care to any appropriate patient referred to us – regardless of their ability to pay. No poverty criteria are ever applied.”

Heart of Hospice currently provides Medicare and Medicaid certified hospice services in Klickitat and Skamania counties. For its proposed Thurston County hospice agency, Heart of Hospice would also be available for both Medicare and Medicaid patients. Heart of Hospice provided the projected payer mix for hospice services in Thurston County. [source: Application, p24]

Revenue Source	Thurston County
Medicare and Medicare Managed Care	83%
Medicaid	13%
Commercial/Other	4%
Total	100%

Heart of Hospice based is payer mix identified above on the most recent 12 months of operation in Washington State. [source: Application, p24]

Public Comment

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“None of the applicants are existing providers in the Thurston County Planning Area. Thus, the Department can only extrapolate the applicants' performance based on experience in other markets. Furthermore, both applicants existing hospice operations are either relatively new or small, which makes an evaluation of performance on this sub-criterion more challenging.”

Both applicants supplied charity care policies within either their application or screening responses in accordance with the guidelines typically accepted by the Department in past evaluations. The charity care policies establish a willingness to serve patients who cannot afford to pay a portion or the full cost of care, as well as serve Medicare and Medicaid patients. The applicants also provided admission policies demonstrating a willingness to serve patient without regard to without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status.”

Envision Hospice [source: March 19, 2018, public comment]

“To evaluate adherence to this sub criterion, the Department evaluates the applicant's willingness to serve Medicare and Medicaid patients and to serve patients that cannot afford to pay for services. It reviews the applicant's admission policy, Medicare certification and Medicaid certification, and charity care policies. A review of the Heart of Hospice application materials does not demonstrate a commitment to charity care sufficient to meet the Department's usual review standard:

Charity care policy

Heart of Hospice has not established criteria by which it determines eligibility for "charity care." At screening, the Department requested that HoH supply its criteria. In answer to Q 54, HoH states "No poverty criteria are ever applied." Envision believes that potential patients - when reviewing the agency's policy and considering seeking reduced charges for care - would be unable to determine

*whether or not they might be eligible. They also would be left without a clear rationale on which to appeal any denial of such request.*⁷

While Heart of Hospice may document its willingness to serve Medicaid patients to the Department's satisfaction, it has not provided sufficient commitment to charity care to meet the Department's usual requirements. On that basis, Heart of Hospice's Thurston County application does not fully meet the requirements of WAC 246-310-210 as typically interpreted in the department's reviews of Certificate of Need applications."

Rebuttal Comment

Heart of Hospice's rebuttal comments are below.

Heart of Hospice [source: April 17, 2018, rebuttal comment]

"In practice, though federal regulations require Medicare/Medicaid hospices to care for all patients, even those who are not covered by Medicare, Medicaid or private Insurance - many hospices impose census limits on their acceptance of non-paying patients. Most staff members at our programs can relay anecdotes of such limits, which are unlawful. Heart of Hospice trains its staff on the letter of the regulations: I.e. that we are required to treat as many indigent, non-paying patients as come our way; no patient has ever been, or ever will be, denied services because of inability to pay. In practice, then, Heart of Hospice has a sincere commitment to charity care that is lacking in many of its competitors.

Our charity care policy is provided in the original application¹ and states that patients who are unable to pay for hospice will be accepted for charity care. Heart of Hospice's educational brochures state unequivocally that "Heart of Hospice provides care for those in need, regardless of the patient's ability to pay for services." There is no risk of confusion on the part of the patient with respect to Heart of Hospice's commitment to charity care."

Department Review

Heart of Hospice, though located in Hood River, Oregon, has been providing Medicare and Medicaid hospice services to the residents of Skamania County since 2008. On September 6, 2017, CN #1614 was issued to Heart of Hospice approving the addition of adjacent Klickitat County to its approved service area in Washington State. As of the writing of this evaluation, Heart of Hospice has fully executed CN #1614.⁸ Documentation provided by Heart of Health demonstrates that healthcare services have been available to low-income, racial and ethnic minorities, handicapped and other underserved groups.

The Admission Policy describes the process Heart of Hospice uses to admit a patient to its hospice agency and outlines rights and responsibilities for both Heart of Hospice and the patient. The Admission Policy includes language to ensure all patients would be admitted for treatment without discrimination. The policy states: "*Patients who meet the admission criteria are admitted to Heart of Hospice regardless of age, ethnicity, mental status, physical status, pre-existing condition, race,*

⁷ Additional information provided by Envision Hospice noted that Heart of Hospice's pro forma revenue and expense statement did not include charity care as a deduction from gross revenue. This topic is addressed in the financial feasibility section of this evaluation.

⁸ Because Heart of Hospice proposed to serve Klickitat County through its Hood River agency. To execute CN #1614, Heart of Hospice had to simply begin providing Medicare and Medicaid hospice services to residents of Klickitat County.

color, religion, sex (including gender identity and sexual orientation), national origin, disability or genetic information.”

Heart of Hospice’s current Medicare revenues for its Washington State operations are approximately 83% of total revenues. Its current Medicaid revenues are 13% of total revenues. Heart of Hospice does not expect a significant difference in both Medicare and Medicaid revenues for its Thurston County operations. Additionally, financial data provided in the application shows Medicare and Medicaid revenues.

Heart of Hospice also provided a copy of its charity care policy currently used at the Oregon Hospice agency that would be used at this Thurston county agency. The policy provides the circumstances that a patient may qualify for charity care and outlines the process to be used to obtain charity care. However, it is noted in the pro forma financial statements provided in the application that a charity care 'line item' is not included.

Generally, the department can substantiate an applicant’s intent to provide charity care by noting it in the pro forma revenue and expense statement as a deduction from revenue. Heart of Hospice’s statements do not include this line item. As a result, the department concludes Heart of Hospice’s application **does not meet this sub-criterion**.

Envision Hospice of Washington, LLC

Envision Hospice provided copies of the following agency-wide hospice policies used by the hospice agency in Utah. [source: Application, Appendices E, F, and G and December 29, 2017, p25, S-2]

- | | |
|----------------------------|---------------------------------|
| Admission Policy | Medicare Reimbursement Criteria |
| Patient Admission Criteria | Human Rights Assurance |
| Charity Care Policy | Patient Referral Policy |

The Human Rights Assurance Policy includes the following non-discrimination language.

- 1. Hospice will not discriminate against recipients of services on the basis of race, color, religion, national origin, sex, sexual preference, physical or mental handicap, political belief, veteran status or age.*
- 2. Hospice will not discriminate against any employee or applicant for employment on the basis of race, color, religion, national origin, sex, sexual preference, political belief, veteran status, age or physical or mental handicapped status.*
- 3. Hospice will not discontinue or reduce care provided to a Medicare or Medicaid patient because of the patient's inability to pay for care.*
- 4. All employees and subcontractors employed by this Hospice will conform to these policies of human rights assurances.*

Envision Hospice provided the following clarification regarding the policies provided above. [source: December 29, 2017, screening response, p22]

“The referenced documents [listed above] are currently used by Envision’s hospice services in Utah. If preferred by the Department, these can be considered as draft now and necessary revisions can be required by the department as a condition of Envision’s receipt of its Certificate of Need for Thurston County.”

Envision Hospice’s parent currently provides Medicare and Medicaid certified home health services in King and Pierce counties. For its proposed Thurston County hospice agency, Envision would also

be available for both Medicare and Medicaid patients. Envision provided the projected payer mix for hospice services in Thurston County. [source: Application, p33]

Revenue Source	Thurston County
Medicare and Medicare Managed Care	85%
Medicaid	10%
Commercial/Other	5%
Total	100%

Envision Hospice provided the following statements regarding its Thurston County payer mix shown above. [source: Application, p33]

“The table [below], "Envision Hospice of Washington, LLC Payer Mix Percent" indicates the estimated percentage payer mix for the proposed project. The percentages are not expected to change over time. Please note that Envisions Hospice’s proforma revenue and expense include a ‘charity care’ line item. For accounting reasons, these amounts are not reflected in the table below.”

Public Comment

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“None of the applicants are existing providers in the Thurston County Planning Area. Thus, the Department can only extrapolate the applicants' performance based on experience in other markets. Furthermore, both applicants existing hospice operations are either relatively new or small, which makes an evaluation of performance on this sub-criterion more challenging.

Both applicants supplied charity care policies within either their application or screening responses in accordance with the guidelines typically accepted by the Department in past evaluations. The charity care policies establish a willingness to serve patients who cannot afford to pay a portion or the full cost of care, as well as serve Medicare and Medicaid patients. The applicants also provided admission policies demonstrating a willingness to serve patient without regard to without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status.”

Rebuttal Comment

None

Department Evaluation

Envision Home Health of Washington, Envision Hospice’s parent company, has been providing home health services to the residents of King and Pierce counties through existing agency located in King County. Medicare and Medicaid home health services have been available to low-income, racial and ethnic minorities, handicapped and other underserved groups. This application proposes to establish a Medicare and Medicaid hospice agency in Thurston County.

To demonstrate compliance with this sub-criterion, Envision Hospice provided a copy of its Admission Policy used at its hospice agencies in Utah. The policy describes the process Envision Hospice uses to admit a patient to its hospice agency and outlines rights and responsibilities for both Envision Hospice and the patient. The Admission Policy includes language to ensure all patients would be admitted for treatment without discrimination. The policy states: *“Hospice will not discriminate against recipients of services on the basis of race, color, religion, national origin, sex,*

sexual preference, physical or mental handicap, political belief, veteran status or age. Hospice will not discriminate against any employee or applicant for employment on the basis of race, color, religion, national origin, sex, sexual preference, political belief, veteran status, age or physical or mental handicapped status.”

Envision Hospice’s current Medicare revenues for its Washington State home health operations are approximately 85% of total revenues. Its current Medicaid revenues are 10% of total revenues. Envision Hospice does not expect a significant difference in both Medicare and Medicaid revenues for its Thurston County operations, even though it will serve hospice patients, rather than home health. The Medicare and Medicaid percentage above are also similar to the Utah hospice percentage. Financial data provided in the application shows Medicare and Medicaid revenues.

Envision Hospice also provided a copy of its charity care policy currently used at the Utah agency that would be used at this Thurston county agency. The policy provides the circumstances that a patient may qualify for charity care and outlines the process to be used to obtain charity care. The policy also includes similar non-discrimination language as that found in the Admission Policy. The pro forma financial documents provided in the application include a charity care 'line item' as a deduction of revenue.

Based on the information provided in the application, the department concludes **Envision Hospice meets this sub-criterion.**

- (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.*

Department Evaluation

This sub-criterion is not applicable to either to these two applications.

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

Department Evaluation

This sub-criterion is not applicable to either to these two applications.

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

Department Evaluation

This sub-criterion is not applicable to either to these two applications.

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

Department Evaluation

This sub-criterion is not applicable to either to these two applications.

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

Department Evaluation

This sub-criterion is not applicable to either to these two applications.

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

Department Evaluation

This sub-criterion is not applicable to either to these two applications.

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

Based on the source information reviewed, the department determines that the Inspiring Hospice Partners of Oregon dba Heart of Hospice project **does not meet** the applicable financial feasibility criteria in WAC 246-310-220.

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

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

To evaluate this sub-criterion, the department reviews the assumptions provided by an applicant, projected revenue and expense (income) statements, and projected balance sheets. The assumptions are the foundation for the projected statements. The income statement is a financial statement that reports a company's financial performance over a specific period—either historical or projected. Projected financial performance is assessed by giving a summary of how the business expects its revenues to cover its expenses for both operating and non-operating activities. It also projects the net profit or loss incurred over a specific accounting period.⁹

⁹ One purpose behind the income statement is to allow key decision makers to evaluate the company's current situation and make changes as needed. Creditors use these statements to make a decision on loans it might make

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

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

Both applicants are existing providers of healthcare services in Washington State. As a part of this Certificate of Need review, the department must determine that an approvable project is financially feasible – not just as a stand-alone entity in a new county, but also as an addition to its own existing operations. To complete its review, the department requested each applicant provide the following financial statements.

Pro forma statements showing revenue and expense statements, balance sheets, and cash flow statements. These documents must be provided in a specific format to ensure a fair comparison between applicants. The statements must include the following possible outcomes.

- Thurston County alone;
- Thurston County with existing operations;
- Thurston County with existing operations and the proposed Snohomish County; and
- Existing operations as a stand-alone.

The pro forma statements should include partial year 2018, as well as the first three full years of operation, 2019 through 2021. All assumptions used to prepare the statements must also be provided.

Inspiring Hospice Partners of Oregon dba Heart of Hospice

The assumptions used by Heart of Hospice to determine the projected number of patients and visits for the Thurston County hospice agency are below. [source: December 29, 2017, screening response, p3] *“Our assumptions are based on the projections that the department provided. We used the 60-day ALOS as the basis for projecting our ADC. For the percentage of each diagnosis, we used our current percentage of each diagnosis. In order to do projections, we used ALOS of 60 days. The reason for this was strictly to follow the Need Methodology model.”*

Using the assumptions stated above, Heart of Hospice projected the number of admissions, patient days, and average daily censuses for proposed Thurston County hospice agency. The table below is a summary of the projection table provided by Heart of Hospice. [source: Application, p21]

to the company. Stock investors use these statements to determine whether the company represents a good investment.

**Table 2
Heart of Hospice-Thurston County
Projected Utilization Years 2018 through 2021**

	CY 2018	CY 2019	CY 2020	CY 2021
Patient Served	90	200	250	300
Patient Days	5,400	12,000	15,000	18,000
Average Daily Census	15	33	41	49

If this project is approved, Heart of Hospice would be operating under the parent of Inspiring Hospice Partners of Oregon, LLC. The hospice agency is currently Medicare and Medicaid approved for both Kitsap and Skamania counties in Washington State. Below is a summary of each statement required to be provided by Heart of Hospice. [source: December 29, 2017, screening response, XL#2 and XL#3]

Documents Requested	Heart of Hospice
Revenue & Expense Statement-Thurston Alone	Did not provide
Revenue & Expense Statement-Existing Operations Alone	Provided
Revenue & Expense Statement-Thurston & Existing Operations	Provided
Revenue & Expense Statement- Thurston, Snohomish & Existing Operations	Provided

Balance Sheet-Thurston Alone	Did not provide
Balance Sheet -Existing Operations Alone	Did not provide
Balance Sheet -Thurston & Existing Operations	Did not provide
Balance Sheet - Thurston, Snohomish & Existing Operations	Did not provide

Cash Flow Statement-Thurston Alone	Did not provide
Cash Flow Statement-Existing Operations Alone	Did not provide
Cash Flow Statement-Thurston & Existing Operations	Did not provide
Cash Flow Statement- Thurston, Snohomish & Existing Operations	Did not provide

For historical information, Heart of Hospice provided an historical revenue and expense statement covering years 2015 through 2017 and historical balance sheets for full years 2015 and 2016 and January 1 through October 26 for year 2017.

Heart of Hospice provided the following assumptions used to project revenue, expenses, and net income for the Thurston County hospice agency for projection years 2018 through 2021.

The formula used to make calculations for the forecast are as follows.

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

- *The "Total Expense" line item includes salaries and wages & benefits, lease costs. As shown above, Heart of Hospice anticipates Certificate of Need approval will contribute to profitability over time, as services are able to expand.*

- *Gross Revenue based on a blended average of Medicare, Medicaid, and Private 3rd Party Insurance reimbursement of \$186 is from our current operation numbers and reimbursement for 2017.*
- *A 5% reduction from Gross revenue is assumed for billing adjustment and charitable care support are based upon current levels, additional staffing as ADC increases. Payroll taxes and benefits are directly tied to staffing and wages.*
- *Payroll taxes, benefits, salaries, mileage, and employee related expense are directly tied to Employee Expense.*
- *Medical Expense includes: Medical Supplies, Pharmacy, Durable Medical Equipment (DME), Laboratory, Room and Board, and Respite Care are based upon are actual numbers for 2017. While these costs normally decrease with volume, in an effort to be conservative, we have held them flat. Medical supplies, drugs and DME are based upon a review of over 100 Hospice 990 IRS reports, other CN Application, and our history. They are approximately \$24 per day per patient.*
- *Other Expenses were also held flat at approximately \$6 per day per patient.*
- *Office Expenses were also held flat at approximately \$3 per day per patient.*
- *State and local tax is Washington B&O at current rate.*
- *Occupancy Expense includes: Office Space rent and Utilities.*
- *Administrative Expense includes: the management fees that covers insurance, human resources, payroll, and all back office.*
- *Charitable Care includes: All care being provided without reimbursement.*
- *Heart of Hospice Foundation is a non-profit Foundation whom Heart of Hospice supports. The amount provided is discretionary and can increase or decrease as necessary for Heart of Hospice to remain financially viable. The amount shown is the budgeted level of support.*
- *The financials assume that Heart of Hospice can leverage its current Oregon and Washington infrastructure and costs to also support service in Thurston County, with limited growth in administrative cost and fixed overhead as the Average Daily Census increases.*
- *The Administrative Expense covers “necessary and ordinary” operating expenses. These have been itemized on the revised projections.*
- *General organizational expenses, such as accounting or legal fees, are allocated amongst each program individually. Each program is allocated its own direct costs.*

Heart of Hospice Payer Mix

Revenue Source	Thurston County
Medicare and Medicare Managed Care	85%
Medicaid	10%
Commercial/Other	5%
Total	100%

For its project in Thurston County, Heart of Hospice provided its projected revenue, expenses, and net income for the existing hospice agency, plus Thurston County. Heart of Hospice held the existing operations constant and added the Thurston County projections. Table 3 shows projection years 2018 through 2021. [source: December 29, 2017, screening response, XL#3]

**Table 3
Heart of Hospice, Existing Operations and Thurston County
Projected Years 2018 through 2021**

	CY 2018	CY 2019	CY 2020	CY 2021
Gross Revenue	\$4,989,677	\$6,500,634	\$7,379,099	\$8,257,563
Total Operating Expenses	\$4,341,427	\$5,656,085	\$6,420,421	\$7,184,756
Net Profit / (Loss)	\$683,227	\$891,797	\$1,027,870	\$1,163,941

Specific factors are noted in financial statement summarized in the table above.

- Gross revenue was provided.
- Deductions from revenue for charity care and bad debt were not provided, as a result no net revenue information was provided.
- When the expenses on the spreadsheet are added, the sum is not the amount identified in the “Total Operating Expenses” line item shown on the spreadsheet and in the table above. The difference is \$34,977 in year 2018, which increases to \$91,134 by the end of year 2021.

