

EVALUATION OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY MEMORIAL HOME CARE SERVICES PROPOSING TO ESTABLISH A 20-BED HOSPICE CARE CENTER TO SERVE THE RESIDENTS OF YAKIMA COUNTY

PROJECT DESCRIPTION

Yakima Valley Memorial Hospital Association (YVMHA) dba Memorial Home Care Services is a non-profit licensed hospice entity that has been providing hospice services to the residents of Yakima County and surrounding areas since approximately 1996. Memorial Home Care Services (MHCS) is Medicare certified and located at 1019 South 40th Avenue in the city of Yakima, within Yakima County. [Source: Application page1]

MHCS application proposes the establishment of a new 20-bed hospice care center in two phases. 12 beds in phase one and 8 beds are to be added in phase two. The new facility will be located at the southwest intersection of 48th Avenue and Nob Hill Boulevard in the City of Yakima in Yakima County. [Source: Application page12]

Hospice care center services are basically the same types of hospice services as provided by hospice agency. However, the main difference between a hospice care center and a hospice agency is the location where hospice patients receive the services. In the case of a hospice agency, patients receive hospice care in their home or current place of residence while patients at hospice care centers, are provided services at a center or a place other than the patient's home. Services provided at the hospice care center generally include symptom and pain management to terminally ill patients, as well as emotional, spiritual, and patient bereavement support for patient's family. Hospice care centers also have unique requirements under licensing and Certificate of Need (CON). These unique requirements include:

- The maximum number of beds any one hospice care center may be licensed for is 20.
- Only an existing Medicare certified hospice agency may apply for a CON to establish a hospice care center and license a care center.
- Need for hospice care centers is based on that hospice agency's demonstrated need rather than the typical larger community need.

MHCS states that the estimated capital expenditure for this project is \$6,883,353 and the project will be funded through a mix of fundraising, in-kind contributions and debt financing. The anticipated funding percentages are 74% fundraising, 10% in-kind contribution and 16% debt financing. [Source: Application page 25, and February 2, 2007 Supplemental Information]

The applicant states that since funds needed to develop the center are significant and in order to ensure that the project will move forward and meet community needs in a timely manner, YVMHA would finance \$1.1 million of the project through debt services and use the proceeds to purchase land. MHCS would then begin its fundraising campaign which is scheduled to be complete in June 2008. Under this timeline, phase one of this project begins with construction in February 2009 and is completed in April 2010. Phase two of the project commences in February 2013 and end in 2014. MHCS states that it will be operating a 20-bed hospice care center by the end of April 2014 [Source: Application pages 13 and 14]

APPLICABILITY OF CERTIFICATE OF NEED LAW

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

APPLICATION CHRONOLOGY

October 27, 2006	Letter of Intent Submitted
November 30, 2006	Application Submitted
December 1, 2006, through February 19, 2007	Department’s Pre-Review Activities <ul style="list-style-type: none"> • 1st screening activities and responses • 2nd screening activities and responses
February 20, 2007	Department Begins Review of the Application <ul style="list-style-type: none"> • Public comments accepted throughout the review
April 26, 2007	End of Public Comment/Public Hearing Conducted
May 11, 2007	Rebuttal Documents Submitted to the Department ¹
June 4, 2007	Department's Anticipated Decision Date
July 3, 2007	Department Actual Decision Date

CONCURRENT REVIEW AND AFFECTED PARTIES

This application was submitted during the year 2006 hospice care center concurrent review cycle outlined in WAC 246-310-295(3). However, no other hospice care center application was submitted for Yakima County during the 2006 concurrent review cycle. Therefore, according to WAC 246-310-295(5), when an application initially submitted under a concurrent review is deemed not to be competing with another application; the department may convert the application to regular review process.

Therefore, this application was converted to regular review. Throughout the review of this project, three entities sought and received affected persons status under WAC 246-310-010². However, the three entities did not provide any written comments during the review of this project.

SOURCE INFORMATION REVIEWED

- MCHS Certificate of Need Application received November 30, 2006
- MCHS supplemental information dated December 27, 2006
- MCHS supplemental information dated February 2, 2007
- Comments received at the public hearing on April 26, 2007
- Population data—Office Financial Management year 2000 census published January 2002.
- Licensing and/or survey data— Department of Health Office of Health Care Survey
- Certificate of Need Historical files

CRITERIA EVALUATION

To obtain Certificate of Need approval, the applicant must demonstrate compliance with the criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230

¹ MHCS did not provide rebuttal comments.

