

## **EVALUATION OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY PEACEHEALTH dba WHATCOM HOSPICE PROPOSING TO ESTABLISH 12-BED HOSPICE CARE CENTER TO SERVE THE RESIDENTS OF WHATCOM COUNTY.**

### **PROJECT DESCRIPTION**

PeaceHealth dba Whatcom Hospice is a Medicare licensed hospice care program of the PeaceHealth St. Joseph Hospital which is located in the city of Bellingham within Whatcom County. Information provided to the department by the applicant states that the PeaceHealth organization operates six hospitals and other healthcare related services in Alaska, Oregon and Washington states. [Source: Application, pages 1 and 15] The applicant states that the proposed 12-bed hospice care center would be located on site at 2806 Douglas Avenue in Bellingham within Whatcom County. [Source: Supplemental Information received February 14, 2008, Attachment 3]

For introductory purposes, hospice care center services are basically the same types of hospice services as provided by hospice agency, the main difference between a hospice care center and a hospice agency is the location where hospice patients receive services. In the case of a hospice agency, patients receive hospice care in their home or current place of residence while patients of 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 the patient's family. Hospice care centers also have unique requirements under licensing and Certificate of Need (CN). 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 CN to establish a hospice care center.
- Need for hospice care centers are based on that hospice agency's demonstrated need rather than the typical larger community need.

The capital expenditure associated with the establishment of the proposed 12-bed hospice care center is \$3,165,000. [Source: Application, Page 7] The applicant states that funding for this project would be realized through 100% community fundraising. Additionally, the applicant stated that the proposed hospice care center would be operational by the end of December 2010. Under this timeline, year 2011; would be the hospice care center's first full year of operation. [Source: Application, Page 14]

For ease of reference, the department would refer to PeaceHealth dba Whatcom Hospice the applicant as "Whatcom Hospice".

### **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 31, 2007	Letter of Intent Submitted
November 30, 2007	Application Submitted
December 4, 2007, through February 14, 2008	Department's Pre-Review Activities <ul style="list-style-type: none"><li>• 1<sup>st</sup> screening activities and responses</li></ul>
February 22, 2008	Department Begins Review of the Application <ul style="list-style-type: none"><li>• Public comments accepted throughout the review</li></ul>
March 27, 2008	End of Public Comment
April 7, 2008	Rebuttal Documents Submitted to the Department <sup>1</sup>
May 22, 2008	Department's Anticipated Decision Date
May 20, 2008	Department Actual Decision Date

### **CONCURRENT REVIEW AND AFFECTED PARTIES**

Whatcom Hospice application was submitted during the year 2007 hospice care center concurrent review cycle outlined in WAC 246-310-295(3). For the 2007 concurrent review period, the department did not receive any other hospice care center application for Whatcom County. 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.

### **SOURCE INFORMATION REVIEWED**

- PeaceHealth dba Whatcom Hospice Certificate of Need application received November 30, 2007
- Supplemental information received February 14, 2008
- Community letters of support received during the public comments period.
- Population data—Office of 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

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<sup>1</sup> Whatcom Hospice did not provide rebuttal comments.

## **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 (structure and process of care); 246-310-240 (cost containment); and 246-310-295 (hospice care center standards).<sup>2</sup>

## **CONCLUSION**

For the reasons stated in this evaluation, the application submitted on behalf of PeaceHealth dba Whatcom Hospice proposing to establish a 12-bed hospice care center in Whatcom County is consistent with applicable criteria provided that the applicant agrees to the following terms listed below.

### **Terms**

- Prior to commencing this project, PeaceHealth dba Whatcom Hospice must provide to the department for review and approval a copy of the executed lease agreement to the proposed site located at 2806 Douglas Avenue, Bellingham, WA 98225. The executed agreement must be consistent with the draft provided in the application.
- Prior to commencing this project, PeaceHealth dba Whatcom Hospice must provide to the department for review the proposed project site conditional land use permit stating that the site can be used for hospice center services.
- Prior to providing hospice center services, PeaceHealth dba Whatcom Hospice must provide to the department for review a list of all contracted ancillary and support services.
- Prior to providing services, PeaceHealth dba Whatcom Hospice must provide to the department for review and approval a copy of the executed medical director agreement for the hospice care center. The executed medical director agreement shall be consistent with the agreement provided with supplemental information.