Public Comment

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“Both applicants provided pro forma income statements projecting revenue and expenses for their respective projects’ initial years of operation. Review of financial statistics contained within these pro forma models allows for comparison of each applicants’ ability to meet immediate and long-range capital and operating costs. Moreover, corresponding financial statistics from Providence Sound Home Care and Hospice’s (PSHCH) 2018 budget were also evaluated in the financial comparisons to assess the reasonableness of each applicants’ assumptions used to construct their models. Comparisons were made on a per patient day basis to adjust for different utilization levels. Overall, the principal deficiency identified was an underestimation by Heart of Hospice with respect to employee benefits (See Table 1 below). This finding is problematic as existing providers are facing significant challenges with staff recruitment, as will be discussed further. Therefore, the compensation structures currently outlined in Heart of Hospice’s pro forma model appears to be insufficient given the local market conditions.

Providence Table 1 Comparison of Employee Benefits’

	CY 2018	Year 3 (CY2021)	
	PSHCH	Envision	Heart of Hospice
<i>Employee Benefits</i>	\$2,091,596	\$325,957	\$261,692
<i>Days of Care</i>	89,758	12,840	18,000
<i>Employee Benefits Per Patient Day</i>	\$23.30	\$25.39	\$14.54

Sources: PSHCH: Internal Providence data

Envision: CN #18-07 Screening Appendix S-9

Heart of Hospice: CN #18-05 Screening Exhibit – Pro Forma”

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“In Attachment 7 of its application, Heart of Hospice provided a signed lease agreement between the Tenant (Inspiring Hospice Partners of Oregon, LLC) and Landlord (New Vision Investments, LLC). However, based on our review of the materials submitted thus far, Heart of Hospice has not supplied documentation that demonstrates proof of land ownership by the Landlord referenced in the lease agreement.”

Envision Hospice [source: March 19, 2018, public comment]

"No "charity care" expressed as a deduction from gross revenue

Though the CON application format requires pro forma financials to project the agency's gross revenues and certain deductions from those, HoH's application does not comply. As a result, Envision did not locate a reference to "charity care" in the Heart of Hospice projected operating statement, 2018-2021. Though HoH was asked in screening to provide bad debt and charity care projections as deductions from revenue, Heart of Hospice declined to do so.

Charity care as an "expense"

When Heart of Hospice includes charity care, it is shown as an expense costing \$9.19 per patient or 19% of its "price per patient day." Without the applicant's providing terms, format and information that conform to CON requirements, a determination that it meets the charity care requirement is not possible."

Rebuttal Comment

Providence Sound HomeCare and Hospice [source: April 18, 2018, rebuttal comment]

"For review of an applicant's compliance to criteria established under WAC 246-310-220 pertaining to Financial Feasibility, the Department evaluates the applicant's income statement projection. In this evaluation, the Department must determine whether the underlying assumptions that drive the financial projections presented in the pro forma are reasonable. If the financial projections are not substantiated, then the Department cannot determine whether the project can meet its immediate and long-range capital and operating costs.

In its public comments, Envision provides a clear and detailed list of the deficiencies of Heart of Hospice's pro formas. The errors and/or unsubstantiated assumptions of the Heart of Hospice application at a line-item level of detail was well documented by Envision."

Heart of Hospice [source: April 17, 2018, rebuttal comment]

"Charity Care

Envision has shown concern that Heart of Hospice has failed to demonstrate a commitment to charity care - both through its financials, and through its policy. Heart of Hospice does not deduct from gross revenues for charity care, because it does not book revenue for services that it provides free of charge. There is no revenue anticipated for such services; therefore, no bad debt "charity care" deduction is made. Heart of Hospice's unwavering policy of providing hospice care each and every time the need arises - as clearly stated in its charity care policy and (in layman's terms - in its educational materials) was sufficiently clear for the Department to approve Heart of Hospice's certificate of need application for Klickitat County in 2017.

Envision has raised a concern that Heart of Hospice does not include a specific deduction from gross revenues for charity care. Heart of Hospice has provided information sufficient to show what its costs associated with charity care will be: i.e., an amount equal to \$9.19, or 5.2%, of its price per patient day (we do not understand Envision's calculation that it is 19%; this calculation is incorrect)² - based on a track record that is impressive for a small business. The Department has discretion in its interpretation of the information provided by each applicant; if it can interpret Heart of Hospice's projected charity care cost at any given patient census from the information provided, the Department is free to do so. The Department is not required to, and ought not, eliminate applicants solely on the basis of minor and non-substantive deviations from pro forma financials.

Basis for Revenues

Envision claims that Heart of Hospice lacks a plan to support its projected census in Thurston County. However, the Department's projections for unmet need are an excellent basis for projecting, conservatively, the number of patients that Heart of Hospice will need to be prepared to serve if it is awarded the Certificate of Need. Whereas Envision states an intention to serve nursing homes, assisted living facilities and personal care homes, Heart of Hospice intends to serve rural Thurston County where there are no such facilities, as it has shown it does in Klickitat and Skamania Counties. This is where the underserved population - the unmet need - resides. Therefore, it is fair to assume that Heart of Hospice will absorb much of the Department's unmet need. As it does in Klickitat County and Skamania County, it has prepared to meet the needs so projected, as discussed in its application Heart of Hospice will implement the same strategies which have proven so successful thus far to recruit and retain staff in a challenging recruitment environment; that is, by providing competitive compensation and benefits in an incredibly supportive, caring and employee-centric culture. Every Heart of Hospice employee has personal contact with the company's CEO upon hire; every Heart of Hospice employee has his cell number and is asked to use it when guidance or assistance is needed. This unique, non-corporate culture sets Heart of Hospice aside from its competitors and gives it an advantage in retaining sufficient staff to meet the needs of its patients. To put a point on it: neither Heart of Hospice nor any of its sister programs - High Desert Hospice or Inspiring Hospice - have ever had to delay an admission of a hospice appropriate patient by more than twenty-four business hours for staffing reasons. Having operated hospices in Georgia, South Carolina, Tennessee, Washington and Oregon, Heart of Hospice's CEO and majority owner is confident in the program's ability to replicate this success, even with recruitment challenges, in Thurston County.

Accounting and Legal Issues

Envision alleges that Heart of Hospice's projections are insufficient in certain areas; as one example, Heart of Hospice does not demonstrate a plan to take a depreciation deduction on the used equipment that it will take from its other office in order to start operations in Thurston County. This is because this equipment has already been fully depreciated. Regardless, depreciation on a small amount of office furniture and equipment would be a negligible component of Heart of Hospice's financial picture. This type of criticism is not helpful in determining how to award the Certificate of Need.

Envision levies a nonsensical criticism of Heart of Hospice's lease detail, as provided. Per the public comment submitted by Envision "Envision is unable to tell who is responsible for which cost". The language of the lease, however, provides clearly that the tenant will have certain improvement expenses and the landlord will cover those - but will not be responsible for such until the lease contingency is met and the tenant is committed. The language of the lease is clear enough on this point for both landlord and tenant."

Department's Evaluation

Utilization Assumptions

An applicant's utilization assumptions are the foundation for the financial review under this sub-criterion. Heart of Hospice's utilization assumptions are brief, but reasonable. Since the agency already provides Medicare and Medicaid hospice services in Washington State, the department can conclude that Heart of Hospice's assumptions are reasonable.

Pro Forma Financial Statements

To ensure a fair and comprehensive review of each applicant's project, the department requested each applicant provide four different configurations in the format of the three different types of pro forma financial statements. Of the total of twelve statements, Heart of Hospice provided three of them. One of the pro forma revenue and expense statements not provided is the statement specific to the Thurston County agency. Without this statement, the department is unable to review the hospice agency's ability for revenue to cover expenses by the end of the third year of operation.

None of the pro forma balance sheets or cash flow statements were provided by Heart of Hospice. Without the balance sheets, the department is unable to review the entire agency's ability to expand into Thurston County; without the cash flow statements, the department is unable to review the agency's projected financial solvency with the Thurston County operations.

Heart of Hospice provided its assumptions used to project revenue, expenses, and net income for the Thurston County hospice agency for projection years 2018 through 2021. However, given the number of required pro forma statements not provided, the department cannot thoroughly review the applicant's conformance with this sub-criterion.

Heart of Hospice also provided an executed medical director agreement for its proposed Thurston County agency. However, the department could not substantiate the costs identified in the agreement with the financial statements provided.

For the above reasons, **this sub-criterion is not met.**

Envision Hospice of Washington, LLC

The assumptions used by Envision Hospice to determine the projected number of patients and visits for the Thurston County hospice agency are below. [source: December 29, 2017, screening response, pp3-4]

"A table displaying Envision's initial utilization forecasts is provided below. It is important to note that Envision is providing a conservative projection of volume, one that meets the Hospice Need Method's standard ADC of 35 in the third full year of operation. This conservative approach to volume is carried into the pro forma operating statement and thus provides for a rigorous test of financial feasibility of the proposed hospice agency. [Note: The table referenced above is not included in this evaluation.]

The revised forecasts for 2018-2020 are a result of Envision's refining its plan. At the time of the initial CON application, Envision had neither a lease nor a medical director agreement in place in Thurston County. With those key items unknowns, Envision submitted a placeholder pro forma with a simple straight line projection of admissions per month over the initial 39 months. Once expenses were more solid, a review made it obvious the admission growth through 2021 would be much more rapid. This was especially true in a populous county with ADC of 34 unmet need in 2018, only two hospices service the area, and one of the two hospitals without its own home health or hospice agency.

Based on its Utah experience and its understanding of the opportunities in Thurston County, the table below estimates the multiple sources of admissions the Envision Hospice in Thurston County can expect."

Utilization Measures	2018 3 mos	2019	2020	2021
<i>Projected ADC for financial pro forma</i>	6.9	24.7	30.6	35.2
<i>Annual admissions at 60 ALOS</i>	14	150	186	214
<i>Average admissions per month</i>	4.7	12.5	15.5	18
Sources of referrals	2018	2019	2020	2021
<i>Home Health & home care agencies referring terminal patients</i>	0	2	3	4
<i>Hospitals discharging terminal patients – especially Capital</i>	2	3	4	4
<i>Assisted living and adult family homes residents electing hospice</i>	1	2	3	4
<i>Nursing home residents electing hospice</i>	0	3	3	3
<i>Physicians referring terminal patients</i>	2	3	3	3
Total	5	13	16	18

Envision Hospice also provided its assumptions for the forecasted breakdown of patient diagnoses for Thurston County hospice. [source: December 29, 2017, screening response, pp4-5]

Diagnosis	NHPCO 2016 Percent	Thurston Medicare, 2015 Percent
<i>Cancer</i>	28	15
<i>Heart/cardiac/Circulatory</i>	19	8
<i>Dementia</i>	16	5
<i>Lung/Respiratory</i>	11	8
<i>Stroke/Coma</i>	9	16
<i>Other</i>	17	48
Total	100%	100%

“Envision’s forecast was based on the 2016 national average diagnostic mix published by the National Hospice and Palliative Care Organization [NHPCO]. Envision based its forecast on this national average breakdown of patient diagnoses because it is premature to forecast a different mix until Envision becomes more familiar with the needs in the service area. In fact, Envision’s review of the 2015 Medicare Public Use files shows a very different breakdown reported by the two hospices that serve Thurston County. The column labeled “Thurston Medicare, Percent” summarizes the reports by those providers. With it covering only Medicare patients and nearly half of all admissions being in the “other” diagnostic category, it did not provide Envision with the basis for a more reliable forecast than the one available from NHPCO.”

Using the assumptions stated above, Envision Hospice projected the number of admissions, patient days, and average daily censuses for proposed Thurston County hospice agency. Table 4 below summarized the information. [source: December 29, 2017, screening response, Appendix S-9]

**Table 4
Envision Hospice-Thurston County
Projected Utilization Years 2018 through 2021**

	CY 2018	CY 2019	CY 2020	CY 2021
Unduplicated Patients	14	150	186	214
Patient Days	630	9,000	11,160	12,840
Average Daily Census	6.9	24.7	30.6	35.2

Since Envision Hospice does not currently provide hospice services in Washington State, Envision Hospice provided a table showing the historical number of patients and patient days covering years 2014 through 2017 for its agency in Utah where hospice services are provided.

If this project is approved, Envision Hospice would be operating under the parent of Envision Home Health of Washington, LLC. Since Envision does not provide hospice services in Washington State, the hospice agency would be the sole operations under the parent. Envision Home Health of Washington provides Medicare and Medicaid home health services to the residents of King and Pierce counties. Below is a summary of each statement required to be provided by Envision Hospice. [source: December 29, 2017, screening response, Appendices S-9, S-10, S-11, and S12]

Documents Requested	Envision Hospice
Revenue & Expense Statement-Thurston Alone	Provided
Revenue & Expense Statement-Existing Operations Alone	Provided
Revenue & Expense Statement-Thurston & Existing Operations	Provided
Revenue & Expense Statement- Thurston, Snohomish & Existing Operations	Provided

Balance Sheet-Thurston Alone	Provided
Balance Sheet -Existing Operations Alone	Provided
Balance Sheet -Thurston & Existing Operations	Provided
Balance Sheet - Thurston, Snohomish & Existing Operations	Provided

Cash Flow Statement-Thurston Alone	Provided
Cash Flow Statement-Existing Operations Alone	Provided
Cash Flow Statement-Thurston & Existing Operations	Provided
Cash Flow Statement- Thurston, Snohomish & Existing Operations	Provided

Envision Hospice also provided the following financial statements Envision Home Health of Washington, LLC showing for historical years 2013 through 2016. [source: December 29, 2017, screening responses, Appendix S-8]

- Revenue and Expense Statements
- Balance Sheets
- Cash Flow Statements

The assumptions used by Envision Hospice to project revenue, expenses, and net income for the Thurston County hospice agency for projection years 2018 through 2021 are below. [source: Application, p27 and Appendix K]

- Year 2018 is three months of operation.
- Year 2019 is full year one; 2021 is full year three.
- Payer mix is based on Utah hospice experience and Washington State payers

**Envision Hospice Payer Mix
Combined King and Pierce County**

Revenue Source	King County
Medicare	80.0%
Medicaid	10.0%
Insurance/Private Pay	10.0%
Total	100.0%

- Total revenue is broken down by Medicare, Medicaid, & Commercial/other
- Contractual allowances is estimated at 2% of gross revenue
- Bad debt is estimated at 1% of gross revenue
- Charity care is estimated at 2% of net revenue
- Patient care costs include salaries, benefits, medical director, MSW
- Contract Labor costs include PT, OT, ST, & dietary
- Administrative costs include equipment lease costs, insurance, taxes, subscriptions, & corporate allocation etc.
- Administrative costs also include salaries for administrative staff and facility liaisons, & manager of patient services
- All formulas & assumptions are in the pro forma statement
- Depreciation subtracted from net profit/loss
- Cost allocations included as a separate line item & include formula for calculating

To complete its projected financial statements for this project, Envision Hospice provided its projected revenue, expenses, and net income for the home health agency that would be operating in both King and Pierce counties and this new hospice agency operating in Thurston County. Envision Hospice held the King and Pierce County operations constant and added the Thurston County projections. Table 5 shows projection years 2018 through 2021. [source: December 28, 2017, Appendix S11]

Table 5
Envision Home Health, Inc. and Envision Hospice, Thurston County
Operations for Projected Years 2018 through 2021

	CY 2018	CY 2019	CY 2020	CY 2021
Net Revenue	\$2,987,513	\$5,204,195	\$5,970,770	\$6,669,255
Total Expenses	\$2,928,811	\$4,525,457	\$5,066,123	\$5,748,459
Net Profit / (Loss)	\$58,702	\$578,738	\$904,648	\$920,805

Envision Hospice also provided the projected balance sheets for both the Thurston County hospice operations and the King and Pierce County home health operations combined. Table 6 below shows year 2021, the third year of operation for the Thurston County hospice operations. Table 7 on the following page shows year 2021 for the entire operations of Envision Home Health of Washington with both King and Pierce counties and Envision Hospice, with Thurston County operations. [source: December 29, 2017, screening response, Appendix S-11]

Table 6
Envision Hospice, LLC
Thurston County Hospice Operations for Projection Year 2021

Assets		Liabilities	
Current Assets	\$1,204,689	Current Liabilities	\$132,930
Board Designated Assets	\$ 0	Other Liabilities	\$0
Property/Plant/Equipment	\$5,571	Long Term Debt	\$0
Other Assets	\$ 0	Equity	\$1,077,330
Total Assets	\$1,210,260	Total Liabilities and Equity	\$1,210,260

Table 7
Envision Home Health of Washington, LLC and Envision Hospice LLC
King and Pierce County Home Health Operations and Thurston County Hospice Operations
Projection Year 2021

Assets		Liabilities	
Current Assets	\$3,104,856	Current Liabilities	\$352,042
Board Designated Assets	\$ 0	Other Liabilities	\$0
Property/Plant/Equipment	\$9,115	Long Term Debt	\$0
Other Assets	\$ 0	Equity	\$2,761,929
Total Assets	\$3,113,971	Total Liabilities and Equity	\$3,113,971

Public Comment

During the review of these projects, Providence Sound HomeCare and Hospice provided public comment on Envision Hospice’s application related to this review criterion.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“Both applicants provided pro forma income statements projecting revenue and expenses for their respective projects' initial years of operation. Review of financial statistics contained within these pro forma models allows for comparison of each applicants' ability to meet immediate and long-range capital and operating costs. Moreover, corresponding financial statistics from Providence Sound Home Care and Hospice's (PSHCH) 2018 budget were also evaluated in the financial comparisons to assess the reasonableness of each applicants' assumptions used to construct their models. Comparisons were made on a per patient day basis to adjust for different utilization levels. Overall, the principal deficiency identified was an underestimation by Heart of Hospice with respect to employee benefits (See Table 1 below). This finding is problematic as existing providers are facing significant challenges with staff recruitment, as will be discussed further. Therefore, the compensation structures currently outlined in Heart of Hospice's pro forma model appears to be insufficient given the local market conditions.

Providence Table 1 Comparison of Employee Benefits’

	CY 2018	Year 3 (CY2021)	
	PSHCH	Envision	Heart of Hospice
<i>Employee Benefits</i>	\$2,091,596	\$325,957	\$261,692
<i>Days of Care</i>	89,758	12,840	18,000
<i>Employee Benefits Per Patient Day</i>	\$23.30	\$25.39	\$14.54

Sources: PSHCH: Internal Providence data

Envision: CN #18-07 Screening Appendix S-9

Heart of Hospice: CN #18-05 Screening Exhibit – Pro Forma”

“Shortly after Envision submitted its application, it also provided as a standalone exhibit the signed lease agreement between the Lessee (Envision Hospice of WA, LLC) and Lessor (West Olympia Medical Properties, LLC). However, based on our review of the materials submitted thus far, Envision has not supplied documentation that demonstrates proof of land ownership by the Lessor referenced in the lease agreement.”

Rebuttal Comment

Providence Sound HomeCare and Hospice [source: April 18, 2018, rebuttal comments, pp7]

“As stated in Providence's Public Comments, net revenue per patient day is a superior measure to what payers are charged per unit of care, which is sometimes used to evaluate and compare project financial performance and impact. Total revenues or total revenue per patient day is irrelevant for evaluating financial viability and most importantly, impact on consumers and more broadly, cost containment. As stated above, what non-government payers and their insureds and self-pay patients are charged may be very different from what they actually pay.