² The followings are the three affected persons: Yakima Regional Home Health & Hospice, Crescent Health Care and Hyatt Corporation.

(structure and process of care); 246-310-240 (cost containment); and 246-310-295 (hospice care center standards).³

CONCLUSION

For the reasons stated in this evaluation and agreement to the following terms, the application submitted by Yakima Valley Hospital Association (YVMHA) dba Memorial Home Care Services proposing to establish a 20-bed hospice care center located at the southwest intersection of 48th Avenue and Nob Hill Boulevard in the city of Yakima in Yakima County is consistent with the applicable criteria of the Certificate of Need Program.

Terms and Conditions

Term

1. *Prior to providing hospice care center services, YVMHA-MHCS must provide to the department for review and approval, a list of all contracted ancillary services*

Condition

1. *MHCS anticipates that by April 30, 2010 it will commence hospice care services using 12 beds in phase one. Under this timeline, April 2011 would be the hospice care center first full year of operation. The second phase of the project is expected to be completed by 2014. Therefore, if the project is not completed by December 31, 2015, the remaining 8-bed authorized for phase 2 not meeting licensing requirements shall be forfeited*

A. Need (WAC 246-310-210)

Based on the source information reviewed, the department determines that the criteria in WAC 246-310-210 (need) and WAC 246-310-295 (hospice care center standards) are met.

(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.*

The department uses the methodology found in WAC 246-310-295 to determine need for a hospice care center within a planning area. The six-step methodology is used to demonstrate that an existing hospice's patient base is sufficient to support a hospice care center. The method uses the existing use rates for hospice services, average number of resident deaths by planning area (county) for the most recent three years, and the projected population of the planning area to project the number of hospice center beds.

The applicant applied the six-step methodology outlined in WAC 246-310-295 and states that MHCS's existing patient base is sufficient to support the proposed hospice care center. Using the required minimum occupancy rate of 65%, the applicant projected a patient base that could support 28 hospice care center beds. MHCS stated that "*while the application of the methodology demonstrates that Memorial Hospice can support 28 HCC beds, we do not want to assume that all patients needing care outside the home will choose to be cared for in the*

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

Center". [Source: Application page 22] The maximum number of beds any hospice care center may be licensed for is 20⁴. The applicant's project is consistent with that requirement.

MHCS states it intends to operate the hospice care center at an occupancy rate closer to 75% to ensure greater operational efficiencies. As a result, MHCS concludes that the 12 beds proposed in phase 1 would be sufficient to meet the immediate and short term needs of its hospice patients through year 2012. Then as the 65 and older population continues to age, the need for hospice care beds will increase and in order to address the predicted growth, MHCS will request the additional 8 beds proposed in phase 2 of the project.

The department also applied the need methodology and evaluated the assumptions made by the applicant. Based on that evaluation, the department concludes the applicant's projections are reasonable. (See Appendix A)

WAC 246-310-295(8) sets forth a minimum occupancy requirement and require the applicant to demonstrate it can maintain the minimum occupancy rate. MHCS provided documentation to demonstrate its ability to meet this occupancy requirement. [Source: Application, Exhibit 5]

WAC 246-310-295(9)(a) requires that more no than 49% of the hospice agency's patient care days, in the aggregate on a biennial basis, can be projected to be provided in the hospice care center. MHCS provided documentation to demonstrate its ability to meet these occupancy requirements [Source: Application, page 22]

During public comment period and at the public hearing conducted April 26, 2007, the department received approximately 90 letters of support for MHCS project. Many of the letters of support indicated that approval of a hospice care center in Yakima County would provide reasonable access to hospice care services. No one opposed this project. The applicant is one of two in-home hospice agencies in Yakima County, There are no other hospice care centers located in Yakima the service area. Hospice care centers need is based on the applicant hospice agency's need for care center beds therefore; the department does not expect this project to impact other in-home hospice agency in the service area. Since this is the first hospice care center in the Yakima service area there are no other hospice care centers available or accessible in the Yakima service area, Based on the information reviewed the department concludes that the population to be served has a need for a hospice care center in Yakima County. This sub-criterion is met.