Provided that PeaceHealth dba Whatcom Hospice agrees to the items identified above, a Certificate of Need would be issued for the establishment of the 12-bed Whatcom Hospice House. The approved capital expenditure associated with the establishment of the hospice care center is \$3,165,000.

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

### **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 utilizes the existing hospice services use rates, the average number of resident deaths in the planning area (county); for the most recent three years and the projected population in the planning area to project the number of hospice center beds.

Whatcom Hospice applied the six-step methodology outlined in WAC 246-310-295 and states, "*the WAC methodology identifies need for a 48-beds hospice care center in Whatcom County because need as outlined in the methodology is calculated based on all patients who currently receive care outside their home. Whatcom Hospice believes that the methodology overstates need because some patients will prefer to receive care in other setting besides hospice care center. For these reasons, Whatcom Hospice opted to build a 12-bed hospice care center*". [Source: Application, page 20] Using the required minimum occupancy rate of 65%, Whatcom Hospice projected a patient base that could support a 12-bed hospice care center at a higher occupancy and states, "*If it becomes clear that there is a need for additional hospice care center beds in the community in the future, Whatcom Hospice House is designed to easily allow for the addition of beds*". [Source: Application page 20] The maximum number of beds any hospice care center may be licensed for is 20<sup>3</sup>. Whatcom Hospice project is compliant with that requirement.

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 requires the applicant to demonstrate it can maintain the minimum occupancy rate. Whatcom Hospice provided documentation to demonstrate its ability to meet this occupancy requirement. [Source: Supplemental Information, February 14, 2008, Attachment 5]

WAC 246-310-295(9)(a) requires that not more 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. Whatcom Hospice provided documentation to demonstrate its ability to meet these occupancy requirements [Source: Application page 20, and Supplemental Information February 14, 2008, Attachment 5]

During public comment period, the department received community letters of support for the proposed project. All the community letters of support unanimously indicated that approval of a hospice care center in Whatcom County would afford the residents of the planning area reasonable access to hospice care services. Hospice care centers need is based on the applicant hospice agency's need for hospice center beds. Whatcom Hospice is currently licensed to provide in-home hospice

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<sup>3</sup> WAC 246-310-295 (9) (6) and RCW 70.127.280 (1) (e)

care services in Whatcom County and if the proposed project is approved, it would be the only hospice care center provider in the planning area. A review of the documentation provided by the applicant shows that Whatcom Hospice has demonstrated that need for a hospice care center exists in Whatcom County. Therefore, the department does not expect the approval of this project to impact other in-home hospice care providers in the service area. Based on the information provided and reviewed the department concludes that the population to be served has a need for a hospice care center. 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.

To determine whether all residents of the service area 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 demonstrate compliance with this sub-criterion, PeaceHealth St. Joseph Hospital the owning entity of Whatcom Hospice provided a copy of its existing admission, referral and charity care policies. The admission and referral Policy provided by Whatcom Hospice states the overall guiding principles regarding the types of patients appropriate to use the hospice agency and assurances regarding patient's access to services. The admission policy demonstrates that patients needing hospice care are admitted for services without regard to age, race, color, religion, sex, national origin, handicap, or sexual preference. Additionally, the policy states that patients will be treated with respect and dignity. The applicant states that its existing admission policy would be adopted for use by the proposed hospice care center. [Source: Application Exhibit 5]

To determine whether low income residents would have access to the proposed services, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination. Whatcom Hospice states that Medicaid recipients will have access to the hospice care center and the department's review of the application shows revenue from Medicaid is expected by the applicant.

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. The proposed Whatcom Hospice care center would be Medicare certified. A review of the application shows that 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, Whatcom Hospice provided a copy of its existing charity care policy known as the "Bridge Assistance". The Bridge Assistance policy provided by the applicant indicated that charity care is available to the residents of the planning area. The Bridge Assistance policy states that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have access to community hospice services provided by the applicant.