Providence Table 1 Comparison of Net Patient Service Revenue per Patient Day

	CY 2018	Year 3 (CY2021)	
	PSHCH	Envision	Heart of Hospice
<i>Net Patient Revenue</i>	\$17,521,944	\$2,670,165	\$3,162,471
<i>Days of Care</i>	89,758	12,840	18,000
<i>Employee Benefits Per Patient Day</i>	\$195.21	\$207.96	\$175.769

Sources: PSHCH: Internal Providence data

Envision: CN #18-07 Screening Appendix S-9

Heart of Hospice: CN #18-05 Screening Exhibit – Pro Forma”

Envision projects substantially higher net revenues per patient day (\$207.96) than comparable estimates from PSHCH (\$195.21), and Heart of Hospice (\$175.69). Because net revenues per statistic such as net revenues per patient day, by a health provider represent the 'effective price' of care to non-government payers and "self-pay" patients, this means that Envision's project may have a much greater adverse impact on patients and other consumers than either Heart of Hospice or PSHCH.

Further, it also may be the case that Envision's net patient revenues per patient day are likely too low if it intends to maintain its projected double-digit operating margin percentage. Envision may well attempt to significantly raise its net revenues above what it currently projected in the likely event that its future operating expenses will be higher than anticipated since its staffing projections are likely too low, as will be discussed below. If Envision attempts to maintain a high margin, then it will have to raise charges to non-government payers and patients, which will increase net revenues per patient day. Since net revenues per statistic, represents the 'effective price' of care to non-government payers and "self-pay" patients, this analysis suggest that Envision's project, as currently outlined, may have a much greater adverse impact on patients and other consumers than Heart of Hospice or PSHCH.

Envision Hospice provided the following rebuttal comments related to site control [source: April 19, 2018, rebuttal comments p8]

“Providence mis-reads the list of requirements regarding site control at the project description section of the CON application. This list of three types of acceptable documentation requires that one from the list be provided, not all three. Nevertheless, the information Providence seeks is available to any member of the public. Accordingly, Envision provides further documentation regarding the ownership of the office building adjacent the Capital Medical Center campus, in which it has leased office space. Please see Attachment C.”

Department's Evaluation

Utilization Assumptions

An applicant's utilization assumptions are the foundation for the financial review under this sub-criterion. Envision Hospice's utilization assumptions are conservative and reasonable.

Pro Forma Financial Statements

To ensure a fair and comprehensive review of each applicant's project, the department requested each applicant provide four different configurations in the format of the three different types of pro forma financial statements. Envision Hospice provided the 12 statements as requested.

The pro forma revenue and expense statements provided by Envision Hospice allowed the department to evaluate the financial viability of the Thurston County agency on its own, as well as with the parent agency. Both the pro forma balance sheets and the cash flow statements also allowed the department to review the Thurston County agency on its own, as well as with the parent agency.

Envision Hospice based its revenue and expenses for its Thurston County hospice agency on the assumptions referenced above. Envision Hospice also used its current operations in Utah as a bases for some projections. Envision Hospice expected a slow ramp up in partial year 2018, which results in a \$58,702 profit in year one. By the end of year three, Envision Hospice expects to be operating at a \$920,805 profit for the Thurston County services only. Since the King and Pierce County home health agencies would be operated under the same parent as the hospice agency, Envision Hospice also provided its projected revenues and expenses for the agency as a whole. Those projections show a net profit in partial years 2018 through full year 2021.

As requested, Envision Hospice provided pro forma balance sheets for Thurston County hospice alone and the King and Pierce County home health operations with Thurston county hospice. Both balance sheets show that Envision Hospice expects its Thurston County operations to add to the bottom line of the agency as a whole. The King and Pierce County home health operations shows a healthy financial status and the combined agency would also be in good financial health.

Envision Hospice provided a copy of its executed lease agreement for the site in Olympia. The agreement is between West Olympia Medical Properties, LLC (lessor) and Envision Hospice of Washington, LLC (lessee). The executed agreement identifies roles and responsibilities for each. The initial lease was executed on December 1, 2017 and is effective until February 2021. Envision Hospice also provided an amendment to the lease agreement, extending the lease thorough February 2023. All costs associated with the lease are substantiated in the revenue and expense statement. [source: November 22, 2017, Lease Agreement and Amendment to the Lease Agreement]

Envision Hospice provided a copy of the executed Medical Director Agreement between Susan Pearson, DO, PhD and Envision Hospice of Washington LLC. The agreement identifies roles and responsibilities of both entities the projected Revenue and Expense Statements identify all costs associated with the agreement. [source: March 19, 2018, Appendix S-3]

One of the pro forma configurations requested to be provided by the applicants was a revenue and expense statement, balance sheet, and cash flow statement for the entire operations, including both proposed Thurston County and Snohomish County operations. A favorable review of this statement

would demonstrate that an applicant could be approved for both counties under this 2017 hospice concurrent review cycle. Envision Hospice also provided these pro forma statements.

Providence South HomeCare and Hospice asserted in its public comment that Envision Hospice did not provide documentation to demonstrate site control. Specifically, Providence suggests that the lessor does not have the control of the site and therefore, is unable to lease it to another entity. In response to this assertion, Envision Hospice provided a copy of the Thurston County Assessor Office documentation showing the lessor's ownership of the site. The documentation provided by Envision is available on the Assessor's website and can be obtained by any person with no difficulty. It is the same documentation previously obtained by the CN analyst during the review of this project. The department concludes that Envision Hospice demonstrated site control.

As a result, the department concludes that the immediate and long-range operating costs of Envision Hospice 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.

Inspiring Hospice Partners of Oregon dba Heart of Hospice

For its application, Heart of Hospice projected an estimated capital expenditure of \$22,000 for the establishment of Thurston County hospice services. The costs are solely for the Certificate of Need review fee. There is no construction costs required for this facility. [source: Application, p20]

Related to equipment for establishing the office, Heart of Hospice states that all of the office equipment needed to open a Thurston County location that must be purchased is already owned by Heart of Hospice. For example, the agency has existing unused office furniture which will be used for this project, and the startup team already has its own electronic devices and phones. Certain office equipment may be leased, but this will not require capital expenditure. [source: December 29, 2017, screening response, p4]

Heart of Hospice provided the following information related to the capital costs and its impact to costs and charges. [source: Application, p20]

- (a) *\$22,000.00 for the application is a cost of us doing business. We understand the application has a cost and we are able to fully fund this expense without affecting our clinical operation.*
- (b) *Operating cost will increase linear with the growth of our census. The additional operational expenses are shown in the section below.*

There are no start-up costs required for this facility. Heart of Hospice provided the following information related to start-up costs. [source: Application, p25]

“Heart of Hospice is fully operational and both Medicare and Medicaid certified in Washington. This is to our advantage, as for each and every patient we admit from day 1 we are allowed to bill Medicare and Medicaid. This allows for our cash flow to continue to remain positive and we will

continue to be self-sufficient. Medicare reimbursement will start immediately since we are already approved by Medicare and also licensed by the State of Washington.”

Public Comment

During the review of these projects, Providence Sound HomeCare and Hospice provided public comment on Heart of Hospice’s application related to this review criterion.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“Net Patient Service Revenue: A comparative analysis of net revenues per patient day between the two applicants and Providence's existing Thurston agency, PSHCH, is provided below in Table 2. Net revenue per patient day is a metric used to evaluate "effective price" per unit of service, since net revenue per patient day measures what, on average, non-government payers actually pay for a unit of care after deductions from revenue, including contractual allowances, charity care and bad debt have been subtracted.

Net revenue per patient day is a superior measure to what payers are charged per unit of care, which is sometimes used to evaluate and compare project financial performance and impact. While it is informative to evaluate charges, total revenues or total revenue per patient day is irrelevant for evaluating financial viability and most importantly, impact on consumers and more broadly, cost containment. This is the case since what non-government payers and their insureds and self-pay patients are charged may be very different from what they actually pay. What is actually paid per unit of service, i.e., net revenues per patient day uniquely evaluates applicants' conformance to sub criterion 2, i.e., no unreasonable impacts on the costs and charges for health services.

Providence Table 2 Comparison of Net Patient Service Revenue

	CY 2018	Year 3 (CY2021)	
	PSHCH	Envision	Heart of Hospice
<i>Net Patient Revenue</i>	\$17,521,944	\$2,670,165	\$3,162,471
<i>Days of Care</i>	89,758	12,840	18,000
<i>Employee Benefits Per Patient Day</i>	\$195.21	\$207.96	\$175.69

*Sources: PSHCH: Internal Providence data
 Envision: CN #18-07 Screening Appendix S-9
 Heart of Hospice: CN #18-05 Screening Exhibit – Pro Forma*

Based on Table 2, Envision projects substantially higher net revenues per patient day (\$207.96) than comparable estimates from PSHCH (\$195.21), and Heart of Hospice (\$175.69). Because net revenues per statistic such as net revenues per patient day, by a health provider represent the 'effective price' of care to non-government payers and "self-pay" patients, this analysis suggest that Envision's project, as currently outlined, may have a much greater adverse impact on patients and other consumers than either Heart of Hospice or PSHCH.”

Rebuttal Comments

None

Department Evaluation

The capital costs identified for the Heart of Hospice project is \$22,000, which is a rounding of the CN review fee of \$21,968. The costs for the project have already been expended by the applicant

when the application was submitted in October 2017. There are no startup costs associated with this project.

The department acknowledges that the \$22,000 capital expenditure has been expended. However, Heart of Hospice did not provide the required financial statements to assist the department in its review of this sub-criterion. As a result, the department cannot evaluate any pro forma financial statements to determine whether the capital costs resulted in an impact on the financial viability of the agency.

Providence Sound HomeCare and Hospice provided a comparison of itself, Heart of Hospice, and Envision Hospice related to costs and charges. The comparison table shows Heart of Hospice's net revenues per patient day of \$175.69. The comparison table appears to rely on a revenue and expense statement submitted by Heart of Hospice; however, since Heart of Hospice did not provide a Thurston County only statement that shows gross revenue, deductions from revenue, net revenue, and all expenses for the agency, it is unclear what statement Providence used for its public comment.

For the reasons stated in this evaluation, the department concludes that Heart of Hospice's application cannot be evaluated under this sub-criterion; as a result, the project does **not meet this sub-criterion**.

Envision Hospice of Washington, LLC

For its application, Envision Hospice projected an estimated capital expenditure of \$20,000 for the establishment of Thurston County hospice services. The costs are for additional office supplies and furniture needed to establish the agency. There are no construction costs required for this project. [source: Application, p31 and December 29, 2017, screening response, p11 and 34 and Appendix S-1]

Envision Hospice provided the following information related to the capital costs and its impact to costs and charges. [source: Application, p31]

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

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

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

Envision Hospice provided the following information related to start-up costs necessary for the Thurston County hospice operations. [source: December 29, 2017, screening response, pp11-12]

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

The amount needed in the account will depend on whether Snohomish, Thurston, or both applications are approved. Based on the projected financial including cash flow projections of Envision Home Health of Washington combined with either or both of Snohomish and Thurston County hospices, the required amount of cash is projected as follows:

If only Thurston is approved: \$210,000 cash will be needed in 2018 and none thereafter.

If both hospices are approved: Adding the two new hospices and their separate cash flows together would require \$425,000 cash in 2018 and none thereafter. (In 2018, \$215,000 for Snohomish plus \$210,000 for Thurston). This is the amount Envision Home Health of Washington, LLC would make available out of its current cash of over \$800,000 as shown in the letter from Chase Bank at Appendix S-2.”

Envision Hospice provided the following information related to costs and charges for hospice services. [source: Application, p34]

“Charges for Medicare-certified hospice are set nationally by Medicare; these are based on fixed rates per day depending on the local cost of labor, the hospice patient's setting of care each day and the patient's current length of stay. Of the fixed rates, only one is based on a visit by a specific discipline: Based on a CMS established 24-hour rate of \$1,091.55, the 2018 hourly rate paid by CMS in Thurston County for Continuous Care during a hospice home visit will be \$45.48.

No other costs nor charges per visit are calculated by Medicare certified hospices. If the Department of Health prefers a certain methodology of allocating indirect expenses to types of patient visits and can provide that methodology to the applicant, such calculations can be undertaken.”

Public Comment

During the review of these projects, Providence Sound HomeCare and Hospice provided public comment on Envision Hospice’s application related to this review criterion.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“Net Patient Service Revenue: A comparative analysis of net revenues per patient day between the two applicants and Providence's existing Thurston agency, PSHCH, is provided below in Table 2. Net revenue per patient day is a metric used to evaluate "effective price" per unit of service, since net revenue per patient day measures what, on average, non-government payers actually pay for a unit of care after deductions from revenue, including contractual allowances, charity care and bad debt have been subtracted.

Net revenue per patient day is a superior measure to what payers are charged per unit of care, which is sometimes used to evaluate and compare project financial performance and impact. While it is informative to evaluate charges, total revenues or total revenue per patient day is irrelevant for evaluating financial viability and most importantly, impact on consumers and more broadly, cost containment. This is the case since what non-government payers and their insureds and self-pay patients are charged may be very different from what they actually pay. What is actually paid per unit of service, i.e., net revenues per patient day uniquely evaluates applicants' conformance to sub criterion 2, i.e., no unreasonable impacts on the costs and charges for health services.

Providence Table 2 Comparison of Net Patient Service Revenue

	CY 2018	Year 3 (CY2021)	
	PSHCH	Envision	Heart of Hospice
<i>Net Patient Revenue</i>	\$17,521,944	\$2,670,165	\$3,162,471
<i>Days of Care</i>	89,758	12,840	18,000
<i>Employee Benefits Per Patient Day</i>	\$195.21	\$207.96	\$175.69

Sources: PSHCH: Internal Providence data

Envision: CN #18-07 Screening Appendix S-9

Heart of Hospice: CN #18-05 Screening Exhibit – Pro Forma

Based on Table 2, Envision projects substantially higher net revenues per patient day (\$207.96) than comparable estimates from PSHCH (\$195.21), and Heart of Hospice (\$175.69). Because net revenues per statistic such as net revenues per patient day, by a health provider represent the 'effective price' of care to non-government payers and "self-pay" patients, this analysis suggest that Envision's project, as currently outlined, may have a much greater adverse impact on patients and other consumers than either Heart of Hospice or PSHCH."

Rebuttal Comment

Envision Hospice provided the following rebuttal comments related to costs and charges.

Envision Hospice [source: April 19, 2018, rebuttal comment]

"Providence makes the unsupported claim that Envision's assumed net revenue per patient day is 'too high.' First, Providence confuses 'costs' with 'charges.' The department is required to determine if the 'costs' of a project will result in unreasonable impacts on costs and charges by other providers. In addressing 'net revenue,' Providence is focusing on Envision's 'charges' and not 'costs,' so its discussion is not relevant to the subject criteria.

Second, since hospice charges are known ahead of time and already set by the government, Providence's expression of concern is unnecessary. Envision projects only 5% of its revenues will be non-government payers. Any real cost problem an agency has will never be solved by loading its problem costs onto the remaining 5% or less of payers.

Third, as detailed in its application, Envision appropriately calculated Medicare's published 2018 hospice daily rates using CMS prescribed method. After adjustments upward to allow for higher daily revenues for inpatient, respite, and continuous care, plus adjustments downward for stays beyond 60 days and stated deductions from revenue, Envision estimates its net revenues per patient at \$207.96.

Fourth, in making this inapt comparison, Providence does not provide own payer mix, its assumed charges per patient day per payer, its mix of in-home vs other types of hospice days, how it treats payment for days over 60 per patient, its contractual allowances, or any other of its deductions from revenue. Without a comparison to Providence on these factors, one cannot develop a detailed response.

Finally, and more to the point, if a new agency is able to increase hospice utilization in Thurston County, that will benefit every payer responsible for any of those Thurston County patients who do not die in a hospital ICU but rather die at home as most of them wish."

Department Evaluation

The capital costs identified for the Envision Hospice project is \$20,000, and is solely related to office supplies and equipment necessary to start the new agency in Thurston County. There are no startup costs associated with this project.

Envision Hospice provide the required financial statements to assist the department in its review of this sub-criterion. The projected balance sheets show that the capital costs do not result in a negative financial health for Envision Hospice or its parent, Envision Home Health of Washington, LLC.

Providence Sound HomeCare and Hospice provided a comparison of itself, Heart of Hospice, and Envision Hospice related to costs and charges. The comparison table shows Envision Hospice’s net revenues per patient day of \$207.96. Based on the comparison, Providence Sound HomeCare and Hospice concludes that Envision Hospice’s application ‘*may have a much greater adverse impact on patients and other consumers than either Heart of Hospice or PSHCH.*’

In response to the conclusion, Envision Hospice provided for reasons why Providence Sound HomeCare and Hospice is incorrect. Of the four reasons, the most compelling are reasons are:

- Hospice charges are known ahead of time and already set by the government, as a result any issues regarding costs and charges are moot; and
- Envision calculated Medicare’s published 2018 hospice daily rates using the CMS prescribed method, then used reasonable adjustments to arrive at the \$207.96 per patient day.

The department concludes that Envision Hospice’s approach to determine charges per patient day are reasonable.

Based on the information above, the department concludes that approval of Envision Hospice’s application would probably not have an unreasonable impact on costs and charges for healthcare services in Thurston County. **This sub-criterion is met.**

(3) *The project can be appropriately financed.*

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

Inspiring Hospice Partners of Oregon dba Heart of Hospice

Heart of Hospice provided the following table showing the capital expenditure for its Thurston County project. [source: Application, p20]

Item	Cost
Certificate of Need Review Fee	\$21,968
Total (rounded)	\$22,000

Heart of Hospice states that all of the office equipment needed to open a Thurston County location that must be purchase is already owned by Heart of Hospice. For example, the agency has existing unused office furniture which will be used for this project, and the startup team already has its own

electronic devices and phones. Certain office equipment may be leased, but this will not require capital expenditure. [source: December 29, 2017, screening response, p4]

Heart of Hospice did not provide a separate letter of financial commitment to fund the project because the owner of the hospice agency is also the person that submitted the application.

Heart of Hospice provided the following statements to further demonstrate its financial commitment if this project is approved. [source: Application, p23]

“The capital expenditure for this project will be funded through existing agency reserves. You will find our P&L, Balance Sheet, and Cash Flow. These numbers are current numbers based on our operation and we do not foresee a deficit in Cash Flow. The organization is 100% self-funding and currently does not owe any liens, loans, or any other debt. Heart of Hospice is 100% committed to this project and will remain CASH POSITIVE throughout this project. The unique difference we have over any of the other applicants is we are already 100% licensed in the state of Washington and able to operate under our current license. In return this will continue to keep the organization CASH POSITIVE. Steve Morris, (owner) is also able to provide funding if the need was to arise. See Attachment 13.”