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

MHCS is an existing Medicare certified in-home hospice agency and has been providing hospice services to Yakima County residents since 1996. To demonstrate compliance with this sub-criterion, MHCS provided a copy of its existing admission and charity care policies that would be used at the new hospice care center. [Source: Application, Exhibit 4] The Admission Policy provides the facility's overall guiding principles regarding the types of patients that are appropriate to use the facility, and any assurances regarding access. MHCS's existing Admission Policy demonstrates that patients are admitted to hospice care services for treatment

⁴ WAC 246-310-295 (9) (6) and RCW 70.127.280 (1) (e)

without regard to age, race, color, religion, sex, national origin, handicap, or sexual preference and will be treated with respect and dignity.

MHCS Charity Care Policy confirms that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups currently have access to community hospice services provided by the existing hospice agency. [Source: Application Exhibit 3, and February 12, 2007 Supplemental Information] This access is not expected to change as a result of this project.

To determine whether low income residents would have access to MHCS hospice care center, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination. MHCS is currently Medicare certified and Medicaid eligible. Documents provided in the application demonstrate MHCS's intent to have the hospice care center both Medicare certified and Medicaid and eligible.

Based on source documentation reviewed the department concludes that the proposed hospice center care would be available to all residents of the service area. This sub-criterion is met.

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

Based on the source information reviewed and the applicant's agreement to the term and condition outlined in this evaluation, the department determines that the financial feasibility criteria in WAC 246-310-220 are met.

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

The capital expenditure associated with establishing this 20-bed hospice care center is \$6,883,353. The project will be funded through a mix of fundraising, in-kind contributions and debt financing. The funding percentages are 74% fundraising, 10% in-kind contribution and 16% debt financing. The applicant stated that since funds needed to develop the center is significant and to ensure that the project will move forward and meet community needs in a timely manner, MHCS expects to begin fundraising efforts immediately and continue to raise funds until the completion of phase 2. [Source: Application page 25, and February 12, 2007 Supplemental Information]

Under the timeline stated by the applicant, the first full calendar year of operation for the 20-bed hospice care center would be year 2010. [Source: Application, Exhibit 8] MHCS pro-forma statements and the projected number of hospice patients are summarized in Table 1A and 1B below.

Table I A
MHCS Phase One Projected Revenue and Expenses

	Year 1	Year 2	Year 3	Year 4
	2010	2011	2012	2013
Number of Beds	12	12	12	12
Number of Patient days	2,920	3,285	3,650	3,650
Utilization Percentage	67%	75%	83%	65%
<u>Revenue</u>				
Routine Care Revenue	\$1,509,458	\$1,801,275	\$2,209,647	\$2,493,579
Revenue Deductions	(\$240,014)	(\$316,140)	(\$421,408)	(\$512,422)
Net Revenue	\$1,269,444	\$1,485,135	\$1,788,239	\$1,576,267
<u>Expenses</u>				
Operating Expenses	\$1,319,970	\$1,400,459	\$1,485,795	\$1,576,267
Net Revenue	(\$50,526)	\$84,676	\$302,444	\$404,890
Revenue per Patient Day	\$434.74	\$452.10	\$489.93	\$542.78
Expense per Patient Day	\$452.04	\$426.32	\$407.07	\$431.85
Net Profit per patient day	(\$17.30)	\$25.78	\$82.86	\$110.93

*Includes deductions for bad debt and charity care

Table I B
MHCS Phase Two Projected Revenue and Expenses

	Year 5	Year 6	Year 7
	2014	2015	2016
Number of Beds	20	20	20
Number of Patient days	4,745	5110	5,475
Utilization Percentage	70%	75%	75%
<u>Revenue</u>			
Routine Care Revenue	\$3,018,661	\$3,538,076	\$3,991,096
Revenue Deductions	(\$669,652)	(\$937,103)	(\$1,118,098)
Net Revenue	\$2,349,009	\$2,600,973	\$2,872,998
<u>Expenses</u>			
Operating Expenses	\$1,973,153	\$2,087,144	\$2,207,756
Net Revenue	\$375,856	\$513,829	\$665,242
Revenue per Patient Day	\$495.05	\$509.00	\$524.75
Expense per Patient Day	\$415.84	\$408.44	\$403.24
Net Profit per patient day	\$79.21	\$100.55	\$121.51

*Includes deductions for bad debt and charity care

The Tables above show the 20-bed hospice care center would operate at a loss during the first year of operation (2010). However, beginning in year two (2011) the center would be making a profit. This profit continues through the completion of the project in phase two. Based on the information above, the department concludes that the immediate and long-range operating costs of this proposed project can be met. This sub-criterion is met.

