

EVALUATIONS OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY HEART OF HOSPICE, LLC PROPOSING TO ESTABLISH A MEDICARE CERTIFIED AND MEDICAID ELIGIBLE HOSPICE AGENCY TO SERVE THE RESIDENTS OF SKAMANIA COUNTY.

PROJECT DESCRIPTION

Heart of Hospice, LLC is a Limited Liability Corporation and all members and shareholders are employees of the company. Heart of Hospice is an Oregon based Medicare certified and Medicaid eligible hospice care provider. Heart of Hospice office is located at 1020 Wasco Street, Suite C, Hood River, OR 97031 and currently it does not own or operate any healthcare facilities in Washington. [Source: Application pages 2-3, and Certificate of Need files.]

Heart of Hospice proposes to establish a Medicare certified and Medicaid eligible hospice care agency in Washington.¹ Heart of Hospice states, *“The primary service area for the Washington hospice is Skamania County. Because of relatively unique geography, we are considering requesting permission to service several immediately contiguous communities in western Klickitat County”*. [Source: Application page 3] The department acknowledged the applicant assertion about the geographical uniqueness of Klickitat and Skamania counties, but notes that the applicant letter of intent proposed to serve Skamania County only. Therefore, the department respectfully declines the applicant’s proposal to include communities in western Klickitat County as proposed services areas in its application and would not address the request in this evaluation.

Heart of Hospice office is located at 1020 Wasco Street, Suite C, Hood River, OR 97031. The applicant is proposing to provide Medicare certified hospice care services to the residents of Skamania County and states that currently Skamania County does not have a qualified Medicare certified provider approved to provide services in the service area. [Source: Application page 6 and March 17, 2008, Supplemental Information]

Under the Medicare payment system, hospice care benefit consist of the following services physician and clinical services, nursing care, medical equipment and supplies, symptoms control and pain relief management, hospital based short-term care, respite care, home health aide and homemaker services, physical and occupational therapy, social worker services, dietary counseling, grief and loss counseling. Respite care and outpatient drugs are each subject to a small co-payment and other services are covered in full². The estimated capital expenditure to establish the hospice agency in Skamania County is \$25,000. Of that amount, 42.4% is related to moveable equipment and the remaining 57.6% is related to fees and other expenditures. [Source: Application page 16]

Heart of Hospice anticipates that it would be operational by June 30, 2008. Under this timeline, the applicant first full calendar year of operation as a Medicare certified hospice agency is expected to be year 2009. [Source: Application page 8] For ease of reference, the department will refer to the applicant as “HOH”.

¹ A Medicare certified hospice agency is also Medicaid eligible. Therefore, the term “Medicaid eligible” will not be repeated throughout this evaluation. Those agencies that are state licensed, but not Medicare certified, will be referred to as “licensed only.”

² Medicare Hospice Benefits, p. 7, Health Care Financing Administration Publication No. HCFA 02154, Revised March 2000.

APPLICABILITY OF CERTIFICATE OF NEED LAW

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

APPLICATION CHRONOLOGY

September 28, 2007	Letter of Intent Submitted
October 31, 2007	Application Submitted
November 5, 2007	Department's Pre-Review Activities
through March 17, 2008 ³	• 1 st screening activities and responses
March 26, 2008	Department Begins Review of the Application
April 29, 2008	End of Public Comment ⁴
June 23, 2008	Department's Anticipated Decision Date
June 18, 2008	Department's Actual Decision Date

CONCURRENT REVIEW

This application was submitted during the 2007 hospice care agency concurrent review cycle outlined in WAC 246-310-295(3). However, the department did not receive any other hospice care agency application for Skamania County during the concurrent review cycle. 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.

AFFECTED PERSONS

Hospice of the Gorge a hospice care services provider located in Clark County, opposed HOH application and sought affected persons status under WAC 246-310-010, but later withdrew its opposition to the project.