In response to the department’s request to provide historical revenue and expense statements, cash flow statements, and balance sheets for the most recent three years (2014, 2015, and 2016), Heart of Hospice provided the following statements. [source: Application, p24 and December 29, 2017, screening response, p6]

“Inspiring Hospice Partners of Oregon purchased Heart of Hospice LLC 09/30/2015. We do not have access to the previous Owners P&L. You will find our most recent P&L that includes both Oregon and Washington.”

Heart of Hospice provided historical revenue and expense statements for year 2016 and a January 1, 2017 through October 26, 2017 balance sheet for year 2017. Historical and projected cash flow statements were not available. [source: December 29, 2017, screening response, XL#2 and XL#3]

Public Comment

Below is a summary of the comments provided for this sub-criterion.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“Based on our review of the documentation supplied by Heart of Hospice in its application and screening response, it has not provided a letter of financial commitment from a representative of the organization. This is required to meet sub criterion 3, and is a basis for its denial by the Department due to nonconformance to the Financial Feasibility criterion.”

Rebuttal Comment

Heart of Hospice provided the following rebuttal comments related to this sub-criterion.

Heart of Hospice [April 17, 2018, rebuttal comment]

“Envision incorrectly states that Mr. Morris has an ownership interest in Compassionate Hospice of Athens - this is simply untrue and misleading.

Heart of Hospice has always been 100% transparent in its disclosure of funding sources: the application provides explicitly that the capital needed for the Thurston County project will come from existing agency reserves. It really is as simple as that; because Heart of Hospice is already

licensed and operating in the State of Washington, there will be no further legal or other professional fees incurred in applying for Medicare/Medicaid licensure. Furthermore, of the two applicants, only Heart of Hospice is prepared to begin accepting patients and collecting revenue immediately - therefore, it has no need of the same reserves that Envision will have as it applies for Medicaid/Medicare licensure - a lengthy process during which Envision will be required to see patients without payment.

As discussed on page 23 of its application, Heart of Hospice acquired the assets of Heart of Hospice, LLC in 2015. There is nothing remotely concerning about this routine business event, and since the change in operator, the program has enjoyed 100% growth in census.

Envision falsely states that Heart of Hospice makes interest payments to IHR. Heart of Hospice pays IHR In respect of management/back office services, and in respect of the clinical staff that leases from IHR. Heart of Hospice is a debt-free organization.”

Department’s Evaluation

For its application, Heart of Hospice projected an estimated capital expenditure of \$22,000 for the establishment of Thurston County hospice services. The costs are solely for the Certificate of Need review fee. There is no construction costs required for this facility. [source: Application, p20]

The department acknowledges that the \$22,000 capital expenditure has been expended. Heart of Hospice states that the capital costs were funded through existing operations. However, Heart of Hospice did not provide the required financial statements to assist the department in its review of this sub-criterion. As a result, the department cannot evaluate any pro forma financial statements to determine whether the capital costs resulted in an impact on the financial viability of the agency.

Providence Sound HomeCare and Hospice asserts that Heart of Hospice did not provide a separate letter of financial commitment to fund the project. Heart of Hospice states that since the owner of Heart of Hospice and the applicant that completed and submitted this application are one and the same [owner Steve Morris], a financial letter of commitment is unnecessary. In this particular circumstance, the department agrees with Heart of Hospice.

For the reasons stated in this evaluation, the department concludes that Heart of Hospice’s application cannot be evaluated under this sub-criterion; as a result, the project does **not meet this sub-criterion**.

Envision Hospice of Washington, LLC

Envision Hospice provided the following information related to this sub-criterion. [source: December 29, 2017, screening response, Appendix S-1]

Item	Cost
Furniture	\$10,500
Phone System	\$2,500
Computer/Copier/Printer	\$6,800
Total (rounded)	\$20,000

Envision Hospice provided a copy of its Cash Flow Statements for the following projected financial futures:

- Thurston County hospice agency alone;
- Combined operations of the King and Pierce County home health operations;
- Combined operations of the King and Pierce County home health operations and the Thurston County hospice agency;
- Combined operations of the King and Pierce County home health operations and the Thurston County hospice agency; and the Snohomish County hospice agency.

Envision Hospice provided a letter of financial commitment to fund the project. The letter is signed by its Finance Partner. [source: Application, Appendix I]

Envision Hospice provided the following statements to further demonstrate its financial commitment if this project is approved. [source: December 29, 2017, screening response, p12 and S-2]

“Instead of providing each member’s financial statements, the required documentation of availability of funds is provided as a letter from Chase Bank demonstrating the Envision Home Health of Washington, LLC, (the owner of Envision Hospice of Washington, LLC) has \$859,574.77 in its savings account, which is substantially greater than the projected cash requirement in any certificate of need approval scenario.”

Envision Hospice also provided historical Revenue and Expense Statement, Balance Sheets, and Cash Flow Statements for full years 2014, 2015, 2016 and 2017. [source: December 29, 2017, screening response, Appendix S-8]

Public Comment

None

Rebuttal Comment

None

Department Evaluation

Envision Hospice provided its estimated capital expenditure rounded to \$20,000 and intends to fund the project using existing cash reserves and provided audited financial statements for full calendar years 2014 through 2017. Envision Hospice also provided a letter of financial commitment for the project. The letter ensures that the board for Envision Hospice is financially committed to the project.

Based on the documents provided under this review criterion, if this project is approved, a condition is necessary to ensure that the project would be financed as described in the application. The condition is stated below.

[Applicant Name] shall finance the project using the financing as described in the application.

With written agreement to the financing condition, Envision Hospice’s project **meets this sub-criterion.**

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

Based on the source information reviewed, the department determines that the Inspiring Hospice Partners of Oregon dba Heart of Hospice project **has not met** the applicable structure and process of care criteria in WAC 246-310-230.

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

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

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

Inspiring Hospice Partners of Oregon dba Heart of Hospice

Heart of Hospice provided a table showing its projected FTEs for years 2018 through 2021. The information is summarized Table 8 below shows the Thurston County operations only. [source: December 29, 2017, screening response, p7]

**Table 8
Heart of Hospice – Thurston County Only
Proposed FTEs for Years 2018 through 2021**

FTE	2018 Increase	2019 Increase	2020 Increase	2021 Increase	Total
Nursing					
RNs	3.00	0.00	3.00	1.00	7.00
Hospice Aide	3.00	0.00	3.00	1.00	7.00
Total Nursing	6.00	0.00	6.00	1.00	14.00

Administrative					
Administrator	0.00	0.00	0.00	0.00	0.00
Medical Director	1.00	0.00	0.00	0.00	1.00
Director of Nursing	0.00	0.00	0.00	0.00	0.00
Business Clerical	1.00	0.00	1.00	1.00	0.00
Total Administrative	2.00	0.00	1.00	1.00	4.00

All Others					
Physical Therapy	Under Contract-Not Included In FTE Table				
Occupational Therapy	Under Contract-Not Included In FTE Table				
Speech Therapy	0.00	0.00	0.00	0.00	1.00
Medical Social worker	1.00	1.00	1.00	0.00	3.00
Pastoral/Other Counselor	1.00	0.00	0.00	1.00	0.00
Volunteers	1.00	0.00	0.00	0.00	1.00
Others	0.00	0.00	0.00	0.00	0.00
Total All Others	3.00	0.00	1.00	2.00	5.00

Total FTEs	11.00	0.00	8.00	4.00	23.00
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As requested during this review, Heart of Hospice also provided projected FTEs for years 2018 through 2021 for the entire agency, with Thurston County operations. This information is summarized in Table 9 below. [source: Application, p26 and December 29, 2017, screening response, p7]

Table 9
Heart of Hospice – Agency with Thurston County
Proposed FTEs for Current Year 2017 and Projected Years 2018 - 2021

FTE	2017	2018 Increase	2019 Increase	2020 Increase	2021 Increase	Total
Nursing						
RNs	10.00	3.00	0.00	3.00	1.00	17.00
Hospice Aide	8.00	3.00	0.00	3.00	1.00	15.00
Total Nursing	18.00	6.00	0.00	6.00	2.00	32.00

Administrative						
Administrator	1.00	0.00	0.00	0.00	0.00	1.00
Medical Director	2.00	1.00	0.00	0.00	0.00	3.00
Director of Nursing	1.00	0.00	0.00	0.00	0.00	1.00
Business Clerical	4.00	1.00	0.00	1.00	1.00	7.00
Total Administrative	8.00	2.00	0.00	1.00	1.00	12.00

All Others						
Physical Therapy	Under Contract-Not Included In FTE Table					
Occupational Therapy	Under Contract-Not Included In FTE Table					
Speech Therapy	1.00	0.00	0.00	0.00	0.00	1.00
Medical Social worker	2.00	1.00	0.00	1.00	0.00	4.00
Pastoral/Other Counselor	2.00	1.00	0.00	1.00	0.00	4.00
Volunteers	3.00	1.00	0.00	0.00	0.00	4.00
Others	2.00	0.00	0.00	0.00	0.00	2.00
Total All Others	10.00	3.00	0.00	2.00	0.00	15.00

Total FTEs	36.00	11.00	0.00	9.00	3.00	59.00
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Heart of Hospice provided the following information related to the staff tables above. [source: December 29, 2017, screening response, pp7-8]

“Our assumptions are based on the need to meet Heart of Hospice’s staff/patient ratio; we have to be 100% prepared to provide care pursuant to the federal Conditions of Participation. On day 1 of the Thurston County project, with no patients, we must still have the appropriate staff to meet the needs according to the Conditions of Participation.

Two key members of the "startup" team for Thurston County – our CEO and our Director of Nursing – will be on-site in Thurston County to roll out a recruitment program for the project. They will begin by advertising career openings on Monster.com, Indeed.com and soliciting referrals for excellent professionals from our existing team at our other locations.

The same process will be employed if we are successful in obtaining approval for both projects: our CEO and Director of Nursing will be on-site part-time in both locations to roll out and oversee the recruitment effort. We have prepared our current program and have current staff committed to work in training each new team member as they are identified to be the most successful Hospice Team Members.”

As noted in the table above, the medical director will be under a contract established in year 2007. The contract covers medical director services for the entire agency, rather than county specific. Heart of Hospice also identified two additional medical directors that may be used part-time. Heart of Hospice provided the following information related to the medical directors. [source: December 29, 2017, screening response, p1]

“We wish to clarify our original response has follows: Inspiring Hospice has one Medical Director, Dr. McLennon, employed on a full-time basis by the hospice to oversee all clinical functions of the program. With the hospice's patient census, we require two additional hospice physicians engaged on an independent contractor basis, each part-time, to provide backup support and cover for the Medical Director.”

The medical director contract describes the roles and responsibilities for the medical director and identifies all costs associated with the services. [source: Application, Attachment 6]

Heart of Hospice provided the following information related to the recruitment and retention of staff for its proposed hospice agency in Thurston County. [source: December 29, 2017, screening response, p8]

“Heart of Hospice employs an array of media and means through which to recruit staff; everything from online career listing services, to personal referrals from our existing staff. We maintain high standards for hiring at all levels, usually engaging one of the owners of the business at some point in the interview process, and conducting thorough reference and background checks and drug tests. Once hired, we strive to provide benefits to our staff that exceed the market standard, including fully-paid health insurance, and subsidized dental, vision, life and disability coverage. We are continuously working to improve the benefits we can offer to our most treasured resources – our staff.”

Heart of Hospice provided its current/projected staff to visit ratio shown in Table 10 below. [source: Application, p26]

**Table 10
Heart of Hospice
Thurston County Hospice Projected Staffing Ratios**

Type of Staff	Patient Ratio
Skilled Nursing (RN)	1.0 RN per 8 patients
Physical Therapist	Contracted per visit
Occupational Therapist	
Speech Therapist	1 Speech Therapist on staff
Medical Social Worker	1 MSW per 30 patients
Home Health/Hospice Aides	1 HHA per 8 patients
Pastoral Counselor	1 Pastoral Counselor per 30 patients

Heart of Hospice provided the following statements related to its staff to visit ratio shown in the table above. [source: Application, pp26-27]

“Heart of Hospice believes in keeping our ratios lower than national average is most important in providing the highest level of service to our patients. Many Hospices nationally will have 1 RN per 15 patients, 1 MSW per 50 Patients, 1 Spiritual Care Consoler per 50 patients, 1 C.N.A. per 12 patients. We take great pride in being able to meet the complete hospice needs of our patients.

Heart of Hospice ratios are better than those put forth by the National Hospice and Palliative Care Organization. As required by federal law we ensure 24-hour per day, 7 days per week availability. Our Goal is to provide a low patient per clinician percentile. This allows for each patient to receive the highest level of care. This level of commitment is what is needed by each and every individual who is seeking their hospice benefit.”

Heart of Hospice also provided the Hospice Training Policies to be used for the Thurston County hospice agency. [source: Application, Attachments 24, 31, and 32] The policies included are:

- QAPI Benchmarking Policy
- Relias Education Contract for Employees
- FAZZI Associates Hospice CAHPS system

Public Comment

The following public comments were submitted related to this review criterion.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“There are hospice staffing issues, as stated above, due to staff shortages, resulting in recruitment and retention challenges. Both applicants provided responses in screening of general recruitment tactics but were generally dismissive of any potential staffing challenges. This shows limited knowledge of local market conditions. Having well trained staff is essential to any hospice operation, which is why it is problematic that neither of the applicants even acknowledged these problems currently in Thurston County or explained how the applicant would plan to address it, beyond standard, generic approaches.

The failure to properly recognize Thurston labor market conditions is also apparent in the Heart of Hospice's financial assumptions. As shown in Table 1, above, in the discussion of financial statistic comparisons, Heart of Hospice projects far lower employee benefits per patient day than comparable estimates from PSHCH. Heart of Hospice's current financial projections do not reflect competitive rates or rates needed to attract talent that is otherwise in scarce supply. This calls into question Heart of Hospice's ability to sufficiently recruit and retain of qualified staff needed to provide care at the levels shown in each applicant's volume projections and financial forecasts.

It should also be noted that Heart of Hospice has provided confusing FTE figures. As stated above, Heart of Hospice has applied for approval to operate a hospice agency in both Snohomish and Thurston counties. Its applications are virtually identical. In particular, its FTE table in each application is identical, and further, in its screening responses for each application, it states its FTE table in its Application includes FTEs for the entire operation. However, it also provides another response where, apparently, it provides FTEs for only its proposed agency in Thurston County. Apparently, Heart of Hospice intends to staff each proposed hospice agency identically and provide identical numbers of patient days. This confusion is not explained; it is very clear, the two hospice markets are different, yet there is no discussion of any of these differences, nor is there any discussion

of staffing issues that would obviously arise if Heart of Hospice were approved for both Snohomish and Thurston counties.

In this regard, the same criticism can be made with the Envision application. It, too, has applied for approval to operate a hospice agency in both Snohomish and Thurston counties. Its applications are also virtually identical. Further, its FTE table in each application is identical. As is the case with Heart of Hospice, apparently it intends to staff each proposed hospice agency identically and provide identical numbers of patient days. As stated above, this confusion is not explained, yet it is very clear, the two hospice markets are different. There is no discussion of any of these differences, nor is there any discussion of the compounded staffing issues that would obviously arise if Envision were approved for both Snohomish and Thurston counties.

Staffing Ratios: Review of the applicants' proposed staffing benchmarked to PSHCH staff budgeted for 2018 identifies areas where the Department should closely review and evaluate whether the applicants have, in fact, projected necessary staffing levels to provide access and quality of care. In particular we observe Envision has projected much fewer RN FTE ("full-time equivalent") staff and medical social worker FTEs per patient day, as compared to PSHCH. While we acknowledge the applicants project a higher hospice aide per patient day than PSHCH, we are concerned the proposed staffing model will not meet all of the Medicare hospice regulations required to become and remain certified and licensed, and may, in fact, compromise patient care for acute populations, including those who have complex care needs, or those who require IV interventions, transfusions, biologic agents, and continuous care. Please see Table 3 below to compare proposed staffing ratios for key clinical functions.

Providence Table 2 Comparison of Net Patient Service Revenue

		<i>Inspiring Hospice Partners of Oregon</i>	<i>Envision Hospice of Washington</i>	<i>PSHCH</i>
<i>Number of FTEs (Year 3)</i>	<i>RN</i>	7	3.52	42.7
	<i>Hospice Aide</i>	7	3.52	14.27
	<i>Medical Social Worker</i>	1	1.01	11.44
<i>Patient Days</i>		18,000	12,900	89,759
<i>FTEs Per 1,000 Patient Days</i>	<i>RN</i>	0.39	0.27	0.48
	<i>Hospice Aide</i>	0.39	0.27	0.16
	<i>Medical Social Worker</i>	0.06	0.08	0.13
<i>FTEs Per 1,000 Patient Days (% of PHHC)</i>	<i>RN</i>	81.7%	57.4%	
	<i>Hospice Aide</i>	244.6%	171.6%	
	<i>Medical Social Worker</i>	43.6%	61.4%	

*Sources: PSHCH: Internal Providence data
 Envision: CN #18-07 Screening Appendix S-9
 Heart of Hospice: CN #18-05 Screening*

Table 3 clearly shows that each of the two projects will be understaffed for certain key clinical positions (e.g. RN, medical social worker, etc.). While a portion of this shortfall may be due to alternative care models that reflect a different balance of hospice aides, in our opinion, the number of RN FTE staff projected by Envision, and medical social worker FTEs projected by both applicants, are too low. With insufficient RN staffing, the most likely area to suffer is nursing services on nights and weekends, which will realistically require daytime nurses to work extra to cover the needs of patients outside normal working hours. The best case scenario for this difficult situation is that

fatigued nurses provide superficial visits as needs arise. A more realistic scenario is that nurses are delayed, meaning patients and their caregivers experience more pain, stress and anxiety. Worst case scenario includes the very real possibility that patient needs are put off until the next weekday morning, when the regular staff comes on board. The inevitable next step is nurse burnout and turnover thereby perpetuating a cycle of nursing care shortage.

An example of poor hospice care was recently published in the New York Times and is now nationally known: "This Was Not the Good Death We Were Promised" by Karen Brown, a reporter with New England Public Radio. (Link: <https://www.nytimes.com/2018/01/06/opinion/sunday/hospice-gooddeath.html>) Another example of poor hospice care was published in Time last fall and also made national news: "No One is Coming:' Investigation Reveals Hospices Abandon Patients at Death's Door." (Link: <http://time.com/4995043/no-one-is-coming-investigation-reveals-hospices-abandon-patients-atdeaths-door/>).

Rebuttal Comment

Heart of Hospice did not provide rebuttal comments specific to this sub-criterion. Below is the rebuttal comments provided by Providence Sound HomeCare and Hospice.