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

MHCS projects a capital cost of \$6,883,353 to establish the proposed 20-bed hospice care center. Of that amount \$5,316,084 or 77% is attached to phase one building construction, fixed and moveable equipment, fees and permits and state sales tax for 12-beds. The remaining \$1,567,270.00 or 23% is attributed for construction, fixed and moveable equipment, fees and permits and state sales tax to make the remaining 8 beds in phase 2. [Source: Application page 24 and February 12, 2007 Supplemental Information]

The capital costs of this project were compared with other hospice care center projects approved by the department. MHCS's costs are comparable with these other projects. Funding for the proposed project is through a combination of fundraising, in-kind contributions and debt financing. The use of fundraising to fund the majority of the project is the least expensive way to pay for the construction of the hospice care center. Taken in total with the staff efficiencies the applicant expects to achieve with this project the department concludes the costs of the project will not have an unreasonable impact of costs and charges.

Based on the source information, the department concludes that the cost of the project will not result in an unreasonable impact on the costs and charges for healthcare services within the service area. This sub-criterion is met.

(3) The project can be appropriately financed.

Funding for the proposed project is through a combination of fundraising, in-kind contributions and debt financing. [Source: Application page 25 and February 12, 2007 Supplemental Information]

MHCS stated that the project will be funded through a combination of community fundraising efforts, in-kind contributions and debt financing. Specifically, the (\$1,090,045) land cost will be acquired through a combination of \$272,511 reserves and a contract (the remaining \$817,534) with the seller. The contract loan term is 15-years at 7.5% interest rate. [Source: February 12, 2007, Response Supplemental Information Attachment 4]

MHCS expects to begin fundraising immediately and continue to raise funds until the completion of the proposed 20-bed hospice center in 2014. MHSC states that its funding sources are considered the most prudent approach because they would have no impact on the cost and charges for healthcare services. Additionally, the applicant stated "*clearly the best case scenario would be to fully fund this project via community contributions. Memorial Hospice is committed to conducting a comprehensive fundraising campaign and has confidence in our community's willingness to support this project based on both their ongoing and comprehensive support of our community hospice agency as well as our experience with other patient and family centered projects for which the community has partnered with YVMHA to support. The community contributed over a half million dollars alone just for the initial establishment of Children's Village—a facility designed and staffed to help local*

families with children with special needs. Based on current donor interest, we believe that we will be successful in our fundraising efforts”. [Source: Application page 20 and March 5, 2007 Response Supplemental Information]

MHCS does not anticipate any difficulties in raising the funds needed to establish the hospice care center because it has successfully planned, developed and implemented a variety of programs, facilities and services in the community using fundraising methods. MHCS provide historical information regarding five community projects that were developed using in-kind contributions and fundraising methods. MHCS also provided contingency if fundraising efforts were unrealized. The applicant would delay the implementation of the project second phase. Based on the information provided within the application, the department concludes that the proposed financing is appropriate for the project. This sub-criterion is met.

Condition

MHCS anticipates that by April 30, 2010 it will commence hospice care services using 12 beds in phase one. Under this timeline, April 2011 would be the hospice care center first full year of operation. The second phase of the project is expected to be completed by 2014. Therefore, if the project is not completed by December 31, 2015, the remaining 8-bed authorized for phase 2 not meeting licensing requirements shall be forfeited

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

Based on the source information reviewed the applicant’s agreement to the term outlined in this evaluation, the department determines that the structure and process (quality) of care criteria in WAC 246-310-230 are met.

