August 22, 2014

CERTIFIED MAIL # 7011 1570 0002 7808 8126

Lori Hermansen, Director of Providence Hospice
Providence Hospice and Home Care of Snohomish County
2731 Wetmore Avenue, Suite 500
Everett, WA 98201

RE: CN 14-17

Dear Ms. Hermansen:

We have completed review of the Certificate of Need (CN) application submitted by Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County to construct a 16-bed hospice care center in Everett. For the reasons stated in the enclosed decision, the application is consistent with the applicable criteria of the Certificate of Need Program, provided Providence agrees to the following in its entirety.

**Project Description:**
Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County is approved to construct a 16-bed Medicare and Medicaid certified hospice care center in leased space on the 8th floor “A” wing at Providence Regional Medical Center-Colby Campus at 1321 Colby Avenue within the city of Everett, in Snohomish County.

**Conditions:**

1. Approval of the project description as stated above. Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County further agree that any change to the project as described in the project description is a new project that requires a new Certificate of Need.

2. Prior to providing services, Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County will provide an executed copy of the lease agreement for the department’s review and approval. The executed lease agreement must be consistent with the draft copy provided in the application.
3. Prior to the hospice care center becoming licensed, Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County will provide a copy of the letter to the Department of Health’s Office of Investigations and Inspections requesting the 8th floor space where the hospice care center is to be located at Providence Regional Medical Center–Everett has been removed from the hospital’s licensed space.

4. Prior to providing hospice care center services, Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County will identify the Medical director and provide an executed copy of the medical director agreement for the department’s review and approval. The roles and responsibilities must be consistent with those outlined in the draft Medical Director job description reviewed by the department.

**Approved Costs:**
The approved capital expenditure for this project is $5,543,923.

You have two options, either accept or reject the above in its entirety. If you accept the above in its entirety, your application will be approved and a Certificate of Need sent to you. If you reject any provision of the above, you must identify that provision, and your application will be denied because approval would not be consistent with applicable Certificate of Need review criteria. Please notify the Department of Health within 20 days of the date of this letter whether you accept the above in its entirety.

Your written response should be sent to the Certificate of Need Program, at one of the following addresses.

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

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

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

Sincerely,

[Signature]

Steven M. Saxe, FACHE
Director, Community Health Systems

Enclosure
EVALUATION DATED AUGUST 22, 2014 FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY PROVIDENCE HEALTH & SERVICES-WASHINGTON DBA PROVIDENCE HOSPICE AND HOME CARE OF SNOHOMISH COUNTY PROPOSING TO CONSTRUCT A MEDICARE AND MEDICAID CERTIFIED HOSPICE CARE CENTER IN LEASED SPACE LOCATED IN EVERETT, SNOHOMISH COUNTY

APPLICANT DESCRIPTION
Providence Health & Services-Washington is a not-for-profit Catholic health care ministry committed to providing for the needs of the communities it serves. The system’s combined scope of services includes hospitals, physician clinics, senior services, supportive housing and many other health and educational services across Alaska, California, Montana, Oregon and Washington. [Source: Providence Health & Services-Washington website] Providence Hospice and Home Care of Snohomish County was founded in 1978 and provides services to the residents of Snohomish County and Camano Island in Island County. [Source: Application and CN Historical records]

For purposes of this evaluation, the department will use Providence when referring to this project.

PROJECT DESCRIPTION
Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County (Providence) proposes to construct a 16-bed Medicare and Medicaid certified hospice care center in leased space on the 8th floor “A” wing at Providence Regional Medical Center-Colby Campus at 1321 Colby Avenue within the city of Everett, in Snohomish County. [Source: Application, page 4]

The capital expenditure associated with this 16-beds hospice care center is $5,027,135. [Source: Application, page 27] Of this amount 74% is related to construction, 8% Washington State sales tax, and 19% other expenses such as IT, mechanical, and art work. If this project is approved, Providence anticipates the 16-bed hospice care center would become operational in November 2015. Under this timeline, calendar year 2016 would be the first full calendar year of operation and 2018 would be year three. [Source: Application, page 16 and supplemental information received March 28, 2014]

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

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

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

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

(i) The consistency of the proposed project with service or facility standards contained in this chapter;

(ii) In the event the standards contained in this chapter do not address in sufficient detail for a required determination the services or facilities for health services proposed, the department may consider standards not in conflict with those standards in accordance with subsection (2)(b) of this section; and

(iii) The relationship of the proposed project to the long-range plan (if any) of the person proposing the project.”

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

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

(i) Nationally recognized standards from professional organizations;

(ii) Standards developed by professional organizations in Washington state;

(iii) Federal Medicare and Medicaid certification requirements;

(iv) State licensing requirements;

(v) Applicable standards developed by other individuals, groups, or organizations with recognized expertise related to a proposed undertaking; and

(vi) The written findings and recommendations of individuals, groups, or organizations with recognized expertise related to a proposed undertaking, with whom the department consults during the review of an application.”