Providence Sound HomeCare and Hospice [source: April 18, 2018, rebuttal comment]

"In our public comments, Providence compared the two applicants' proposed staffing levels benchmarked to PSHCH's budget for 2018. PSHCH is an apt benchmark for the purposes of this review as it is an existing CN-approved hospice agency operational in the planning area. By using the experience of a hospice agency operating inside the community the applicants intend to serve, this analysis can assist the Department in its assessment whether the applicants have committed in their respective projections sufficient organizational resources to staffing roles essential to the delivery of quality hospice services.

There are significant, current staffing challenges, including recruitment and retention challenges in the Thurston County market for hospice services."

Department Evaluation

Heart of Hospice has been in continuous operation as a Medicare and Medicaid hospice provider in Skamania County since approximately 2008. In 2014, Heart of Hospice received CN approval to expand its Medicare and Medicaid hospice services into Klickitat County. Heart of Hospice is also a long time provider of hospice services in the state of Oregon. As an existing provider, Heart of Hospice has an understanding of the appropriate staffing necessary to establish an agency in Thurston County. Specific to the Thurston County agency, Table 8 shows that 11.00 FTEs are needed in year one, which increases to 23.00 FTEs by the end of year three.

Heart of Hospice also identified its year three projected staffing ratios. The ratios are reasonable and consistent with data provided in past hospice applications reviewed by the program.

Heart of Hospice provided a copy of its executed Medical Director Agreement that identifies all roles and responsibilities and all costs associated with the services.

Heart of Hospice intends to use the strategies it has successfully used in the past for recruitment and retention of staff for Thurston County agency. The strategies identified by Heart of Hospice are consistent with those of other applicants reviewed and approved by the department.

Information provided in the application demonstrates that Heart of Hospice is an established provider of hospice services in Washington State. Based on the above information, the department concludes that Heart of Hospice has the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project. **This sub-criterion is met.**

Envision Hospice of Washington, LLC

Envision provided a table showing its projected FTEs for years 2018 through 2021. The information is summarized in Table 11 below. [source: December 29, 2017, screening response, Appendix S-9]

**Table 11
Envision Hospice of Washington, LLC
Proposed FTEs for Years 2018 through 2021**

FTE	2018	2019 Increase	2020 Increase	2021 Increase	Total
Operations					
Physician (Medical Director)	Under Contract-Not Included In FTE Table				
Bereavement	0.00	0.00	0.00	0.17	0.17
Spiritual Counselor	0.06	0.67	0.22	0.05	1.00
Volunteer Coordinator	0.00	0.40	0.10	0.25	0.75
Manager of Patient Services	0.00	0.50	0.00	0.17	0.67
Home Health Aide	0.69	1.78	0.59	0.46	3.52
Medical Social Worker	0.20	0.50	0.17	0.14	1.01
RN's	0.69	1.78	0.59	0.44	3.50
Total Operations	1.64	5.63	1.67	1.68	10.62
Administrative					
Administrator	0.25	0.75	0.00	0.00	1.00
Admin Asst/Medical Records	0.25	0.75	0.00	0.50	1.50
Facility Liaison	0.25	0.75	0.40	0.40	1.80
QAPI Coordinator	0.00	0.00	0.50	0.50	1.00
Total Administrative	0.75	2.25	0.90	1.40	5.30
Total Operations/Administrative	2.39	7.88	2.57	3.08	15.92

Envision Hospice provided the following information related to the staff table above. [source: December 29, 2017, screening response, pp32-33]

- 2018 is one quarter of year; 2019 thru 2021 is three full calendar years
- Medical Director is paid sums based on ADC [source: Medical Director Agreement, p6]
- Year 1: volunteer coordinator task performed by MSW
- Year 1: manager of patient services tasks performed by administrated until ADC is 20
- Years 1 & 2: bereavement services provided by spiritual counselor until ADC is 40 on a monthly basis.

As noted in the table above, the medical director services will be provided under contract. Envision Hospice has recruited a medical director for the proposed hospice agency and provided an executed agreement. The medical director contract describes the roles and responsibilities for the medical

director and identifies all costs associated with the services. [source: December 29, 2017, screening response, Appendix S-3]

Envision Hospice provided the following information related to the recruitment and retention of staff for its proposed hospice agency in Thurston County. [source: December 29, 2017, screening response, p14-16]

“Fortunately neither Envision in Utah nor Envision Home Health in King County have had difficulty recruiting and retaining the staff required. In both Utah and Washington, Envision places a high priority on its recruitment and retention efforts.

At start-up, in King County, Envision HHA successfully used the wide range of available resources to attract, screen, select, and hire both clinical and administrative employees. These include: local job fairs, the online job-search websites; using recruitment agencies; word of mouth through existing employees; outreach through existing employee relationships with professional organizations.

Due to its ownership and operation by rehabilitation specialists themselves, Envision has been very successful in attracting and retaining the clinical staffing it requires. Envision-HHW has access to an active recruiting function for the relevant professionals.

Envision has also been very fortunate that its existing staff has been a substantial source of professional contacts in the area and that those have frequently resulted in new hires. The greatest factor in Envision’s success has been an extremely low turnover rate in staff:

- *Envision-HHW’s pay and benefits are competitive for both recruitment and retention. Benefits include medical, dental/orthotics, vision, life insurance, and 401K with company matching.*
- *At start-up, Envision adopted the practice of paying stable, reliable salaries to its professionals rather than just paying them for hourly work. This resulted in a committed group of employees from the outset and has reduced turnover to near zero.*
- *Rather than taking an “agency” or “pay per visit” approach to staffing, Envision uses a “primary care” model where possible. If an RN takes on a specific patient, that patient’s prescribed Plan of Care becomes his or hers to manage. The primary care nurse that cannot make it to a patient’s scheduled visit will take responsibility to find coverage from other appropriate Envision staff. This mode appeals to the staff’s professionalism and increases employee satisfaction and sense of control over the work environment.*

As Envision has grown rapidly, its strong reputation has too. It relies less on the typical recruitment practices it used at start-up. Now, word of mouth among employees and their social and professional networks provide Envision with ample numbers of candidates when agency growth permits addition of new positions. Word of mouth has resulted in numerous inquiries that new hires when conditions change at other area agencies.

Entering a new geographic market where Envision is not well-known means it plans at start-up to rely on the more traditional recruitment methods.

In Thurston County, the Envision office is located adjacent to Capital Medical Center, an employment hub with good accessibility.”

Envision Hospice provided its current/projected staff to visit ratio shown in Table 12 below. [source: Application, pp35-36]

Table 12
Envision Hospice of Washington
Thurston County Hospice Projected Staffing Ratios

Type of Staff	Visits/Visit Ratio
Skilled Nursing (RN & LPN)	1.10
Physical Therapist	Contracted per visit
Occupational Therapist	
Speech Therapist	
Medical Social Worker	Combined Position with Volunteer Coordinator at start up
Home Health Aides	1.10
Spiritual Counselor	Combined Position with Bereavement at start up

Envision Hospice provided the following statements related to its staff to visit ratio shown in the table above. [source: Application, p36]

“These ratios correspond to national averages as published by the National Hospice and Palliative Care Organization.”

Envision Hospice also provided the Hospice Training Policies to be used for the Thurston County hospice agency. [source: December 29, 2017, screening response, Appendix S-6] The policies included are:

- Certified Home Health Aide Competency Evaluation Program
- Certified Home Health Aide Skills Checklist
- Orientation Program
- Employee Education Programs
- Monitoring of CHHA and CNA In-Services Hours
- Staff Recruitment, Retention, and Education

Public Comment

The following public comments were submitted related to this review criterion.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“There are hospice staffing issues, as stated above, due to staff shortages, resulting in recruitment and retention challenges. Both applicants provided responses in screening of general recruitment tactics but were generally dismissive of any potential staffing challenges. This shows limited knowledge of local market conditions. Having well trained staff is essential to any hospice operation, which is why it is problematic that neither of the applicants even acknowledged these problems currently in Thurston County or explained how the applicant would plan to address it, beyond standard, generic approaches.

The failure to properly recognize Thurston labor market conditions is also apparent in the Heart of Hospice's financial assumptions. As shown in Table 1, above, in the discussion of financial statistic comparisons, Heart of Hospice projects far lower employee benefits per patient day than comparable estimates from PSHCH. Heart of Hospice's current financial projections do not reflect competitive rates or rates needed to attract talent that is otherwise in scarce supply. This calls into question

Heart of Hospice's ability to sufficiently recruit and retain of qualified staff needed to provide care at the levels shown in each applicant's volume projections and financial forecasts.

It should also be noted that Heart of Hospice has provided confusing FTE figures. As stated above, Heart of Hospice has applied for approval to operate a hospice agency in both Snohomish and Thurston counties. Its applications are virtually identical. In particular, its FTE table in each application is identical, and further, in its screening responses for each application, it states its FTE table in its Application includes FTEs for the entire operation. However, it also provides another response where, apparently, it provides FTEs for only its proposed agency in Thurston County. Apparently, Heart of Hospice intends to staff each proposed hospice agency identically and provide identical numbers of patient days. This confusion is not explained; it is very clear, the two hospice markets are different, yet there is no discussion of any of these differences, nor is there any discussion of staffing issues that would obviously arise if Heart of Hospice were approved for both Snohomish and Thurston counties.

In this regard, the same criticism can be made with the Envision application. It, too, has applied for approval to operate a hospice agency in both Snohomish and Thurston counties. Its applications are also virtually identical. Further, its FTE table in each application is identical. As is the case with Heart of Hospice, apparently it intends to staff each proposed hospice agency identically and provide identical numbers of patient days. As stated above, this confusion is not explained, yet it is very clear, the two hospice markets are different. There is no discussion of any of these differences, nor is there any discussion of the compounded staffing issues that would obviously arise if Envision were approved for both Snohomish and Thurston counties.

Staffing Ratios: Review of the applicants' proposed staffing benchmarked to PSHCH staff budgeted for 2018 identifies areas where the Department should closely review and evaluate whether the applicants have, in fact, projected necessary staffing levels to provide access and quality of care. In particular we observe Envision has projected much fewer RN FTE ("full-time equivalent") staff and medical social worker FTEs per patient day, as compared to PSHCH. While we acknowledge the applicants project a higher hospice aide per patient day than PSHCH, we are concerned the proposed staffing model will not meet all of the Medicare hospice regulations required to become and remain certified and licensed, and may, in fact, compromise patient care for acute populations, including those who have complex care needs, or those who require IV interventions, transfusions, biologic agents, and continuous care. Please see Table 3 below to compare proposed staffing ratios for key clinical functions.

Providence Table 2 Comparison of Net Patient Service Revenue

		<i>Inspiring Hospice Partners of Oregon</i>	<i>Envision Hospice of Washington</i>	<i>PSHCH</i>
<i>Number of FTEs (Year 3)</i>	<i>RN</i>	7	3.52	42.7
	<i>Hospice Aide</i>	7	3.52	14.27
	<i>Medical Social Worker</i>	1	1.01	11.44
<i>Patient Days</i>		18,000	12,900	89,759
<i>FTEs Per 1,000 Patient Days</i>	<i>RN</i>	0.39	0.27	0.48
	<i>Hospice Aide</i>	0.39	0.27	0.16
	<i>Medical Social Worker</i>	0.06	0.08	0.13

Providence Table 2 Comparison of Net Patient Service Revenue (continued)

<i>FTEs Per 1,000 Patient Days (% of PHHC)</i>	<i>RN</i>	<i>81.7%</i>	<i>57.4%</i>
	<i>Hospice Aide</i>	<i>244.6%</i>	<i>171.6%</i>
	<i>Medical Social Worker</i>	<i>43.6%</i>	<i>61.4%</i>

Sources: PSHCH: Internal Providence data

Envision: CN #18-07 Screening Appendix S-9

Heart of Hospice: CN #18-05 Screening

Table 3 clearly shows that each of the two projects will be understaffed for certain key clinical positions (e.g. RN, medical social worker, etc.). While a portion of this shortfall may be due to alternative care models that reflect a different balance of hospice aides, in our opinion, the number of RN FTE staff projected by Envision, and medical social worker FTEs projected by both applicants, are too low. With insufficient RN staffing, the most likely area to suffer is nursing services on nights and weekends, which will realistically require daytime nurses to work extra to cover the needs of patients outside normal working hours. The best case scenario for this difficult situation is that fatigued nurses provide superficial visits as needs arise. A more realistic scenario is that nurses are delayed, meaning patients and their caregivers experience more pain, stress and anxiety. Worst case scenario includes the very real possibility that patient needs are put off until the next weekday morning, when the regular staff comes on board. The inevitable next step is nurse burnout and turnover thereby perpetuating a cycle of nursing care shortage.

An example of poor hospice care was recently published in the New York Times and is now nationally known: "This Was Not the Good Death We Were Promised" by Karen Brown, a reporter with New England Public Radio. (Link: <https://www.nytimes.com/2018/01/06/opinion/sunday/hospice-gooddeath.html>) Another example of poor hospice care was published in Time last fall and also made national news: "No One is Coming:' Investigation Reveals Hospices Abandon Patients at Death's Door." (Link: <http://time.com/4995043/no-one-is-coming-investigation-reveals-hospices-abandon-patients-atdeaths-door/>).

We do not want to see situations of poor hospice care like this occur in Washington state. In particular, it must be noted that Envision's projected 3.5 RN FTEs will be insufficient to provide nursing care at the levels required of hospice agencies under federal regulation 42 CFR 418.100(c)(2):

"Nursing services, physician services, and drugs and biologicals (as specified in § 418.106) must be made routinely available on a 24-hour basis 7 days a week."⁹ (emphasis added).

In the event the Department determines Envision is the superior alternative among the two applicants, the Department should impose a Condition for final CN approval that requires Envision to agree to provide nurse staffing that will meet the 365/24/7 requirement discussed above."

Assured Hospice [source: March 19, 2018, public comment]

"Envision Hospice of WA believes they will do better at hiring and retaining staff due to a salary payment system and primary care model believing this is not available in existing hospices in Thurston County. However, for years Assured Hospice has provided nurses a salary, flexible scheduling, and implemented the Primary Care Model to ensure our patients have a nurse who knows them, coordinates a personalized plan of care based on patient wishes, and can provide the heart centered care that retains nurses in hospice. We also hire nurses who live in the rural communities to care for patients residing in their own communities to increase quality of care for families and

satisfaction for our nurses. We also have an electronic medical record system that allows our nurses to easily work in all areas of the counties we serve. However, we still see a shortage of skilled Hospice nurses; so, as part of a larger organization, we are able to recruit nationally and internationally to bring qualified and quality candidates to our region. As stated previously, it is well documented that Thurston County has a shortage of health professional workforce, and we have spent years working within the constraints of staffing shortages in Thurston County. We have created greater efficiency, all the while maintaining high patient quality and patient satisfaction. Once another provider is added to Thurston County, it will introduce a bigger challenge by diluting the clinical workforce even further.”

Rebuttal Comment

Both Providence Sound HomeCare and Hospice and Envision Hospice provided rebuttal comments related to this sub-criterion. The rebuttal comments are below.

Providence Sound HomeCare and Hospice [source: April 18, 2018, rebuttal comment]

“There are quality concerns due to staffing concerns. Too few FTEs will harm access and quality. Envision's Tiebreaker Summary Table 2 lists "Local Envision hiring experience" as a key strength in its project.¹⁵ Envision confuses " Local" with "Regional." Envision's experience in King and Pierce counties may be within the same region as Thurston County, but Thurston County has its own unique needs and challenges in recruitment. Further, staffing a hospice agency is different than a home health agency, a fact not mentioned by Envision. Finally, as noted above, Envision has submitted virtually identical documentation for its Thurston and Snohomish applications, with little to no specificity regarding each market; they are not the same.

Here again, Envision's silence on the recruitment challenges regarding hospice staffing, particularly with clinically experienced RNs in Thurston County, demonstrates its lack of knowledge of local market conditions. And even if it is successful in hiring its planned staff count, we find it extremely difficult to believe it would successfully fulfill the workloads required to provide 24/7 /365 care. Limited staff and increasing demand pressures will compromise quality of care, harm access and lead to patient and clinician dissatisfaction.

Giving Envision the benefit of the doubt, it may be that it will be responsive to the care needs of the community and will increase its staffing well above and beyond its current projections. But this begs the question why the staffing was so limited from the beginning? The answer is that Envision imposed a restrictive "1 RN per 10 ADC" rule to its pro forma. This formulaic approach is deficient during a program's initial development where it will have a low ADC, but still must have a minimum staff presence for 24/7/365 coverage. This optimistic interpretation also strongly highlights the unreasonableness of Envision's pro forma, thereby, calling into question Envision's conformance to WAC 246-310-220-Financial Feasibility, as discussed above. If on the other hand, Envision remains locked into its staffing projections, as provided in its application materials, this raises obvious questions of whether Envision will conform to relevant criteria under WAC 246-310-230-Structure and Process of Care.”

Envision Hospice Rebuttal to Assured [source: April 18, 2018, rebuttal comment]

“Assured believes Envision claims superiority in staffing. Assured charges Envision with dismissing the challenges of hospice staffing and claiming superiority in its staffing. Neither of these claims is true. In responding to a screening question regarding Envision' s approach to staffing, Envision shared some approaches that have worked well in the Puget Sound labor market for its King/Pierce home health agency. Envision does not have a lock on those approaches, but believes they can be

useful for many providers in attracting staff. Envision has nowhere said its approach is superior to Assured’s. Like Assured, Envision also has substantial out-of-state relationships that support its potential to attract hospice staff from outside of Thurston County. Envision sees competition among providers for hospice staff as beneficial because it pushes all employers to reward hospice employees with a superior package of compensation and benefits, thus increasing the overall appeal of Thurston County hospices as attractive employers.”

Envision Hospice Rebuttal to Providence [source: April 18, 2018, rebuttal comments]

“Providence is concerned about the staffing impact of a new agency in Thurston County. Providence is concerned Envision did not sufficiently address staffing issues in Thurston county. In circular fashion, Providence claims ‘staffing difficulties’ will make ‘staffing difficult.’ Envision, on the other hand, fully answered the questions asked in both 1) the Certificate of Need application form and 2) in response to screening questions, it provided extensive discussion of its staffing experience and success in King County. (This information was provided before Envision’s Pierce HHA had received its Certificate of Need.) Despite Providence’s contention, Envision fully grasps that staffing is one of the key challenges of any hospice organization. But Providence’s concern is stated quite generally:

- It provides no data to illustrate specific Thurston County staffing problems such as the percent of its positions going unfilled or the delays in timely patient visits that result.*
- It does not document a high turnover rate; It does not discuss special strategies it is capable of that Envision is not capable of.*
- If Thurston County staffing is different or more difficult than that of other Puget Sound planning areas, Providence has not provided evidence to indicate that.*
- Providence states Envision demonstrates no knowledge of local market conditions, yet it does not describe in any detail what differences Envision may have missed.*

Envision has not been dismissive of, nor does it minimize the challenge of, staffing. It is central to any hospice agency’s ability to care for its patients. On the other hand, Envision is meeting a similar challenge and successfully staffing a rapidly growing home health agency in the Puget Sound labor market. It has been able to hire very experienced, mid and late-career nursing staff with substantial in-home care experience. In fact, many of these very experienced nurses care for Envision’s King and Pierce County terminally-ill home health patients who have elected not to use the hospice benefit.