Whatcom Hospice states that the Bridge Assistance policy would be adopted for use by the proposed hospice care center. Additionally, Whatcom Hospice pro-forma income statement included a charity care line item as a deduction from revenue within its pro-forma income statement. [Source: Application page 17 and Exhibits 4 and 6] Based on the above information, the department concludes that all residents of the service area would have reasonable access to healthcare services at the proposed Whatcom Hospice care center. 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 terms 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 the proposed 12-bed hospice care center is \$3,165,000. Whatcom Hospice states that the proposed project will be funded with 100% community fundraising. The applicant states that based on the laid groundwork, and as soon as the foundation is informed of CN approval, they will be ready to move ahead quickly with the full blown fundraising campaign. Additionally, Whatcom Hospice states that it expects the majority of the fundraising activities to occur between June 2008 and January 2009. [Source: Supplemental Information, February 14, 2008]

Under the timeline as stated by Whatcom Hospice, the first full calendar year of operation for the 12-bed hospice care center would be year 2011. [Source: Application page 14] Summarized in the table below, is Whatcom Hospice pro-forma income statements and the projected number of hospice patients.

**Table 1  
Whatcom Hospice Projected Revenue and Expenses**

	<b>Partial Year 2010</b>	<b>Year 1 2011</b>	<b>Year 2 2012</b>	<b>Year 3 2013</b>	<b>Year 4 2014</b>	<b>Year 5 2015</b>
Number of Beds	12	12	12	12	12	12
Number of Patient days	3,166	3,384	3,485	3,590	3,697	3,808
Total Average Daily Census	8.7	9.3	9.5	9.8	10.1	10.4
Net Patients Revenue	\$1,507,970	\$1,626,618	\$1,690,360	\$1,756,656	\$1,825,487	\$1,897,075
Total Operating Expenses	\$1,541,290	\$1,608,035	\$1,664,884	\$1,723,994	\$1,785,463	\$1,839,723
Net Profit or (Loss)	(\$33,320)	\$18,583	\$25,476	\$32,622	\$40,024	\$57,352
Net Revenue per Patient Day	\$476.30	\$480.68	\$485.04	\$489.32	\$493.78	\$498.18
Net Expense per Patient Day	\$486.83	\$475.19	\$477.73	\$480.22	\$482.95	\$483.12
Net Profit	(\$10.52)	\$5.49	\$7.31	\$9.10	\$10.83	\$15.06

As shown in Table 1, at the projected volumes identified, the proposed Whatcom Hospice would be operating the 12-bed hospice care center at a loss in partial year 2010 and a profit in years 2011 through 2015. Whatcom Hospice states that the proposed facility will be operated at a higher occupancy to ensure the greatest efficiency. In order to clarify that Whatcom Hospice has site control, it provided a draft purchase and lease agreement between Catholic Community Services of

Western Washington (Seller) and the Visiting Nurse Foundation dba Whatcom Hospice Foundation (Buyer).

According to the document provided, Whatcom Hospice Foundation would purchase and finance the property and lease it to Whatcom Hospice for an annual nominal fee of \$1.00 for a minimum term of fifty (50) years. [Source: Application Exhibit 3, and Supplemental Information, February 14, 2008, Attachment 3]

The applicant provided the department a letter from the City of Bellingham indicating that the proposed site was granted a conditional use permit. The conditional use permit indicates that the proposed site was conditionally approved for a built to suit non-specific healthcare facility. In supplemental information provided to the department, the applicant states that they are communicating with the City of Bellingham regarding the proposed site conditional use status. [Source: Supplemental Information, February 14, 2008, Attachment 2] The department notes that Whatcom Hospice is in the process of clarifying from the City of Bellingham to ascertain whether a hospice care center can be located at the site. The Department concludes that the applicant demonstrated that the project is needed, but given that the applicant provided a draft purchase lease agreement and since the proposed site zoning determination, is yet to be finalized the department would include the following terms.