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

Based on projected patient census MHCS states the hospice care center would be fully staffed as a 12-bed facility in year 2010 (phase one). Additional staff would become necessary in year 2014 when phase two becomes operational. Shown in table 2 below is a summary of MHCS proposed FTEs for both phases of the project. [Source: Application, page 30]

**Table II
MHCS Proposed Phase I & Phase II FTEs**

Personnel Type	Phase I Yr. 2010	Phase II Yr. 2014
Registered Nurses	4.2	4.7
Nursing Assistants	7.4	11.6
Nurse Manager	1.0	1.0
Pharmacist	0.2	0.2
Medical Social Worker/Activities	1.0	1.0
Dietary, Housekeeping and Laundry	1.4	1.4
Total FTE	15.2	19.9

As shown Table II above, MHCS anticipates that a total of 19.9 FTEs would be needed to operate the 20-bed hospice care center at the completion of both phases of the project. MHCS provided documentation detailing the recruitment plans to be followed for recruitment and retention of FTEs. Given that phase I of this project is not expected to be operational until

April 2010, MHCS has not yet recruited staff required for a licensed hospice care center under WAC 246-335-155 and WAC 246-335-175 therefore, the applicant is yet to develop job descriptions for the staffs needed to operate the facility. However, within its application MHCS provided a comprehensive plan that would be used to recruit staff, but did not provide a timeline for recruiting those staff. Additionally, the applicant states that volunteers would be used to compliment staffing at the new center.

MHCS currently provides in-home hospice care services in Yakima County and employs Patrick Waber, MD and Judith Page, DO as medical staff. Patrick Waber, MD is MHCS's current medical director and is expected to serve as the medical director of the new hospice care center. [Source: Application page 4 and February 12, 2007, Response Supplemental Information page 1] Based on available information, the department expects staffing will be available for the hospice care center when services start in 2010.

Based on the information provided in the application above, the department concludes that sufficient staff will be available for the hospice care center. 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.

MHCS has been providing in-home hospice services to the residents of Yakima County through its existing hospice agency since approximately 1996. Hospice care centers provide patients and their families with an alternative when the patient's symptoms or family circumstances necessitate hospice care in a setting other than the patient's residence. If this project is approved, MHCS expects its hospice patients will continue to have access to the least restrictive level of hospice care in a home-like environment at a new site.

Currently, MHCS maintains well-established relationships with entities providing ancillary and support services in the community. MHCS provided as an attachment to its application, a listing of ancillary healthcare providers in Yakima County that MHCS maintains relationship with. Additionally, within the application; the applicant stated that YVMHA was awarded the National Communities Care Award for outstanding collaboration and that the center will be operated in the same proven collaborative manner as the hospital and the community hospice agency. [Source: Application page 32 and Exhibit 10]

The department reviewed the listing of ancillary and support services with whom MHCS is currently contracting with. These types of services are appropriate for an in-home hospice agency. They are also appropriate for a hospice care center. The department does not expect the approval of the hospice care center to affect these relationships. However, since the hospice care center will not be operational until 2010 MHCS must agree to the term below. This will ensure MHCS has appropriate contracted ancillary services at the time the hospice care center becomes operational.

Term:

1. *Prior to providing hospice care center services, YVMHA-MHCS must provide to the department for review and approval, a list of all contracted ancillary services*

Based on the evaluation and the supporting documents, and with agreement to the above term, the department concludes there is reasonable assurance that MHCS will have appropriate ancillary and support services. This sub-criterion is met.

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

MHCS provides Medicare and Medicaid hospice services through its existing Medicare certified agency. The hospice care center is also expected to be Medicare certified and Medicaid eligible. Within the most recent five years, the Department of Health's Office of Health Care Survey (OHCS), which surveys hospice agencies within Washington State, completed one compliance survey for MHSC.⁵ The survey revealed minor non-compliance issue typical for the hospice agency, and MHCS submitted plans of correction for the non-compliance issues. [Source: Compliance survey data provided by Office of Health Care Survey]

YVMHA-MHCS currently employs Patrick Waber, MD and Judith Page, DO as medical staff for the hospice agency. The department reviewed the compliance history for both Patrick Waber, MD and Judith Page; DO with the Department of Health's Medical Quality Assurance Commission. No recorded sanctions for either physician were identified. [Source: compliance history provided by Medical Quality Assurance Commission]

Based on the information provided in the application, the department concludes there is reasonable assurance that MHCS would operate the new, 20-bed hospice care center in conformance with applicable state and federal licensing and certification requirements. 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.