Envision’s ability to get staff out the patient’s home, measured as ‘timeliness of response’ my Medicare’s Home Health Compare, far exceed that of Providence in the market it serves:

<i>Home Health Agency</i>	<i>%</i>
<i>Envision Home Health, Utah</i>	<i>96.3</i>
<i>Envision Home Health, Washington, King county</i>	<i>96.4</i>
<i>Providence Sound Homecare & Hospice, Thurston County</i>	<i>71.2</i>
<i>Providence Sound Homecare & Hospice, Snohomish County</i>	<i>70.7</i>
<i>Providence Sound Home Services – King County</i>	<i>63.8</i>

Providence expresses concern that Envision is understaffed with 3.5 FTE RN’s at an average daily hospice census of 35. Yet as the National Hospice and Palliative Care Organization reports, a

staffing ratio of 1 RN to 12 patients is the national median and 1 RN to 11.2 patients if the national average.

With an assumption of 35 ADC in 2021, Envision's RN staffing ratio at 1:10 would be 3.5 RN's and exceeds both the national median and the national mean. The National Hospice and Palliative Care Organization has invested substantial resources in assisting hospices nationwide with proper staffing to address local, individualized hospice agency needs. Provided as Attachment D is NHPCO's very useful guide to assessing a specific hospice's requirements and determining the proper staffing ratios to meet its patients' needs. The process it outlines is surprisingly complex, discussing twenty-four variables a hospice must consider as it designs its staffing plan.

Obviously, Envision bases its financial projections on a set of stated assumptions. If clinical acuity or census growth, or any other factor requiring additional nursing FTE's occurs, Envision's financial pro forma clearly demonstrates it will have the financial flexibility to address those. Providence's concern notwithstanding, Envision can report that it currently operates a highly-rated branch of its hospice in Utah that has an ASC of 35 and its current RN staffing is 3.5 FTE's.

Providence may be under-estimating the flexibility with which Envision can apply the 3.5 FTE's:

- 3.5 FTE's is not necessarily 3 full time staff and one half time position. More than four individuals can make up that FTE count. Envision will assemble a nursing team based on a variety of factors including: nursing job candidate preferences for full- or part-time work, location of staff residence within Thurston County, patterns of demand during the work week as they appear, etc.*
- During at least the first 3 year of startup, Envision nurses filling administrative roles will also be available to help the clinical staff meet patient needs. This aspect of nursing hours is over and above the 3.5 FTE listed under "clinical" expense in the pro forma. Envision's culture is that of a small, professionally-run team that is flexible and works together to meet patient care needs. It does not have a strict hierarchy or rigid bureaucratic structure that works against an "all hands on deck" mentality – one not always found in larger organizations. Of course, as census grows larger, the nurses in administrative roles must spend more of their time in those responsibilities and their numbers shrink in comparison to the growing number of clinical staff. As Envision's hospice begins to exceed the state's basic volume of 35 ADC late in year 3, it will continue layering in RN's and on-call staffing to meet all patient needs.*

Providence refers to the Medicare requirement of 24/7/365 nursing availability as if to suggest a hospice must staff full time nursing positions around the clock. This is simply not true. Providence knows that "on call" nurses are not paid at full salary during weekends while they are only "available" and may or may not be called to a patient's home. Yet, based on its opinion of Envision's staffing, Providence paints a resulting nightmare scenario involving short-staffed weekends, tired daytime nursing, and poor patient care. Providence reference to horror stories and the need for a CON condition to enforce nursing standards is completely unnecessary and inappropriate."

Department Evaluation

Envision Home Health of Washington, LLC has been in continuous operation as a Medicare and Medicaid home health agency in Washington State. Envision Hospice also provides Medicare and Medicaid hospice services in the state of Utah. As an existing provider, Envision Hospice has an understanding of the appropriate staffing necessary to establish an agency in Thurston County.

Specific to the Thurston County agency, Table 11 shows that 2.39 FTEs are needed in partial year one, which increases to 15.92 FTEs by the end of full calendar year three. Providence Sound HomeCare and Hospice questioned Envision Hospice's ability to appropriately staff the new hospice agency and Envision Hospice provided comprehensive and complete rebuttal related to the concerns.

Envision Hospice also identified its year three projected staffing ratios. The ratios are reasonable and consistent with data provided in past hospice applications reviewed by the program.

Envision Hospice provided a copy of its executed Medical Director Agreement that identifies all roles and responsibilities and all costs associated with the services.

Envision Hospice intends to use the strategies it has successfully used in the past for recruitment and retention of staff for Thurston County agency. The strategies identified by Envision Hospice are consistent with those of other applicants reviewed and approved by the department.

Information provided in the application demonstrates that Envision Hospice is an established provider of home health services in Washington State. Based on the above information, the department concludes that Envision Hospice has the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project. **This sub-criterion is met.**

- (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.

Inspiring Hospice Partners of Oregon dba Heart of Hospice

Heart of Hospice provided the following information related to the vendors necessary for new hospice agency in Thurston County. [source: Application, p28 and December 29, 2017, screening response, p8]

"Given our current operation we are contracted with:

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

As you can see we are prepared to be a community partner and work with other HealthCare providers to bring the mission of Hospice to the community. Once the CN is awarded we will extend our contracted obligations with additional local providers in order to meet the patient's needs. See Attachment 14, 15, 16, 17, 18, 19, 20.

Heart of Hospice already has contracted for mandatory services (pharmacy, DME, transportation, etc.); however, it will seek contracts for local services such inpatient, respite and nursing home

facilities, physical therapists, speech language pathologists, occupational therapists, dieticians, additional physicians, and locally-sourced general office supplies.”

Heart of Hospice provided copies of its current contracts with NORCO for durable medical equipment, HospiScript (OPTUM) for pharmacy services, Visiting Health Services for therapies, Columbia Gorge Physical Therapy for therapy services, Skyline Hospital in Washington for patient transfer services, and Mid-Columbia Medical Center and Providence Hood River Memorial Hospital, both in Oregon, for patient transfer services.

Public Comment

The department received the following public comment related to this sub-criterion for the Envision application.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“Neither of the two applicants are existing providers within Thurston County. Heart of Hospice is CN authorized to operate hospice services in Skamania and Klickitat counties. Thus, there are no existing relationships among any of the applicants and ancillary and support services in Thurston County.”

Rebuttal Comment

None

Department Evaluation

Heart of Hospice is currently a Medicare and Medicaid hospice provider in Washington State. This project proposes a new agency in Thurston County. It is unclear whether Providence Sound HomeCare and Hospice’s comments imply that the applicant will not be able to establish appropriate relationships in Thurston County or that the project should be denied because Heart of Hospice is not a current Thurston County provider. Information provided in the application demonstrates that Heart of Hospice is familiar with ancillary and support relationships that must be established in Washington State and Thurston County specifically.

Based on the information reviewed in the application, the department concludes that Heart of Hospice has the experience and expertise to establish appropriate ancillary and support relationships if this project is approved. If the Heart of Hospice application is approved, the department would attach a condition requiring the applicant to submit a listing of vendors with whom it has established its ancillary and support agreements. Provided Heart of Hospice agreed to the condition, the department concludes **this sub-criterion is met.**

Envision Hospice of Washington, LLC

Envision Hospice provided its list of vendors necessary for new hospice agency. [source: Application, p38 and December 29, 2017, screening response, Appendix S-5]

“...For general inpatient care and for respite care, the proposed hospice will develop contract with one or more local facilities.”

Envision Hospice’s Appendix S-5 as referenced above is recreated in the table below.

Vendor	Product or Service
<i>Alphagraphics</i>	<i>Business Cards</i>
<i>BKC, LLC/Advisors</i>	<i>Cost Reports and Consulting Services</i>
<i>Blue Fin Office Group</i>	<i>Office supplies</i>
<i>Briggs Healthcare</i>	<i>Medical supplies</i>
<i>Briggs Corporation</i>	<i>Medical Forms</i>
<i>Comcast Business</i>	<i>Communications technology</i>
<i>Comprehensive Home & Companion Svcs. LLC</i>	<i>Temporary staffing agency</i>
<i>Copiers Northwest</i>	<i>Copier service</i>
<i>Corporation Service Company</i>	<i>Marketing services</i>
<i>De Lage Landen</i>	<i>Office equipment</i>
<i>Ducky's Office Furniture</i>	<i>Office furniture</i>
<i>FastSigns</i>	<i>Signage</i>
<i>First Advantage Background Services Corp</i>	<i>Background checks</i>
<i>Go Daddy.com</i>	<i>Website design</i>
<i>Gordon's Copy Print</i>	<i>Printing</i>
<i>Hansen Creative</i>	<i>Marketing material</i>
<i>Health & Company CPA, LLC</i>	<i>Accountants</i>
<i>Home Health Coding Solutions</i>	<i>Medical records management</i>
<i>Independence Rehab</i>	<i>Contract Therapy Services</i>
<i>Integra Telecom</i>	<i>Internet and Phone</i>
<i>Kleenwell Biohazard Waste</i>	<i>Bio-waste management</i>
<i>Les Olson Company</i>	<i>Office equipment</i>
<i>McGee's Stamp and Trophy Co.</i>	<i>Name badges</i>
<i>McKesson Medical Surgical</i>	<i>Medical supplies</i>
<i>MedForms, Inc.</i>	<i>Medical forms</i>
<i>Medical Forms Management, Inc.</i>	<i>Medical forms</i>
<i>Oldham Technology</i>	<i>IT services</i>
<i>Optum Healthbank</i>	<i>Health savings account</i>
<i>Payroll Experts</i>	<i>Payroll processing</i>
<i>Philadelphia Insurance</i>	<i>Liability insurance</i>
<i>Quality Logo Products</i>	<i>Marketing</i>
<i>Roadrunner Print & Copy</i>	<i>Printing</i>
<i>Seagull Printing Service, Inc.</i>	<i>Printing</i>
<i>Shred-IT USA</i>	<i>Document shredding</i>
<i>Smart Scrubs</i>	<i>Nursing and Aides scrubs/uniforms</i>
<i>Stericycle, Inc.</i>	<i>Sharps management & hazardous waste</i>
<i>Strategic Healthcare Programs, LLC</i>	<i>Clinical & financial benchmarking</i>
<i>T-Mobile</i>	<i>Mobile phones</i>
<i>The UPS Store</i>	<i>Document shipping</i>
<i>USPS</i>	<i>Document shipping</i>
<i>Verizon Wireless</i>	<i>Cell phone services</i>
<i>Washington Labor and Industries</i>	<i>Workers compensation</i>
<i>Waste Management</i>	<i>Waste management & recycling</i>

Public Comment

The department received the following public comment related to this sub-criterion for the Envision application.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“Neither of the two applicants are existing providers within Thurston County. Heart of Hospice is CN authorized to operate hospice services in Skamania and Klickitat counties. Thus, there are no existing relationships among any of the applicants and ancillary and support services in Thurston County.”

Rebuttal Comment

None

Department Evaluation

Envision Hospice is currently a Medicare and Medicaid home health provider in Washington State and a hospice provider in Utah State. This project proposes a new hospice agency in Thurston County.

As with the Heart of Hospice application above, it is unclear whether Providence Sound HomeCare and Hospice’s comments imply that the applicant will not be able to establish appropriate relationships in Thurston County or that the project should be denied because Envision Hospice is not a current Thurston County provider. Information provided in the application demonstrates that Envision Hospice is familiar with ancillary and support relationships that must be established in Washington State and Thurston County specifically.

Based on the information reviewed in the application, the department concludes that Envision Hospice has the experience and expertise to establish appropriate ancillary and support relationships if this project is approved. If the Envision Hospice application is approved, the department would attach a condition requiring the applicant to submit a listing of vendors with whom it has established its ancillary and support agreements. Provided Envision Hospice agreed to the condition, the department concludes **this sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2)(a)(i). There are known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the applicant’s history in meeting these standards at other facilities owned or operated by the applicant.

As part of this review, the department must also conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.¹⁰ 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.

¹⁰ WAC 246-310-230(5).

Inspiring Hospice Partners of Oregon dba Heart of Hospice

In response to this sub-criterion, Heart of Hospice provided the following statements. [source: Application, p28 and Attachments 9, 10, and 11]

“Heart of Hospice is in perfect standing with both Washington Law and all Federal Law. We have never had any history of any of the above. You will find attached our most recent Washington Hospice Survey conducted October 2 - October 4, 2017. This survey found that Heart of Hospice was 100% in compliance with WAC 246-335 for the category of HOSPICE. The Department survey staff found Heart of Hospice to be in compliance. See Attachment 9, 10, 11.”

Below is a summary of the attachments referenced above.

- Attachment 9 is the October 2017 survey conducted by the Washington State Department of Health.
- Attachment 10 is October 2015 survey conducted by the Oregon Health Care Authority.
- Attachment 11 is the June 2015 survey conducted by the Washington State Department of Health

Heart of Hospice provided the following information related to the background experience and qualifications of the applicant. [source: Application, p29]

“Heart of Hospice Staff are a great example of the highest quality in Hospice! Each of our team members have a lifelong passion for Hospice Care. We are simply blessed to be able to allow our STAFF to SHINE. Each and every member of our team makes a difference and understand that the entire Interdisciplinary Team is necessary to make an impact on the individuals we serve.

- *Leigh Stratton, BSN has been with our organization for over 7 years. (Clinical Director).*
- *Deb Lambo, LMHC has been with our organization for over 9 years (Social Services Director).*
- *Deb is a Geriatric Mental Health Specialist (expertise in Bereavement Care).*
- *Peggy Menasco, has been with our organization for over 7 years (Human Resource Director).*
- *Eve Moore, C.N.A. has been with our organization for over 10 years (C.N.A.).*
- *Tama Hepner, R.N. has been with our organization for over 10 years (Case Manager).*
- *Lisa Pacheco, C.N.A. has been with our organization for over 10 years (C.N.A.).*
- *Jane Mederios, has been with our organization for over 10 years (Volunteer Coordinator).*
- *Dr. Sonia Schumann, MD has been with our organization for over 10 years (Medical Director).*
- *Dr. Schumann, MD is also boarded in Hospice and Palliative Care.*
- *Steve Morris, has managed and operated hospice for over 13 years. (Owner).*

Our program is a 4 star VA partner. (4 stars' is the highest level you can achieve.)”

Public Comment

The department received the following public comment related to this sub-criterion for the Heart of Hospice application.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“As stated above, neither of the applicants are established providers in Thurston County. Thus, there is no operating history to judge applicants except for operating history in other areas. Heart of Hospice is the only applicant currently Medicare and Medicaid certified to operate hospice services

within the State of Washington. ... It is noteworthy to highlight the applicants' existing operations because it implies a level of inexperience, which amplifies some of the other concerns raised in this position paper.”

Rebuttal Comment

None

Department Evaluation

As stated in the applicant description section of this evaluation, Heart of Hospice is a dba of a larger corporation known as Inspiring Hospice Partners of Oregon, LLC, that is a Washington State corporation. The corporation is solely owned by Steve Morris. Heart of Hospice obtained an initial Washington State hospice license in 2008 and the agency began providing Medicare and Medicaid hospice services shortly thereafter. The agency has remained in continuous operation, and was purchased by Mr. Morris in late 2016

Under the previous ownership, the agency underwent five quality of care surveys.¹¹ Under current ownership, the agency was recently surveyed in August 2018. The most recent survey under the current ownership resulted in no significant non-compliance issues. [source: ILRS survey data and Department of Health Investigations and Inspections Office]

In addition to the facilities identified above, the department also reviewed the compliance history for known hospice staff, which includes the medical director, two ‘back up’ medical directors, and one registered nurse. A summary of the staff review is below.

**Table 13
Heart of Hospice Staff**

Name	Credential #	Status	Role
Donita Michelle Brownlee	60108556	Active	Registered Nurse
William Claud Hamilton	00025189	Active	Back Up Medical Director
Stephen Alfred McLennon	17484	Active	Medical Director Oregon credentialed only
Schuemann, Sonia Johanna	20946	Active	Back Up Medical Director Oregon credentialed only

As shown in the table above, known hospice staff associated with Heart of Hospice’s Thurston County project have an active credential in good standing in either Washington or Oregon State.

The department also reviewed the quality of care history for Heart of Hospice located in the state of Oregon. Centers for Medicare and Medicaid (CMS) collects data in three areas:

- Family Caregiver’s Survey Results – includes, in part, communication with the family, emotional and spiritual support for both patient and family, and training family to care for the patient.
- Patient Preferences – includes, in part, patients or caregivers asked about treatment preferences and beliefs and values at the beginning of hospice care.

¹¹ Quality of care surveys conducted in December 2007, December 2009, December 2012, March 2015, and October 2017.

- Managing Pain and Treating Symptoms – includes, in part, . patients that were checked for and received a timely and thorough pain assessment at the beginning of treatment and throughout treatment and patients that were checked for and received a timely and thorough treatment for shortness of breath at the beginning of treatment and throughout treatment.

Based on data collected by CMS between October 1, 2015 and September 30, 2017, the table below shows the scores for Heart of Hospice in Oregon.

Table 14
Heart of Hospice Oregon

Data Topic	Heart of Hospice Score	National Average
Family Caregiver’s Survey Results	87%	82%
Patient Preferences	90%	97%
Managing Pain and Treating Symptoms	92%	93%

As shown above, Heart of Hospice received scores comparable to the national average in all three areas.

Information provided by Heart of Hospice during this review demonstrates that some qualified key staff are already in place and Heart of Hospice intends to meet all credentialing requirements for its Thurston County hospice services.

Based on the above information, the department concludes that Heart of Hospice demonstrated reasonable assurance that its Hood River Oregon hospice agency would continue to operate in compliance with state and federal requirements. If a new agency is established in Thurston County, Heart of Hospice provided documentation that it would also be operated in compliance with state and federal requirements. **This sub criterion is met.**

Envision Hospice of Washington, LLC

Under this sub-criterion, Envision responded “No” to the following questions in the application:

- Have any of the applicants been adjudged insolvent or bankrupt in any state or federal court?
- Have any of the applicants been involved in a court proceeding to make judgment of insolvency or bankruptcy with respect to the applicant?

Envision Hospice provided the following information related to the background experience and qualifications of the applicant. [source: Application, pp39-40]

“The members of Envision Hospice of Washington, LLC also operate home health and hospice agencies elsewhere as Envision Home Health & Hospice, LLC, as shown at Appendix B. As a group of health care professionals, these members are trained in and have practiced in a variety of health care disciplines as shown in the response to Question 12 above. The clinical training and professional experience of these members provides a core set of values that acknowledges the need for patient-centered care. It also reflects the hands-on background of these members and their ability to grasp the vulnerability of each patient when a caregiver comes into the intimacy of the patient's home environment.