SOURCE INFORMATION REVIEWED

- Heart of Hospice Certificate of Need Application dated September 28, 2007
- Heart of Hospice Supplemental Information dated: March 17, 2008
- Public comment submitted by Heart of Hospice during the public comment period
- Population data obtained from the Office Financial Management based on year 2000 census published January 2002
- Licensing and/or survey data provided by the Office of Health Care Survey
- Completed provider utilization surveys received from existing providers
- Quality of care utilization survey
- WAC 246-310-290 Hospice services-standards and need forecasting method
- Certificate of Need Historical files

³ Applicant requested 45 days extension to the submission of supplemental information response.

⁴ The department did not receive rebuttal comment.

EVALUATION CRITERIA

To obtain Certificate of Need approval for Skamania County, Heart of Hospice must demonstrate compliance with the 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 246-310-290 (Hospice services-standards and need forecasting method).⁵

CONCLUSION

For the reasons stated in this evaluation, the application submitted on behalf of Heart of Hospice proposing to establish a new in-home hospice care agency in Skamania County is consistent with applicable criteria provided that the applicant agrees to the term listed below.

Term:

- Prior to providing in-home hospice care services, Heart of Hospice, LLC must provide to the department for review a list of all contracted ancillary and support services provider being used in Washington.

Provided that Heart of Hospice agrees to the term identified above, a Certificate of Need would be issued for the establishment of the in-home hospice care agency. The approved capital expenditure associated with the establishment of the hospice care agency is \$25,000.

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

A. Need (WAC 246-310-210 and WAC 246-310-290)

Based on the source information reviewed, the department determines that the applicant has met the need criteria in WAC 246-310-210 and 246-310-290. The department concluded that HOH met the condition stated in WAC 246-310-290 (6)

- (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 determination of numeric need for hospice services is performed using the hospice services need forecasting method contained in the WAC 246-310-290.

The methodology is a six-step process of information gathering and mathematical computation. The first two steps examine historical hospice utilization. The remaining four steps apply that utilization to current and future populations 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 an appendix to this section. The methodology uses population and healthcare utilization statistics on statewide and planning area levels. By rule, the planning area for hospice services is each individual county. The planning area for the application currently under review is limited to Skamania County; however, need projections for the entire state as well as county are prepared.

This document will describe, in summary, the calculations made at each step and the assumptions and adjustments made in that process. The titles for each step are excerpted from the WAC.

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 2004 through 2006 from the licensed only and Medicare 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 was provided by county of resident. The results of this survey were compared with data provided by the Department's Center for Health Statistics and Cancer Registry 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's Center for Health Statistics. The total deaths in each of the planning areas for 2004-2006 were averaged for each planning area for each of the age groups with cancer diagnosis identified in Step 1, above.

Step 2 requires that the department calculate the "average number of total resident deaths over the last three years for each planning area." The Step 2 calculation is then used in Step 3 multiplication to calculate the number of likely hospice patients for each of the four age diagnosis categories.

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

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

For this step, the use rates from Step 1 were 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 receive hospice services in the area.

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 "2002 Projections developed for Growth Management Act (Developed January 2002)". This age-specific data is available for 5-year intervals only. The department used these 5-year interval values to estimate population projections.

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 2006, the first year following the three-year data range. In order to estimate need for hospice services in the first three years of the proposed projects, the department applied the use rates to the expected population of each of the counties in the state for the first three full years of operation of the proposed project (2009, 2010, and 2011).

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 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 service area for at least three years, an average daily census (ADC) of thirty-five is assumed for that agency to calculate capacity. The department calculated the unmet ADC for each planning area.

Twenty-six counties showed some need for additional hospice care services, but at a level less than an ADC of 35, which is indicative of insufficient need to support an additional hospice agency. The remaining thirteen counties showed no need or a surplus of hospice care services. Those counties are Benton, Clark, Cowlitz, Ferry, Franklin, Jefferson, Klickitat, King, Lewis, Pierce, Skagit, Snohomish and Wahkaikum. [Source: Appendix A]

Department's Application of the Numeric Methodology for Skamania County

The department applied the hospice care need methodology and based on that evaluation concluded that the potential patient volume in Skamania County is not enough to support an ADC of 35.