### **Terms**

- *Prior to commencing this project, Whatcom Hospice must provide to the department for review and approval the executed copy of the lease agreement to the proposed site located at 2806 Douglas Avenue, Bellingham, WA 98225. The executed agreement must be consistent with the draft provided in the application.*
- *Prior to commencing this project, Whatcom Hospice must provide to the department for review the proposed project site conditional land use permit stating that the site can be used for hospice center services..*

Based on the information reviewed and with Whatcom Hospice agreement to the listed terms, 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.

Whatcom Hospice projects a capital cost of \$3,165,000, for the establishment of the proposed 12-bed hospice care center and states that all of the projected capital cost would be realized through community fundraising. Of the project capital cost, 79.8% is dedicated to land purchase, construction and moveable equipment and leasehold improvements and the remaining 20.2 % is dedicated to fees, permits and state sales tax. [Source: Application page 22]

Whatcom Hospice states that funding for the proposed project would be achieved by community fundraising campaign. The applicant is leasing the proposed project property for a nominal annual fee of \$1.00 for a minimum term of fifty (50) years. The department concludes that the use of community fundraising to fund the project is the least expensive way to pay for the proposed project. Additionally, the department received a notable amount of public comments from the community urging the approval of the project.

Based on source information reviewed, the department concludes that costs associated with this 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.

The applicant states, Whatcom Hospice will be spearheading the fundraising campaign and intends to raise the full costs needed for this project. Whatcom Hospice asserted that PeaceHealth St. Joseph and Whatcom Hospice Foundation have extensive experience in implementing comprehensive fundraising campaigns in every community that PeaceHealth serves. Further, the applicant states that in Whatcom County PeaceHealth organization is supported by St. Joseph Hospital Foundation which recently raised \$10 million dollars to renovate its hospital emergency department. Whatcom Hospice is leasing the proposed project property from the Catholic Community Services for a nominal annual fee of \$1.00 for a minimum term of fifty years (50). [Source: Supplemental Information, February 14, 2008 and Attachment 4]

The applicant states that while it's unable to fully implement the fundraising campaign until CN approval, it has already started pre-fundraising activities and would began a full blown fundraising campaign as soon as the foundation gets CN approval. The applicant states that a full blown fundraising campaign is expected to occur between June 2008 and January 2009. Whatcom Hospice states that it's confident that given the project timeline, it would still move forward even if 50% of the funds needed were raised by January 2009 because the project construction completion date is approximately 2 years away from that date. Based on the information provided within the application, the department concludes that the proposed financing method is appropriate for the project. 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 structure and process (quality) of care criteria in WAC 246-310-230 is 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 the projected patient's census, the applicant states that the hospice care center would be fully staffed when it begins operations in December 2010. Shown in table 2, is a summary of the proposed FTE's for the proposed hospice care center. [Source: Application page 28]

**Table 2  
Whatcom Hospice Proposed FTE's**

<b>Category</b>	<b># FTE's</b>
Clinical Team lead	1.54
RN	3.08
LPN	4.62
Hospice Care Aide	4.62
Housekeeping/Dietary/Laundry	4.62
Volunteer Assistant	0.55
Reception/Security	1.21
Manager	0.30
<b>Total FTE's</b>	<b>21.31</b>

As shown in Table 2 above, Whatcom Hospice anticipates that a total of 21.31 FTE's would be needed to operate the 12-bed hospice care center. The applicant states, "*Whatcom Hospice is a well establish, highly regarded hospice care provider. Historically, Whatcom Hospice has not experienced any major difficulty recruiting qualified personnel. Therefore, given the relatively small number of staff needed to operate Whatcom Hospice House and given that, we are part of a larger healthcare system; we do not anticipate any significant problems recruiting. It is the policy of Whatcom Hospice to provide its own network of employee with the first opportunity to apply for any new positions available*". [Source: Application page 29]

Given that the proposed project is not expected to be operational until December 2010, therefore; Whatcom Hospice is yet to recruit the 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, the department notes that the applicant currently provides in-home hospice care services and is an affiliate program of PeaceHealth St. Joseph Hospital a local health provider in Whatcom County therefore; the department does not expect any problem with staff recruitment.