- *In June 2015, Envision Home Health of Washington LLC received Medicare certification for its new home health agency in King County. The diverse and energetic staff recruited by*

Envision to operate this agency has grown it rapidly; it is already on track to provide 14,000 visits in 2017.

- *Envision Home Health of Washington, LLC is a "licensed only" provider of home health services in Pierce County. The CON application by Envision Home Health of Washington LLC to expand its King County home health agency to also serve Pierce County is under formal review by the Department of Health. A decision regarding this application is expected in January 2018 while this hospice application in the public comment phase.*

With the same members as Envision Home Health and Hospice in Utah and Envision Home Health of Washington, Envision Hospice of Washington, LLC possesses the clinical and management knowledge to successfully establish a hospice in Thurston County. Its current leadership will develop a local Thurston County team responsible for supporting implementation of the new hospice in accordance with rules and law for the establishment and operations of hospices in Washington.

Public Comment

The department received the following public comment related to this sub-criterion for the Envision application.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“As stated above, neither of the applicants are established providers in Thurston County. Thus, there is no operating history to judge applicants except for operating history in other areas. Heart of Hospice is the only applicant currently Medicare and Medicaid certified to operate hospice services within the State of Washington....Envision's Utah hospice agency is only Medicare certified, but its home health agency in King County is Medicare and Medicaid certified. It is noteworthy to highlight the applicants' existing operations because it implies a level of inexperience, which amplifies some of the other concerns raised in this position paper.”

Rebuttal Comment

Envision Hospice [source: April 19, 2018, rebuttal comment]

“Envision responds that it has over a decade of hospice experience with the same ownership and executive leadership and that all of its agencies have been start-ups. Envision believes that new ideas, best practices, and fresh approaches can improve services in a community. It has been thirty years since a new hospice was established in Thurston County.

Since its 2015 start-up in King County, Envision Home Health has grown more rapidly than any other home health agency in the county while achieving the region's highest Home Health Compare ranking in “timely response” to referrals. It has illustrated that a fresh approach and a collaborative attitude toward existing providers can result in strong agency performance.”

Department Evaluation

As stated in the applicant description section of this evaluation, Envision Home Health of Washington, LLC is one of three privately owned corporations that have the same or overlapping membership. Of the three, only two – Envision Home Health of Washington and Envision Hospice of Washington are active with the Washington State Secretary of State office. The following eight members have ownership of both Washington corporations.

Name	Name
Rhett Anderson	Chad Fullmer, PT
Greg Atwood, RN	Darin McSpadden, OT
Wyatt Cloward, OT	Sherie Stewart, MSW
Jason Crump, PT	Derek White, PT

Of the eight members with ownership of Envision Home Health of Washington, only Chad Fullmer holds a Washington State healthcare license.

Envision Home Health of Washington, LLC is the Washington State home health agency. The agency obtained an initial Washington State home health license on December 17, 2014 and obtained Medicare and Medicaid home health licensure on December 23, 2015. On December 29, 2017, Envision Home Health of Washington was issued CN #1626 approving the expansion of Medicare and Medicaid home health services into Pierce County. As of the writing of this evaluation, the CN has been executed by Envision Home Health of Washington.

Envision Home Health of Washington, LLC has been surveyed three times for Washington State.¹² All surveys resulted in no significant non-compliance issues. [source: ILRS survey data and Department of Health Investigations and Inspections Office]

In addition to the facilities identified above, the department also reviewed the compliance history for known hospice staff, which is the medical director and one of the owners, Chad Fullmer. A summary of the staff review is in Table 14.

**Table 15
Envision Hospice Staff**

Name	Credential #	Status	Role
Chad B. Fullmer	PT00010369	Active	Physical Therapist
Susan J. Pearson	OP60698789	Active	Medical Director

As shown in the table above, all known hospice staff associated with Envision Hospice’s Thurston County project have an active credential in good standing.

Information provided by Envision Hospice during this review demonstrates that few of the key staff are in place, however Envision Hospice intends to meet all credentialing requirements for its Thurston County hospice services.

Providence Sound HomeCare and Hospice provided comments related to Envision Hospice and the establishment of a new agency in Thurston County. The comments do not appear to imply that the applicant would not or could not meet the state and federal requirements. Rather, the comments seem to be a reminder for the department to review all quality of care history for the applicant, including any out of state agencies.

The department also reviewed the quality of care history for Envision Hospice located in the state of Utah. Centers for Medicare and Medicaid (CMS) collects data in three areas:

¹² Initial quality of care survey conducted in December 2014; renewal surveys conducted in October 2015 and June 2018.

- Family Caregiver’s Survey Results – includes, in part, communication with the family, emotional and spiritual support for both patient and family, and training family to care for the patient.
- Patient Preferences – includes, in part, patients or caregivers asked about treatment preferences and beliefs and values at the beginning of hospice care.
- Managing Pain and Treating Symptoms – includes, in part, patients that were checked for and received a timely and thorough pain assessment at the beginning of treatment and throughout treatment and patients that were checked for and received a timely and thorough treatment for shortness of breath at the beginning of treatment and throughout treatment.

Based on data collected by CMS between October 1, 2015 and September 30, 2017, the table below shows the scores for Envision Hospice in Oregon.

Table 16
Envision Hospice Utah

Data Topic	Envision Hospice Score	National Average
Family Caregiver’s Survey Results	77%	82%
Patient Preferences	97%	97%
Managing Pain and Treating Symptoms	98%	93%

As shown above, Envision Hospice received scores comparable to the national average in all three areas.

Based on the above information, the department concludes that Envision Hospice demonstrated reasonable assurance that King County home health would continue to operate in compliance with state and federal requirements. Since many of the key staff have not yet been hired for the agency, if this project is approved, the department would require Envision Hospice to provide a listing of key staff for the Thurston County hospice agency prior to providing Medicare and Medicaid certified hospice services. The condition is stated below.

Prior to providing Medicare and Medicaid certified hospice services in Thurston County, Envision Hospice of Washington, LLC will provide a listing of key staff to the Certificate of Need Program. The listing of key staff shall include the name and professional license number.

Based on the information above and Envision Hospice’s agreement to the staffing condition, Envision Hospice provided reasonable assurance that the new hospice agency would also be operated in compliance with state and federal requirements if this project is approved. **This sub criterion is met.**

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

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

Inspiring Hospice Partners of Oregon dba Heart of Hospice

Heart of Hospice provided the following statements related to this sub criterion. [source: Application, p28]

“This project greatly improves continuity and avoids fragmentation. Thurston County residents currently do not have access 100% to a Medicare and Medicaid hospice program. The approval of this project will allow for us to serve the residents of Thurston throughout the entire county. WE are seeking approval in order to serve the entire county not only the high-density patient populations. Our history has proven that we are able to meet patients and family's needs regardless of the geographic location. We currently serve patients in remote areas (off the grid) and also in the city. Our ethics prove that regardless of individuals social economic or geographic location our team is 100% dedicated to their quality of care. Patients and families who are terminal ill should have options and access to Quality Hospice Care. Most of the individuals who are being faced with end of life need immediate access to Hospice. Frequently, we have found that individuals who do not have choice or access and die without hospice could have died with comfort knowing that Hospice was by their side. This approval will allow the individuals throughout Thurston County to know that Heart of Hospice is available to them when they are ready and they are able to start receiving hospice the moment they contact our office.”

Public Comment

The department received the following public comment related to this sub-criterion for the Heart of Hospice application.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“As stated above, neither of the applicants are established providers in Thurston County. Thus, there is no operating history to judge the applicants.”

Rebuttal Comment

None

Department Evaluation

Information provided in the Heart of Hospice application demonstrates that it currently has the basic infrastructure in place to establish a Medicare and Medicaid certified hospice agency in Thurston County. Further, in the need section of this evaluation, the department concluded that need for at one hospice agency in Thurston County had been demonstrated.

For this sub-criterion, the department must also consider the outcome of the financial feasibility section of this review. If a project is denied under WAC 246-310-220(1), (2), or (3), then the project must also be denied under this sub-criterion. This result is based on the department’s reasoning that if a project is not deemed financially feasible, the project has the potential to cause unwarranted fragmentation of services in the planning area if approved.

Since the Heart of Hospice project failed to meet WAC 246-310-220(1), (2), and (3), it cannot meet this sub-criterion. Based on the information provided in the Heart of Hospice application, the department concludes this **sub-criterion is not met.**

Envision Hospice of Washington, LLC

Envision Hospice provided the following statements related to this sub criterion. [source: Application, p38]

“It is in the very nature of the Medicare-certified hospice benefit to assure continuity and to avoid unwarranted fragmentation. The core purpose of the inter disciplinary hospice team is to develop the patient's plan of care and to manage the care on a daily basis to support the individual patient's needs. In particular, the per diem payment to the hospice for all services puts the control of the full range of care in the hands of that core team.

One key to effective continuity is to admit patients to hospice as early as appropriate during the course of illness. Waiting until the last week or two of life substantially reduces the ability of the team to plan ahead, to address bereavement issues early, to manage pain effectively, etc. Envision Hospice is committed to community education in support of earlier admission to hospice when needed. Its relationship to Envision Physician Services who will provided regular medical care to residents of assisted living facilities and adult family homes will increase the potential of earlier identification of persons eligible for hospice.

As part of its Latino outreach program, Envision plans to develop working relationship with organizations such as Molina, Valley View and others that frequently address the needs of minority communities.

Envision Hospice of Washington, LLC is committed to Thurston County residents' having desired control over their own health care choices. The majority vote by Washington residents for the "death with dignity" statewide ballot measure indicates this is an important value to the community. Envision Hospice of Washington, LLC intends to include in its network providers who will actively support patients pursuing their "death with dignity" options as available under Washington law. As part of this effort, Envision Hospice will reach out to End of Life for their advice and support in locating needed resources.”

Public Comment

The department received the following public comment related to this sub-criterion for the Envision application.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“As stated above, neither of the applicants are established providers in Thurston County. Thus, there is no operating history to judge the applicants.”

Rebuttal Comment

None

Department Evaluation

Envision received six letters of support for its project. All letters expressed the importance of hospice services within a community. Two of the letters of support were provided by Osborn Cancer Center located in Chehalis in Lewis County and Olympia in Thurston County. The letters expressed the importance of an agency making contact with a patient within hours of the hospice referral. One letter submitted by the Adult Family Home Council of Washington State also expressed the importance of hospice availability in a timely manner. All three of these letters of support assert that there is need for an additional hospice provider in Thurston County.

The public comment submitted by Providence Sound HomeCare and Hospice seems to state that the applicant does currently provide hospice services in Washington State. This statement is undisputed, however the department can, and did, rely on Envision Hospice's current practices in Washington State as a home health provider. Information provided in the Envision Hospice application demonstrates that it currently has the basic infrastructure in place to establish a Medicare and Medicaid certified hospice agency in Thurston County. Further, in the need section of this evaluation, the department concluded that need for one hospice agency in Thurston County had been demonstrated.

For this sub-criterion, the department must also consider the outcome of the financial feasibility section of this review. If a project is denied under WAC 246-310-220(1), (2), or (3), then the project must also be denied under this sub-criterion. This result is based on the department's reasoning that if a project is not deemed financially feasible, the project has the potential to cause unwarranted fragmentation of services in the planning area if approved.

Since the Envision Hospice project met the previous sub-criterion under WAC 246-310-220(1), (2), and (3), it can also meet this sub-criterion. Based on the information provided in the Envision Hospice application, the department concludes 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.*

Heart of Hospice

For this sub-criterion, Heart of Hospice provided the same information as provided under WAC 246-310-230(3) above. Heart of Hospice stated it has no criminal history and its application ensures it will provide hospice services consistent with state and federal requirements.

Public Comment

The department received the following public comment related to this sub-criterion for the Heart of Hospice application.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“Similar to the cross-comparison of financial statistics between the two applicants' and Providence's existing agency in the Thurston County Planning Area, PSHCH, a comparison of quality performance was conducted.

The source information for the quality comparison comes from CMS' Hospice Compare website, where 2017 quality measures are provided. CMS' Hospice Compare displays seven measures related to 'Quality of patient care' which were used in our analysis. Because none of the proposed projects are operational, quality scores were compiled from the applicant's existing agencies. For specific side-by-side comparison between the two applicants, PSHCH, and the national average on each of the seven quality measures, please see Exhibit 1.

Overall, there are important quality differences between the two applicants based on their performance gauged from the Hospice Compare quality metrics. Again, there were seven (7) quality measures compiled in total.

- *Heart of Hospice had the lowest performance with only two of seven measures above the national average. Overall, Heart of Hospice's average score [out of a total of one hundred] among the seven measures was 89.8, much less than the national average of 93.0.*
- *Envision ranked higher with five of seven measures above the national average and an average score across the seven-metrics calculated at 93.5.*
- *In comparison, Providence's existing hospice agency in Thurston County, Providence Sound Home Care and Hospice, is above the national average in all seven quality measures and has an average score of 99.7.*

Among the two competing applications, Envision has demonstrated the highest quality performance as reported under CMS' Hospice Compare. We encourage the Department to look for other sources concerning quality of care as well in its final evaluation.”

Rebuttal Comment

None

Department Evaluation

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

Envision Hospice of Washington, LLC

For this sub-criterion, Envision provided the same information as provided under WAC 246-310-230(3) above. Envision stated it has no criminal history and its application ensures it will provide hospice services consistent with state and federal requirements.

Public Comment

The department received the following public comment related to this sub-criterion for the Envision Hospice application.

Providence Sound HomeCare and Hospice [source: March 19, 2018, public comment]

“Similar to the cross-comparison of financial statistics between the two applicants' and Providence's existing agency in the Thurston County Planning Area, PSHCH, a comparison of quality performance was conducted.

The source information for the quality comparison comes from CMS' Hospice Compare website, where 2017 quality measures are provided. CMS' Hospice Compare displays seven measures related to 'Quality of patient care' which were used in our analysis. Because none of the proposed projects are operational, quality scores were compiled from the applicant's existing agencies. For specific side-by-side comparison between the two applicants, PSHCH, and the national average on each of the seven quality measures, please see Exhibit 1.

Overall, there are important quality differences between the two applicants based on their performance gauged from the Hospice Compare quality metrics. Again, there were seven (7) quality measures compiled in total.

- *Heart of Hospice had the lowest performance with only two of seven measures above the national average. Overall, Heart of Hospice's average score [out of a total of one hundred] among the seven measures was 89.8, much less than the national average of 93.0.*

- *Envision ranked higher with five of seven measures above the national average and an average score across the seven-metrics calculated at 93.5.*
- *In comparison, Providence's existing hospice agency in Thurston County, Providence Sound Home Care and Hospice, is above the national average in all seven quality measures and has an average score of 99.7.*

Among the two competing applications, Envision has demonstrated the highest quality performance as reported under CMS' Hospice Compare. We encourage the Department to look for other sources concerning quality of care as well in its final evaluation.”

Rebuttal Comment

None

Department Evaluation

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

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

Based on the source information reviewed, the department determines that the Inspiring Hospice Partners of Oregon dba Heart of Hospice project **does not meet** the applicable cost containment criteria in WAC 246-310-240.

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that the Envision Hospice of Washington, LLC project **met** the applicable cost containment criteria in WAC 246-310-240.

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

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

If there are multiple applications, the department’s assessment is to apply any service or facility superiority criteria contained throughout WAC 246-310 related to the specific project type. The adopted superiority criteria are objective measures used to compare competing projects and make the determination between two or more approvable projects which is the best alternative. For hospice agency applications, the superiority criteria is identified in WAC 246-310-290(9), restated below.

WAC 246-310-290(9)

“If two or more hospice agencies are competing to meet the same forecasted net need, the department shall consider at least the following factors when determining which proposal best meets forecasted need:

- (a) *Improved service in geographic areas and to special populations;*
- (b) *Most cost efficient and financially feasible service;*
- (c) *Minimum impact on existing programs;*
- (d) *Greatest breadth and depth of hospice services;*
- (e) *Historical provision of services; and*
- (f) *Plans to employ an experienced and credentialed clinical staff with expertise in pain and symptom management.”*

Inspiring Hospice Partners of Oregon dba Heart of Hospice

For this project, Heart of Hospice did not meet the applicable review criteria under WAC 246-310-220 and 230. Therefore, the department does not evaluate the project under steps one and two.

Envision Hospice of Washington, LLC

Step One

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

Step Two

Before submitting this application, Envision considered the following three options. The options and Envision Hospice’s rationale for rejecting them is below. [source: Application, pp41-42]

- Postponing Action or Do Nothing
“Due to the size of the underserved population in Thurston County, along with the Envision Hospice of Washington, LLC members' extensive experience in hospice development and operation, the new hospice can confidently project steady growth and positive financial results.”
- Purchase an Existing Pierce County Agency
“No existing hospices were found available for acquisition at this time. It is unlikely one will be available in the near future but it was determined that area residents should not have to wait to have additional and needed access to hospice care.”

Step Three

This step is applicable only when there are two or more approvable projects. Of the two hospice applications reviewed for Thurston County, only Envision Hospice’s application met all of the previous review criteria. As a result, this step does not apply to this review.

Public Comment

None

Rebuttal Comment

None

Department Evaluation

The methodology demonstrated a numeric need for an additional agency in Thurston County. Envision Hospice provided information in the application to demonstrate its project would meet all review criterion to expand Medicare and Medicaid hospice services in Thurston County. As a result, Envision Hospice’s rejection of the “do nothing” option was appropriate. The department did not

identify any alternative that was a superior alternative in terms of cost, efficiency, or effectiveness that is available or practicable.

Since there are no construction costs necessary to establish a hospice agency in Thurston County, the services can be provided with very little financial impact to the applicant or the community.

Taking into account the public comments related to need for additional Medicare and Medicaid hospice service in Thurston County, the department concurs that Envision Hospice’s project is reasonable and the best available option for the planning area and surrounding communities. **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.

Inspiring Hospice Partners of Oregon dba Heart of Hospice

This application does not involve construction. This sub-criterion does not apply to the Heart of Hospice application.

Envision Hospice of Washington, LLC

This application does not involve construction. This sub-criterion does not apply to the Envision application.

- (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.

Inspiring Hospice Partners of Oregon dba Heart of Hospice

In response to this sub-criterion, Heart of Hospice stated, “*This is not applicable to us.*” [source: Application, p30]

Public Comment

None

Rebuttal Comment

None

Department Evaluation

This sub-criterion is applicable to all applicants that propose to establish a new healthcare agency or expand a healthcare service in Washington State. It is unclear why Heart of Hospice did not consider the sub-criterion applicable to its project. Further, given that Heart of Hospice’s application did not meet the applicable review criteria under WAC 246-310-220 and 230, this sub-criterion is **not met**.