(See Appendix A) Summarized below, is the department’s need projections for Skamania County.

	Potential volume Year 2011	Current Capacity	Unmet Need admits Year 2011	ALOS Statewide	Unmet Need Patients Days Year 2011	Unmet ADC Need Year 2011	Agency Need
Skamania County	31	23	8	56.114999	435	1.23	None

HOH Application of the Numeric Methodology

The applicant provided a copy of the department’s year 2007 hospice care methodology result that was used in the Family Home Care application. HOH stated that it relied on the department’s result to predict hospice care need in Skamania County. [Source: Supplemental Information, March 17, 2008, Attachment 3] The applicant states, “*While there is significant unmet need in the service area, there is not sufficient need in Skamania County based on the population of those communities to support a hospice ADC of 35*”. [Source: Application page 12] The applicant asserted that there is need in the planning area although the need is not enough to support the required ADC, but exemption language exists in WAC that grants exemption to a planning area without any Medicare certified provider providing services to the entire planning area.

The department notes that currently Skamania County does not have a CN approved Medicare certified provider serving the entire planning area. Additionally, the department also acknowledges WAC states a planning area without a Medicare certified provider, can claim exemption provided that certain conditions are met. WAC 246-310-290 (6) states:

Hospice agencies applying for a certificate of need must demonstrate that they can meet a minimum average daily census (ADC) of thirty-five patients by the third year of operation. An application projecting an ADC of under thirty-five patients may be approved if the applicant:

- (a) Commits to maintain Medicare certification;*
- (b) Commits to serve one or more counties that do not have any Medicare certified Providers; and*
- (c) Can document overall financial feasibility.*

The department reviewed HOH application to determine whether as stated in WAC an exemption can be granted so that it can provide services in Skamania County. As a current provider of in-home hospice care services, although based in Oregon, the applicant is Medicare certified and Medicaid eligible and has been providing service in that state since 2007. To demonstrate that HOH qualifies for exemption and would commit to doing so, the applicant states, “*Heart of Hospice states it’s absolutely committed to maintaining Medicare certification and is proposing to serve a county without an existing operational Medicare certified program, and can demonstrate overall financial feasibility. For these reasons, our proposal to serve Skamania should be approved*”. [Source: Application page 12]

To further show that HOH meet the exemption stated in WAC, the department reviewed the pro-forma income statement provided by the applicant to ascertain that it can document overall financial feasibility. The department’s review of the applicant financial feasibility as

shown in Table 1 of this evaluation shows that at the projected volumes identified, HOH would be operating the proposed hospice agency at a profit in years 2008 through 2011. Additionally, HOH provided an executed lease agreement for its office space in Oregon. The costs identified in the executed lease are consistent with the pro-forma income statement used to prepare the information in Table 1.

The department notes that there is no CN approved Medicare certified hospice agency providing services throughout Skamania County. Further, the department accepts HOH assertion that an exemption exists in WAC that would allow the applicant the opportunity to provide hospice care services in the planning area provided that it can document that it meets the conditions stated in WAC. A review of the documentation provided demonstrates that HOH met the exemption in WAC. Therefore, the department acknowledges that HOH has demonstrated that the proposed project meets the exemption and according to WAC 246-310-290 (6) the project is approvable. The department does not expect the approval of this project to adversely impact in-home hospice care services in Skamania County. Based on the information reviewed the department concludes that the population to be served has a need for the proposed project in Skamania County. This sub-criterion is met.

(1)(a) Hospice services provided directly by health maintenance organizations who are exempt from the certificate of need program. Health maintenance organization services provided by an existing provider will be counted under (b) (i) of this subsection.