Whatcom Hospice employs two physicians Dr. Margaret Jacobson and Dr. Shaun Sullivan as medical staff's of the existing in-home hospice care services. Whatcom Hospice states that Dr. Jacobson is expected to serve as the medical director of the proposed hospice care center. [Source: Application page 4 and Supplemental Information, February 14, 2008, Attachment 1]

Whatcom Hospice provided an executed medical director agreement between Bellingham Anesthesia Associates, P.S and St. Joseph Hospital. The executed agreement was formalized in December 2006. Whatcom Hospice did not provide a separate executed medical agreement for the proposed hospice care center. The department notes that the applicant has demonstrated that the project meet the reviewable criteria and therefore would commit to an intent to issue CN. Additionally, the department also notes that the proposed hospice care center will not commence until June 2009, therefore; the department notes that the proposed Whatcom Hospice project is approvable provided that the applicant accepts the term below.

**Term:**

- *Prior to providing services, Whatcom Hospice must provide to the department for review and approval a copy of the executed medical director agreement for the hospice care center. The executed medical director agreement shall be consistent with the agreement provided with supplemental information.*

Based on available information, the department expects staffing will be available for recruitment when the hospice care center being operations in year 2010. Based on the information provided in the application, the department concludes that sufficient staff will be available for recruitment by 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.

The department notes that Whatcom Hospice has been providing in-home hospice services to the residents of Whatcom County since year 2001. If this project is approved, Whatcom Hospice expects that the proposed hospice center services will have appropriate ancillary and support services relationships with local healthcare providers in Whatcom County.

A review of the documents provided to the department by Whatcom Hospice shows that it maintains appropriate ancillary and support services relationships with local entities in the community. Whatcom Hospice states that it will continue to maintain an ongoing collaborative relationship with Hospital Central Services and St. Joseph Hospital in Whatcom County. [Source: Supplemental Information, February 14, 2008]

The department notes that the applicant operates a hospice care program that is affiliated with the PeaceHealth St. Joseph Hospital located in the planning area. Additionally, the department notes that the PeaceHealth organization is a larger healthcare systems providing healthcare services in multiple hospitals located in Alaska, Oregon and Washington states. Therefore, the department concludes that given the applicant's extensive relationship with healthcare providers in the three states mentioned above, it expects the approval of the proposed project to have a good impact. The department notes that the applicant stated that the hospice care center will not be operational until year 2010 and therefore, is yet to formally establish ancillary and support services contracts for the proposed project. To demonstrate that Whatcom Hospice intends to establish ancillary and support services with healthcare providers in the community when it begins operations, it must agree to the term below

**Term**

- *Prior to providing hospice center services, Whatcom Hospice must provide to the department for review a list of all contracted ancillary and support services.*

Based on the evaluation and with agreement to the above term, the department concludes there is reasonable assurance that Whatcom 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.

As stated within the evaluation, Whatcom Hospice is a program affiliated with the PeaceHealth organization which operates six hospitals and healthcare related services in Alaska, Oregon and Washington states. [Source: Application pages 1 and 15]

Currently within Washington State, the PeaceHealth organization owns and operates a dialysis treatment center and hospitals. As part of its review, the department must conclude that the proposed services would be provided in a manner that ensures safe and adequate care to the public<sup>4</sup>. To accomplish this task, the department requested quality of care compliance history from the state licensing and/or surveying entities responsible for monitoring healthcare facilities where the applicant and its subsidiary operates health care facilities. The department received responses from Alaska and Oregon where the applicant subsidiary the PeaceHealth organization operate healthcare facilities. The responses received by the department did not reveal any citable compliance issues.

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

For Washington State, the Department of Health's Office of Health Care Survey (OHCS) completed compliance surveys for the healthcare facilities owned and operated by the applicant and its subsidiary the PeaceHealth organization. A review of the completed surveys did not reveal any non-compliance deficiencies<sup>5</sup>. [Source: Compliance survey data provided by Office of Health Care Survey]

Whatcom Hospice currently provides Medicare and Medicaid hospice care services through its existing Medicare certified agency. The applicant expects that the proposed hospice care center would be Medicare certified and Medicaid eligible. Currently Whatcom Hospice employs Dr. Margaret Jacobson and Dr. Shaun Sullivan as medical directors to provide clinical services to patients using the existing hospice agency. The applicant states that Dr. Margaret Jacobson is expected to serve as the medical director of the proposed hospice care center.