Envision Hospice of Washington, LLC

Envision provided the following statements related to this sub criterion. [source: Application, p42]
“*System Impacts: Health care system efficiency is embedded in the hospice concept. Patients who no longer wish to undergo curative treatment have the opportunity to substitute palliative and comfort care for the remaining course of their illnesses. This means the resources expended are more appropriate to the patient and family's goals.*”

The avoidance of ICU admissions of terminally ill patients who do not wish to die in a hospital is an example of the cost efficiency of this approach.

Comprehensive hospice care is covered by a per diem payment across care settings. Coordination of the multi-disciplinary care by the hospice team also fosters system efficiency by providing the right care at the right time. This reduces expensive duplication and unnecessary re-work typical of other parts of the health care system.

Hospice fosters staff efficiency in the health care system by allocating scarce RN resources to those who need that level of care. Instead of a patient's requiring 1:1 or 1:2 RN staffing for 3 shifts a day in a hospital ICU, the patient is at home with sufficient personal care and nursing resources to provide necessary palliative and comfort care.”

Public Comment

None

Rebuttal Comment

None

Department Evaluation

Envision Hospice provided sound and reasonable rationale for adding Medicare and Medicaid certified hospice services in Thurston County. If approved, Envision Hospice has the potential to improve delivery of necessary in home services to Thurston County. **This sub-criterion is met.**

APPENDIX A



**Department of Health
2017-2018 Hospice Numeric Need Methodology
Released September 2017**

WAC 246-310-290(7)(a): Step 1. Calculate the following four statewide predicted hospice use rates using CMS and department of health data or other available data sources.

- (i) The predicted percentage of cancer patients sixty-five and over who will use hospice services. This percentage is calculated by dividing the average number of hospice admissions over the last three years for patients the age of sixty-five and over with cancer by the average number of past three years statewide total deaths sixty-five and over from cancer.
- (ii) The predicted percentage of cancer patients under sixty-five who will use hospice services. This percentage is calculated by dividing the average number of hospice admissions over the last three years for patients under the age of sixty-five with cancer by the current statewide total of deaths under sixty-five with cancer.
- (iii) The predicted percentage of noncancer patients sixty-five and over who will use hospice services. This percentage is calculated by dividing the average number of hospice admissions over the last three years for patients age sixty-five and over with diagnoses other than cancer by the current statewide total of deaths over sixty-five with diagnoses other than cancer.
- (iv) The predicted percentage of noncancer patients under sixty-five who will use hospice services. This percentage is calculated by dividing the average number of hospice admissions over the last three years for patients under the age of sixty-five with diagnoses other than cancer by the current statewide total of deaths under sixty-five with diagnoses other than cancer.

i. Hospice admissions ages 65+ w/cancer	
2014	7,420
2015	7,485
2016	8,164
average	7,689.67

Deaths ages 65+ w/cancer	
2014	8,558
2015	9,035
2016	9,030
average	8,874.33

Hospice use rates by age and diagnosis	
65+ w/cancer	86.65%
0-64 w/cancer	71.16%
65+ w/o cancer	53.59%
0-64 w/o cancer	13.97%

Rates of cancer as cause of death	
65+	22.33%
0-64	25.49%

Hospice use rate by age	
65+	60.97%
0-64	28.55%

ii. Hospice admissions age 0-64 w/cancer	
2014	2,450
2015	2,864
2016	2,285
average	2,533.00

Deaths ages 0-64 w/cancer	
2014	3,632
2015	3,623
2016	3,424
average	3,559.67

Total Deaths			
Year	Ages 0-64	Ages 65+	All
2014	14,021	38,014	52,035
2015	14,365	40,149	54,514
2016	13,517	41,071	54,588
average	13,968	39,745	53,712

iii. Hospice admissions ages 65+ w/o cancer	
2014	16,017
2015	17,042
2016	16,572
average	16,543.50

Deaths ages 65+ w/o cancer	
2014	29,456
2015	31,114
2016	32,041
average	30,870.33

iv. Hospice admissions ages 0-64 w/o cancer	
2014	1,291
2015	1,591
2016	1,481
average	1,454.33

Deaths ages 0-64 w/o cancer	
2014	10,389
2015	10,742
2016	10,093
average	10,408.00

Sources:
Vital Statistics Q1-Q4 Raw Death Data 2014-2016
2017-2018 CON Survey for 2016 Hospice Admission Data



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WAC 246-310-290(7)(b) Step 2. Calculate the average number of total resident deaths over the last three years for each planning area.

County	Ages 0-64			Average
	2014	2015	2016	
Adams	37	35	34	35.33
Asotin	47	62	50	53.00
Benton	327	372	352	350.33
Chelan	161	152	123	145.33
Cllallam	189	203	172	188.00
Clark	904	881	777	854.00
Columbia	8	14	12	11.33
Cowlitz	287	280	288	285.00
Douglas	71	82	56	69.67
Ferry	28	23	20	23.67
Franklin	112	111	115	112.67
Garfield	0	4	4	2.67
Grant	189	197	190	192.00
Grays Harbor	239	238	233	236.67
Island	166	165	134	155.00
Jefferson	66	67	68	67.00
King	3,426	3,397	3,193	3,338.67
Kitsap	571	537	518	542.00
Kittitas	63	82	59	68.00
Klickitat	56	33	50	46.33
Lewis	195	236	193	208.00
Lincoln	23	20	26	23.00
Mason	155	184	163	167.33
Okanogan	122	128	110	120.00
Pacific	69	71	58	66.00
Pend Oreille	48	41	35	41.33
Pierce	1,819	1,892	1,879	1,863.33
San Juan	38	32	36	35.33
Skagit	272	279	247	266.00
Skamania	20	34	38	30.67
Snohomish	1,411	1,478	1,432	1,440.33
Spokane	1,140	1,230	1,168	1,179.33
Stevens	116	127	102	115.00
Thurston	515	581	484	526.67
Wahkiakum	12	5	9	8.67
Walla Walla	139	122	122	127.67
Whatcom	352	371	365	362.67
Whitman	60	74	42	58.67
Yakima	568	525	560	551.00

County	Ages 65+			Average
	2014	2015	2016	
Adams	96	102	92	96.67
Asotin	187	212	192	197.00
Benton	982	1,103	1,075	1,053.33
Chelan	564	543	535	547.33
Cllallam	762	754	760	758.67
Clark	2,373	2,553	2,579	2,501.67
Columbia	45	48	48	47.00
Cowlitz	825	864	863	850.67
Douglas	242	230	227	233.00
Ferry	52	54	63	56.33
Franklin	249	257	242	249.33
Garfield	12	28	20	20.00
Grant	452	488	479	473.00
Grays Harbor	580	555	606	580.33
Island	509	597	565	557.00
Jefferson	273	313	292	292.67
King	9,215	9,308	9,762	9,428.33
Kitsap	1,573	1,610	1,704	1,629.00
Kittitas	199	223	243	221.67
Klickitat	128	119	144	130.33
Lewis	606	667	674	649.00
Lincoln	81	78	102	87.00
Mason	470	499	494	487.67
Okanogan	301	340	303	314.67
Pacific	246	258	221	241.67
Pend Oreille	92	101	120	104.33
Pierce	4,323	4,550	4,749	4,540.67
San Juan	109	118	125	117.33
Skagit	858	909	979	915.33
Skamania	58	53	64	58.33
Snohomish	3,546	3,833	3,854	3,744.33
Spokane	3,013	3,361	3,352	3,242.00
Stevens	343	359	337	346.33
Thurston	1,529	1,651	1,661	1,613.67
Wahkiakum	34	39	38	37.00
Walla Walla	441	468	485	464.67
Whatcom	1,139	1,262	1,353	1,251.33
Whitman	209	223	212	214.67
Yakima	1,298	1,419	1,457	1,391.33



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WAC 246-310-290(7)(c) Step 3. Multiply each hospice use rate determined in Step 1 by the planning areas average total resident deaths determined in Step 2.

County	Ages 0-64		
	2014-2016 Average Deaths	Cancer Projected	No Cancer Projected
Adams	35.33	6	4
Asotin	53.00	10	6
Benton	350.33	64	36
Chelan	145.33	26	15
Clallam	188.00	34	20
Clark	854.00	155	89
Columbia	11.33	2	1
Cowlitz	285.00	52	30
Douglas	69.67	13	7
Ferry	23.67	4	2
Franklin	112.67	20	12
Garfield	2.67	0	0
Grant	192.00	35	20
Grays Harbor	236.67	43	25
Island	155.00	28	16
Jefferson	67.00	12	7
King	3,338.67	605	348
Kitsap	542.00	98	56
Kittitas	68.00	12	7
Klickitat	46.33	8	5
Lewis	208.00	38	22
Lincoln	23.00	4	2
Mason	167.33	30	17
Okanogan	120.00	22	12
Pacific	66.00	12	7
Pend Oreille	41.33	7	4
Pierce	1,863.33	338	194
San Juan	35.33	6	4
Skagit	266.00	48	28
Skamania	30.67	6	3
Snohomish	1,440.33	261	150
Spokane	1,179.33	214	123
Stevens	115.00	21	12
Thurston	526.67	96	55
Wahkiakum	8.67	2	1
Walla Walla	127.67	23	13
Whatcom	362.67	66	38
Whitman	58.67	11	6
Yakima	551.00	100	57

County	Ages 65+		
	2014-2016 Average Deaths	Cancer Projected	No Cancer Projected
Adams	96.67	19	40
Asotin	197.00	38	82
Benton	1,053.33	204	438
Chelan	547.33	106	228
Clallam	758.67	147	316
Clark	2,501.67	484	1,041
Columbia	47.00	9	20
Cowlitz	850.67	165	354
Douglas	233.00	45	97
Ferry	56.33	11	23
Franklin	249.33	48	104
Garfield	20.00	4	8
Grant	473.00	92	197
Grays Harbor	580.33	112	242
Island	557.00	108	232
Jefferson	292.67	57	122
King	9,428.33	1,824	3,924
Kitsap	1,629.00	315	678
Kittitas	221.67	43	92
Klickitat	130.33	25	54
Lewis	649.00	126	270
Lincoln	87.00	17	36
Mason	487.67	94	203
Okanogan	314.67	61	131
Pacific	241.67	47	101
Pend Oreille	104.33	20	43
Pierce	4,540.67	879	1,890
San Juan	117.33	23	49
Skagit	915.33	177	381
Skamania	58.33	11	24
Snohomish	3,744.33	724	1,559
Spokane	3,242.00	627	1,349
Stevens	346.33	67	144
Thurston	1,613.67	312	672
Wahkiakum	37.00	7	15
Walla Walla	464.67	90	193
Whatcom	1,251.33	242	521
Whitman	214.67	42	89
Yakima	1,391.33	269	579



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WAC 246-310-290(7)(d) Step 4. Add the four subtotals derived in Step 3 to project the potential volume of hospice services in each planning area.

County	Average Deaths	Ages 0-64 w/Cancer		Ages 0-64 w/o Cancer		Ages 65+ w/Cancer		Ages 65+ w/o Cancer		Total Projected Patients
		Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	
Adams	132.00	6	4	19	40	69				
Asotin	250.00	10	6	38	82	135				
Benton	1,403.67	64	36	204	438	742				
Chelan	692.67	26	15	106	228	375				
Ciallam	946.67	34	20	147	316	516				
Clark	3,355.67	155	89	484	1,041	1,769				
Columbia	58.33	2	1	9	20	32				
Cowlitz	1,135.67	52	30	165	354	600				
Douglas	302.67	13	7	45	97	162				
Ferry	80.00	4	2	11	23	41				
Franklin	362.00	20	12	48	104	184				
Garfield	22.67	0	0	4	8	13				
Grant	665.00	35	20	92	197	343				
Grays Harbor	817.00	43	25	112	242	421				
Island	712.00	28	16	108	232	384				
Jefferson	359.67	12	7	57	122	198				
King	12,767.00	605	348	1,824	3,924	6,702				
Kitsap	2,171.00	98	56	315	678	1,148				
Kittitas	289.67	12	7	43	92	155				
Klickitat	176.67	8	5	25	54	93				
Lewis	857.00	38	22	126	270	455				
Lincoln	110.00	4	2	17	36	60				
Mason	655.00	30	17	94	203	345				
Okanogan	434.67	22	12	61	131	226				
Pacific	307.67	12	7	47	101	166				
Pend Oreille	145.67	7	4	20	43	75				
Pierce	6,404.00	338	194	879	1,890	3,300				
San Juan	152.67	6	4	23	49	82				
Skagit	1,181.33	48	28	177	381	634				
Skamania	89.00	6	3	11	24	44				
Snohomish	5,184.67	261	150	724	1,559	2,694				
Spokane	4,421.33	214	123	627	1,349	2,313				
Stevens	461.33	21	12	67	144	244				
Thurston	2,140.33	96	55	312	672	1,134				
Wahkiakum	45.67	2	1	7	15	25				
Walla Walla	592.33	23	13	90	193	320				
Whatcom	1,614.00	66	38	242	521	866				
Whitman	273.33	11	6	42	89	148				
Yakima	1,942.33	100	57	269	579	1,006				



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WAC 246-310-290(7)(e) Step 5. Inflate the potential volume of hospice service by the one-year estimated population growth (using OFM data).

County	Projected Patients	2014-2016 Average Population	2017		2018		2019		2020		2021		2017 Potential volume		2018 Potential volume		2019 Potential volume		2020 Potential volume		2021 Potential volume	
			2017	2018	2019	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Adams	69	20,247	20,810	21,087	21,363	21,640	21,905	71	72	73	74	75	71	72	73	74	75					
Asotin	135	21,819	21,904	21,947	21,990	22,033	22,066	136	136	136	137	137	136	136	136	137	137					
Benton	742	185,097	190,052	192,636	195,221	197,806	200,405	762	772	783	793	804	762	772	783	793	804					
Chelan	375	75,225	76,542	77,224	77,905	78,586	79,246	382	385	389	392	395	382	385	389	392	395					
Ciallam	516	71,954	72,567	72,917	73,266	73,616	73,897	521	523	526	528	530	521	523	526	528	530					
Clark	1,769	447,791	459,474	465,611	471,747	477,884	483,932	1,815	1,840	1,864	1,888	1,912	1,815	1,840	1,864	1,888	1,912					
Columbia	32	4,047	4,033	4,027	4,020	4,013	4,004	32	32	32	32	32	32	32	32	32	32					
Cowlitz	600	105,179	106,513	107,205	107,896	108,588	109,212	608	612	616	619	623	608	612	616	619	623					
Douglas	162	40,659	41,809	42,413	43,016	43,619	44,228	167	169	171	174	176	167	169	171	174	176					
Ferry	41	7,620	7,654	7,671	7,689	7,706	7,715	41	41	41	42	42	41	41	41	42	42					
Franklin	184	87,994	93,023	95,658	98,292	100,926	103,769	195	200	206	211	217	195	200	206	211	217					
Garfield	13	2,239	2,231	2,227	2,224	2,220	2,218	13	13	13	13	13	13	13	13	13	13					
Grant	343	95,926	99,124	100,776	102,427	104,078	105,767	355	361	366	372	378	355	361	366	372	378					
Grays Harbor	421	73,579	73,908	74,075	74,241	74,408	74,632	423	424	425	426	427	423	424	425	426	427					
Island	384	80,375	81,296	81,776	82,255	82,735	83,203	388	391	393	395	397	388	391	393	395	397					
Jefferson	198	30,532	31,088	31,398	31,707	32,017	32,349	201	203	205	207	209	201	203	205	207	209					
King	6,702	2,013,749	2,051,195	2,070,401	2,089,608	2,108,814	2,126,292	6,826	6,890	6,954	7,018	7,076	6,826	6,890	6,954	7,018	7,076					
Kitsap	1,148	262,206	267,438	270,140	272,843	275,546	278,290	1,171	1,183	1,195	1,206	1,218	1,171	1,183	1,195	1,206	1,218					
Kittitas	155	42,658	43,657	44,190	44,722	45,255	45,794	158	160	162	164	166	158	160	162	164	166					
Klickitat	93	20,609	20,741	20,808	20,876	20,943	20,999	93	94	94	94	94	93	94	94	94	94					
Lewis	455	77,661	78,727	79,279	79,832	80,385	80,993	461	465	468	471	474	461	465	468	471	474					
Lincoln	60	10,619	10,652	10,671	10,689	10,707	10,726	60	60	60	60	60	60	60	60	60	60					
Mason	345	63,326	64,940	65,808	66,677	67,545	68,422	354	359	363	368	373	354	359	363	368	373					
Okanogan	226	42,218	42,603	42,790	42,976	43,163	43,326	228	229	230	231	232	228	229	230	231	232					
Pacific	166	20,873	20,912	20,938	20,964	20,990	21,044	167	167	167	167	168	167	167	167	167	168					
Pend Oreille	75	13,297	13,450	13,531	13,611	13,692	13,749	76	77	77	78	78	76	77	77	78	78					
Pierce	3,300	832,471	849,792	858,717	867,641	876,565	886,034	3,369	3,405	3,440	3,475	3,513	3,369	3,405	3,440	3,475	3,513					
San Juan	82	15,921	16,047	16,116	16,186	16,256	16,326	82	83	83	83	84	82	83	83	83	84					
Skagit	634	121,751	124,274	125,599	126,924	128,249	129,881	647	654	661	668	676	647	654	661	668	676					
Skamania	44	11,285	11,388	11,442	11,495	11,548	11,641	45	45	45	45	46	45	45	45	45	46					
Snohomish	2,694	751,534	772,221	783,152	794,084	805,015	815,600	2,768	2,808	2,847	2,886	2,924	2,768	2,808	2,847	2,886	2,924					
Spokane	2,313	489,901	499,259	504,142	509,026	513,910	518,614	2,358	2,381	2,404	2,427	2,449	2,358	2,381	2,404	2,427	2,449					
Stevens	244	44,277	44,642	44,832	45,022	45,212	45,459	246	247	248	249	251	246	247	248	249	251					
Thurston	1,134	266,763	275,040	279,449	283,857	288,265	292,198	1,169	1,188	1,207	1,226	1,242	1,169	1,188	1,207	1,226	1,242					
Wahkiakum	25	3,931	3,909	3,899	3,888	3,877	3,868	25	25	25	25	25	25	25	25	25	25					
Walla Walla	320	60,044	60,683	61,017	61,351	61,685	62,022	323	325	327	329	330	323	325	327	329	330					
Whatcom	866	210,473	216,153	219,204	222,256	225,307	228,473	890	902	915	928	941	890	902	915	928	941					
Whitman	148	46,161	46,814	47,151	47,489	47,826	48,130	150	151	152	153	154	150	151	152	153	154					
Yakima	1,006	256,334	261,543	264,145	266,746	269,347	271,889	1,026	1,036	1,046	1,057	1,067	1,026	1,036	1,046	1,057	1,067					

Sources:
OFM Medium Series Projections - 5-year
Converted to 1-year for CON Hospice Projections