The department's methodology of the planning area shows that the ADC in the planning area is not enough for a new agency. However, the department also determined that currently, there is no CN approved Medicare certified provider serving all of Skamania County and based on that determination; the department determines that HOH qualifies for exemption. If approved, the department notes that the applicant would be the only Medicare certified and Medicaid eligible provider serving all of Skamania County.

Based upon the above information, the department concludes that there is need for in-home hospice care service in Skamania County. This criterion is met.

(1)(b) In the case of health services or facilities proposed to be provided, the efficiency and appropriateness of the use of existing services and facilities similar to those proposed.

HOH has demonstrated that an unmet need exists and further it has shown that currently, Skamania County does not have a CN approved Medicare provider serving all of the planning area. Therefore, the department concludes that this criterion is met.

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

To determine whether all residents of the service areas will have access to an applicant's proposed services, the department requires applicants to provide a copy of its proposed admission policy. The admission Policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and any assurances regarding access to treatment.

To comply with this criterion, HOH provided its Admission Criteria/Charitable Policy. The Admission Criteria/Charitable Policy outlines the process and criteria that the proposed agency would use to admit patients and ensures that patients receive appropriate care. [Source: Application, Exhibit 2 and supplemental information, Attachment 4]

The Admission Criteria/Charitable Policy states that any patient with hospice care need will be accepted for admission without regard to race, color, national origin, sex, age, religion, or disability.

To determine whether low income residents would have access to the proposed services, the department uses the applicant's Medicaid eligibility or contracting with Medicaid as the measure to make that determination. The applicant stated Medicaid recipients will have access to its services. A review of its financial statement shows that revenue from Medicaid is expected.

To determine whether the elderly would have access or continue to have access to the proposed services, the department uses Medicare certification as the measure to make that determination. HOH agency is to be Medicare certified. A review of its financial statement shows revenue is expected from Medicare.

A facility's charity care policy should confirm that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to healthcare services provided by the applicant. The policy should also include the process one must use to access charity care at the facility.

To demonstrate compliance with this sub-criterion, HOH provided a copy of its Admission Criteria/Charitable Care policy that would be used at the proposed hospice agency. The Admission Criteria/Charitable Care policy indicated that charity care would be available to the residents of the planning areas. Additionally, HOH pro-forma income statement included a charity care line item as a deduction from revenue within its pro-forma income statement. [Source: Supplemental Information March 17, 2008, Attachment 3]

Based on the above information, the department concludes that all residents of the service areas would have reasonable access to health services proposed by the applicant. This sub-criterion is met

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

Based on the source information reviewed, the department determines that the applicant has met the financial feasibility criteria in WAC 246-310-220.

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

The estimated capital expenditure needed to establish the hospice care agency is \$25,000. [Source: Application page 16] HOH it will be operational by June 30, 2008. Based on this timeline, year 2009 would be the proposed hospice care agency first full calendar year of operation. [Source: Application, page 8] As shown in Table I below, at the projected volumes identified in the application, HOH expects it would be operating at a profit in partial year 2008 through 2011. [Source: March 17, 2008, Supplemental Information, Attachment 6]

**Table 1
HOH Projected Revenue and Expenses 2008 - 2011**

	2008 Partial year	2009 Full Year 1	2010 Full Year 2	2011 Full Year 3
Projected Patient Days	360	730	730	730
Projected Unduplicated Census	6	12	12	12
Projected Average Daily Census	1.0	2.0	2.0	2.0
Net Patient Revenue	\$ 46,512	\$ 94,316	\$ 94,316	\$ 94,316
Total Operating Expense	\$ 25,737	\$ 56,427	\$ 56,427	\$ 56,427
Net Profit or (Loss)	\$ 20,775	\$ 37,889	\$ 37,889	\$ 37,889
Net Patient Revenue per Patient Day	\$129.20	\$ 129.20	\$ 129.20	\$ 129.20
Total Expense per Patient Day	\$ 71.49	\$ 77.30	\$ 77.30	\$ 77.30
Net Profit/(Loss) per Patient Day	\$57.71	\$51.90	\$ 51.90	\$51.90

Based on the information reviewed, 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.*

In response to this sub-criterion, the applicant states, “*The incremental volume and revenue associated with providing hospice services in Washington will result in improved efficiencies and lower operating costs per service.*” [Application page 16] The department recognizes that for hospice care services, minimal capital expense will be required by HOH to serve hospice patients in Skamania County. At the system level, hospice care services reduce expenditure compared to other capital-intensive care settings such as hospitals.