. The applicant states that “currently, care outside [the home] is overseen or provided by Memorial Hospice in hospitals, skilled nursing and assisted living facilities, adult family homes, or other community based settings. In 2006, Memorial Hospice was caring for 18 patients in facilities other than their permanent residence having patients and families spread thought various and differently licensed facilities makes it more difficult to ensure that patients and families are being consistently cared for throughout the hospice philosophy of care and receiving the broad range of medical, social and spiritual and bereavement services so needed by hospice”. [Source: Application page 7]

The applicant provided a listing of health care providers which the applicant maintains working relationships with and states that MHCS relationships with those entities will continue and will not be impacted. [Source: Application, Exhibit 10]. These providers include hospitals, nursing homes, home health, and home health agencies. The department expects these relationships to continue because not all patients needing the inpatient care of a hospice care center will choose to receive it at the applicant center. Additionally, MHCS’s existing patient population supports a larger hospice care center than the applicant has requested.

The most desirable place to receive hospice services is in-home. However, for various reasons some hospice patients need to be placed in an in-patient setting. Hospice care centers are designed both structurally and operationally to meet the specific care needs of hospice patients

⁵ Survey conducted—July 2002.

and their families already being cared for by an in-home hospice provider. Therefore, approval of the hospice care center will promote continuity of hospice care to MHCS's hospice patients.

Based on the above information, approval of this project would continue to promote continuity of hospice care for the residents of Yakima County. This sub-criterion is met.

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

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

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

Based on the source information reviewed the department determines that the cost containment criteria in WAC 246-310-240 are met.

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

Before submitting this application, MHCS considered and rejected two options.

Below is a summary of the options MHCS considered and rejected.

Do nothing

The applicant ruled out the option of “doing nothing” and stated patients and families who choose to be cared for under the hospice philosophy of care deserves to receive this care regardless of their specific circumstances of care needs. It has been increasingly difficult working with families to place patients in facilities that are institutional. Patients at the end of their lives deserve to die with dignity and grace and MHCS is strongly committed to ensuring that the needs of loved ones for comfort and bereavement care also met. Therefore, the option to do nothing was rejected.

Lease existing real estate

The applicant considered the option of leasing existing real estate in an area that is suitable for the center and stated that after evaluation, concluded that this option is not viable. The applicant stated that facilities considered were built under the medical model of care and most have an institutional feel. A renovation of these facilities to specifically meet the needs of the applicant patients and families was determined not to be cost effective.

The applicant stated “*after several years of evaluation, feasibility analysis and discussion, Memorial Hospice has determines that the project being forwarded in this application best meets the immediate and long-term needs of our patients and our community*”. [Source: Application page 35]

Because this project would be the only hospice care center in the Yakima County service area the department agrees the do nothing option is not best alternative to meet the needs of hospice patients. The department also agrees that leasing an existing building, remodeling it to meet the standards of a hospice care center is also not the best alternative. The alternative of leasing a building under a “build to suit” arrangement may be an option in some cases. However, since MHCS intends to fund the majority of this project through a fundraising campaign, this approach may be a disadvantage to the hospice agency's funding efforts. The department therefore concludes the project proposed is the best available alternative.

Based on source information, the department concludes this project is the best available alternative for the community. 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;

This project involves the construction of a 20 bed hospice care center in two phases. Under the timeline provided in the application, MHCS proposes to submit phase 1 and phase 2 construction design drawings to the department's Construction Review Unit in April 2009 and in April 2013. The applicant anticipates the respective project commencement dates as April 2010 and April 2014. [Source: Application page 14]

The applicant stated that the following aspects of the project have been designed to make the costs reasonable:

- Architectural planning and engineering methods.
- Methods of building design and construction.
- Capital cost reductions through building orientation
- Energy consumption,
- Low to no water volume plumbing fixtures designed to reduce water consumption.
- The facility construction will include photovoltaic units, exhaust fans and kitchen ventilation systems. [Source: Application page 37]

The capital costs of this project were compared with other hospice care center projects approved by the department. MHCS's costs are comparable with these other projects. The department concludes the costs are reasonable. 3]

This sub-criterion is met.

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

This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2).

Based on source information reviewed within the financial feasibility criterion, the department concludes that the project cost and charges are reasonable and would not impact other persons providing services to the public. This sub-criterion is met.

APPENDIX A