Compliance history review of Dr. Shaun Sullivan and the proposed hospice care center medical director Dr. Margaret Jacobson did not reveal any recorded sanctions. Given the compliance history of Whatcom Hospice and the peaceHealth organization and that of the proposed facility medical director, the department concludes that there is reasonable assurance that the proposed hospice care center 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 Whatcom Hospice would operate the new 12-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 the establishment of Whatcom Hospice House operated by the applicant will promote patients continuity of care and would also ensure that staff are familiar with and committed to the needs of its hospice care philosophy. [Source: Application page 30]

Whatcom Hospice states that it has a well-establish healthcare services referral relationship with providers in the community and that it does not anticipate that the approval of its application would affect those relationships. The applicant states that it maintains relationship with St. Joseph Hospital and other local healthcare providers in the community. The department notes that Whatcom Hospice existing patient population would support a larger hospice care center than the applicant has requested. Therefore, the department concludes that the approval of the hospice care center will promote continuity of care and does not expect the approval of the project to have an unwarranted fragmentation of services in the planning area.

Based on the information provided, the department expects that the approval of this project would continue to promote continuity of hospice care for the residents of Whatcom County. This sub-criterion is met.

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

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

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<sup>5</sup> Facilities owned and operated by Whatcom Hospice and its subsidiary: PeaceHealth Dialysis Center, PeaceHealth St. John Medical Center and St. Joseph Hospital.

#### **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.

Whatcom Hospice states that the decision to forward the proposed project came after years of thorough review, feasibility analysis and community collaboration's. Summarized below are the options considered by Whatcom Hospice before submitting its application.

#### Do nothing

The applicant states that the option of "doing nothing" was dismissed based on the compelling feedback received from community interviews and focus groups demonstrating that:

- Hospice is seen as an invaluable service to the community.
- Whatcom Hospice is very well regarded in the community and care provided is defined as high quality and absolutely critical.
- Majority of resident's families would benefit from access to a hospice care center.

The applicant states that based upon these considerations, the option to do nothing was rejected.

#### Build a new facility

The applicant considered the option of designing and constructing a facility that reflects it hospice care philosophy, but stated that the significant cost associated with such building will be a burden on the community and after evaluation concluded that this option is not viable. However, the applicant said that it found an existing facility that upon renovation would be suitable to Whatcom Hospice philosophy of providing care in a homelike serene and non-institutional setting based on these factors, Whatcom Hospice choose this option.[Source: Supplemental Information, February 14, 2008, page 10]

The department agrees that leasing an existing building and remodeling it to meet the standards of a hospice care center is a feasible alternative to a new building. The department notes that if approved this project would be the only hospice care center in Whatcom County therefore, the department agrees that the options considered by the applicant are appropriate. Based on source information reviewed, the department concludes the 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 12-bed hospice care center. Under the timeline provided in the application, Whatcom Hospice states that the project would be completed in September 2010, and would start offering services in December 2010. [Source: Application page 14]

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

- The proposed building would be fitted with low water volume plumbing fixtures designed to reduce water consumption.
- The proposed building would be fitted with recycled and reused equipment.
- The facility will be fitted with solar energy panel and will use natural light-skylight windows and light colored interiors.

- The proposed facility would be fitted with energy controlled heating and cooling equipments such as large overhangs operable windows. [Source: Supplemental information, February 14, 2008, page 11]

The capital cost of this project is comparable with other hospice center projects approved by the department. The applicant stated within the application that it intend to fund the project with 100% fundraising and also that Catholic Community Services is donating the proposed site to Whatcom Hospice for a nominal annual fee of \$1.00 for a minimum term of fifty years (50).

The applicant states that the proposed building would be constructed and fitted with innovative construction materials that would conserve resources. Given the construction method employs by the applicant, the department concludes that the cost of the project is reasonable. 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