The department notes that the Medicare in-home Hospice benefit reduces operating costs for hospital providers at the system level. Additionally, the department also notes that hospice patients elect to receive palliative and end-of-life care in their home instead of seeking curative treatment in more expensive settings such as intensive care units in hospitals.

The applicant states that it would continue to use its current office space in Hood River, Oregon to serve the residents of Skamania County and provided a draft copy of that lease agreement. [Source: Supplemental Information, March 17, 2008, Attachment 2] The department compared the costs identified in the lease document to the amounts contained in HOH projected financial income statements and found them to be consistent.

The department concludes that if approved, the cost of the project is not expected to result in an unreasonable impact on the costs and charges of healthcare services. Based on the information presented the department concludes that the proposed project is financially feasible. This sub-criterion is met.

(3) The project can be appropriately financed.

The estimated capital expenditure to establish the hospice agency in Skamania County is \$25,000. Of that amount, 42.4% is related to moveable equipment and the remaining 57.6% is related to fees and other expenditures. [Source: Application page 16]

The source of financing for the project will be from HOH cash on hand. [Source: Application page 16] A review of HOH historical financial statements shows that the funds necessary to finance the project are available. The applicant states, HOH board is committed to providing the funds need for the proposed project. [Source: Supplemental Information, March 17, 2008]

Based on the documentation provided and reviewed, the department concludes the capital costs associated with the proposed HOH would not adversely affect the financial stability of HOH and the proposed project can be appropriately financed. This sub-criterion is met

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

Based on the source information reviewed, the department determines that the applicant has met the structure and process (quality) 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.

HOH is currently licensed in Oregon to provide in-home hospice care services and states that if approved in Washington to provide services, it would increase its current staff. Currently, HOH has 20.75 staff including volunteers. If this project is approved, the applicant proposed to increase its FTE's. Summarized in the table below is HOH proposed total FTE's by year 2011.

**Table 2
HOH Projected Number of FTEs**

Type of Personnel	Partial Year 2008	Year 1 2009	Year 2 2010	Year 3 2011	Total FTE's
RN/LPN	9.5	1.0	1.5	1.0	13
Administrative	3.50	0.0	.075	0.75	5.0
Med Social Work	1.0	0.5	0.5	0.5	2.5
Pastoral	1.0	0.5	0.5	0.0	2.0
Volunteers	5.0	5.0	5.0	5.0	20
Other	0.75	0.0	0.25	0.0	1.0
PT	Contracted Position				
Speech Therapist					
OT					
Total staff including Volunteers	20.75	7	8.5	7.25	43.5

As shown in Table 2 above, by the third full year of operation or by year 2011, HOH would have 20 volunteers and 23.5 FTE's. HOH states, "The Heart of Hospice program plans to utilize existing staff from our existing program to the extent possible several of whom already reside in Washington". [Source: Application Page 22]

The applicant identified Dr. William Hamilton, MD as the medical director for the proposed in-home hospice care agency and provided an executed independent contractor for medical director services between Heart of Hospice referred to as the (“Agency”) and Dr. Bill Hamilton referred to as the (“Contractor”). The executed independent Contractor’s agreement outlines the roles and responsibilities of the Contractor and the Agency.

The executed medical agreement provided to the department was formalized in January 2007 and according to stipulation, it’s an annual contract and is automatically renewable every proceeding year unless specifically terminated by both parties. [Source: Application Page 4 and Exhibit 1] Additionally, the agreement also identified the compensation for the Contractor’s medical director services. A review of Dr. Hamilton’s compliance history with the Department of Health Medical Quality Assurance Commission did not revealed any recorded sanctions. [Source: compliance history provided by Medical Quality Assurance Commission]

Based on the available information, the department concludes that staffing for the proposed hospice care agency will is available or can be recruited by the applicant. 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.*

In response to the sub-criterion, HOH states, “*Given our Oregon operations, ancillary and support services agreements are already in place. We will work with Skyline Hospital on an inpatient care agreement. All of these services will be budgeted in the pro-forma financial statement. For these reason HOH does not anticipates any difficulty in meeting the service demands of the proposed project*”. [Application page 24]

The department agrees with HOH assertions that given its operation in Oregon, ancillary and support services are already in place in Oregon. However, because HOH is seeking CN in Washington, the department would expect that HOH would have ancillary and support services contracts in Washington. Therefore, if this project is approved and with the applicant agreement to the term below, the department will require that HOH provide documentation establishing ancillary and support services with healthcare provider providing services in the community when it begins operations.

Term

- *Prior to providing hospice care services, Heart of Hospice, LLC must provide to the department for review a list of all contracted ancillary and support services providers in the local community.*

Based on the evaluation and with agreement to the term above, the department concludes that there is reasonable assurance that Heart of Hospice 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.*

Heart of Hospice is an Oregon based Medicare certified and Medicaid eligible hospice care provider that is located in the state of Oregon and has been operating there since March 2007. To evaluate this sub-criterion, the department requested HOH quality of care history from Oregon. HOH identified William Hamilton, MD as the medical director for the proposed hospice care agency. A review the quality of care information provided by Oregon did not reveal any adverse issues regarding HOH services in that state.

Given the compliance history of HOH and that of the proposed facility medical director, the department concludes that there is reasonable assurance that the proposed hospice care agency would be operated in conformance with state and federal regulation.

Based on the information provided in the application, the department concludes there is reasonable assurance that HOH would operate the proposed hospice care agency 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, *“This project greatly improves continuity and avoids fragmentation. Skamania County residents currently do not have access to a Medicare certified hospice program. As such, terminally ill patients (if eligible) either do not receive care or are cared for under home health; which does not provide the same breath and scope of care as does hospice. As such, with the establishment of the hospice program continuity will be greatly enhanced”*. [Source: Application page 24]

The department notes that currently the Skamania County service area does not have a CN approved Medicare provider providing service in the entire county. With the approval of the applicant’s proposed project, residents in the planning area would have access to services. Therefore, the department concludes that approval of this project will promote continuity in the provision of healthcare and not result in an unwarranted fragmentation of Medicare certified hospice care services within the service area. This sub-criterion is met.

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

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

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

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

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

Acquisition of an existing hospice agency

The applicant stated that two real alternatives exist regarding the decision to apply for a CN to establish a new hospice agency in Skamania County. HOH states the two alternatives are maintaining the status quo or requesting approval for a new hospice agency that will also serve the western portions of Klickitat County. HOH additionally stated that maintaining the status quo is unacceptable and limits access to hospice services in the planning area. Further, the applicant also stated that currently the Skamania County does not have a certified Medicare care provider and since Medicare patients are the largest patient population of hospice users, the impact of lack of access to qualified Medicare providers must be addressed because not addressing this issue would result in those patients not benefiting from the full array of hospice services to which they are entitled.

The department concurs with the applicant's assertion that there is no Medicare certified hospice agency available in Skamania County. Further, the department notes that the approval of this project would enable the residents of Skamania County to have access to a Medicare certified hospice agency. The department previously concluded in the need section of this evaluation that the ADC in the planning area is not sufficient, but due to the lack of a Medicare provider and given that the applicant qualified for an exemption, the department concludes that the approval of HOH application is the best available alternative. This sub-criterion is met.

APPENDIX A