WAC 246-310-295 contains service and facility specific standards and criteria for hospice care center projects. To obtain Certificate of Need approval, an applicant must demonstrate compliance with the applicable criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); and 246-310-240 (cost containment), and WAC 246-310-295 (hospice care center standards).2

CONCURRENT REVIEW
This application was submitted during year 2013-2014 hospice care center concurrent review cycle outlined in WAC 246-310-295(3). The department did not receive any other hospice care center applications for the planning area. As allowed under WAC 246-310-295(5), the department converted the application to a regular review timeline.

2 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).
APPLICATION CHRONOLOGY

<table>
<thead>
<tr>
<th>Action</th>
<th>Providence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter of Intent Submitted</td>
<td>October 11, 2013</td>
</tr>
<tr>
<td>Application Submitted</td>
<td>November 26, 2013</td>
</tr>
<tr>
<td>Department’s Pre-review Activities</td>
<td></td>
</tr>
<tr>
<td>• DOH 1st Screening Letter</td>
<td>December 31, 2013</td>
</tr>
<tr>
<td>• Applicant’s Screening Responses Received</td>
<td>February 10 and 13, 2014</td>
</tr>
<tr>
<td>• DOH 2nd Screening Letter</td>
<td>February 20, 2014</td>
</tr>
<tr>
<td>• Applicant’s Screening Responses Received</td>
<td>March 28, 2014</td>
</tr>
<tr>
<td>Public Comment</td>
<td></td>
</tr>
<tr>
<td>• Public hearing conducted</td>
<td>None</td>
</tr>
<tr>
<td>• Public comments accepted through</td>
<td>May 8, 2014</td>
</tr>
<tr>
<td>Department’s Anticipated Decision Date</td>
<td>July 7, 2014</td>
</tr>
<tr>
<td>Department’s Actual Decision Date</td>
<td>August 22, 2014</td>
</tr>
</tbody>
</table>

AFFECTED PERSONS
Washington Administrative Code 246-310-010(2) defines ‘affected person’ as:
“...an interested person who:
  (a) Is located or resides in the applicant's health service area;
  (b) Testified at a public hearing or submitted written evidence; and
  (c) Requested in writing to be informed of the department's decision.”

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

SOURCE INFORMATION REVIEWED
- Providence Hospice and Home Care of Snohomish County Certificate of Need application received November 26, 2013
- Providence Hospice and Home Care of Snohomish County supplemental information received February 10, 2014 and February 13, 2014 and March 28, 2014
- Letters of support received during public comment period
- Licensing and/or survey data provided by the Department of Health’s Investigations and Inspections Office
- Profession compliance data provided by the Medical Quality Assurance Commission
- Information obtained from Providence Hospice and Home Care of Snohomish County website [http://washington.providence.org/in-home-services/hospice-and-home-care-of-snohomish-county/]
- Certificate of Need historical files.

CONCLUSION
For the reasons stated in this evaluation, the application submitted by Providence Health and Services-Washington dba Providence Hospice and Home Care of Snohomish County proposing to construct a 16-bed hospice care center located in Everett within Snohomish County is consistent with the applicable criteria of the Certificate of Need Program, provided Providence Health and Services-Washington agrees to the following in its entirety.
**Project Description:**
Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County is approved to construct a 16-bed Medicare and Medicaid certified hospice care center in leased space on the 8th floor “A” wing at Providence Regional Medical Center-Colby Campus at 1321 Colby Avenue within the city of Everett, in Snohomish County.

**Conditions:**
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3. Prior to the hospice care center becoming licensed, Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County will provide a copy of the letter to the Department of Health’s Office of Investigations and Inspections requesting the 8th floor space where the hospice care center is to be located at Providence Regional Medical Center–Everett has been removed from the hospital’s licensed space.

4. Prior to providing hospice care center services, Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County will identify the Medical director and provide an executed copy of the medical director agreement for the department’s review and approval. The roles and responsibilities must be consistent with those outlined in the draft Medical Director job description reviewed by the department.

**Approved Costs:**
The approved capital expenditure for this project is $5,027,135.
A. Need (WAC 246-310-210) and Hospice Care Center Standards (WAC 246-310-295)

Based on the source information evaluated the department concludes that Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County has met the need criteria in WAC 246-310-210(1) and (2) and the Hospice Care Center methodology and standards outlined in WAC 246-310-295.

(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 outlined in WAC 236-310-295(6) to determine need for a hospice care center within a planning area. The six-step methodology is used to demonstrate that an existing hospice agency’s patient base is sufficient to support a hospice care center. The method uses the existing use rates for the 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 care center beds.

Providence Numeric Methodology

Providence applied the six-step methodology outlined in WAC 246-310-295. Within the application, Providence stated its internal data showed 1.5% of its current hospice patients are admitted annually to Providence Regional Medical Center—Everett or Swedish Edmonds for General Inpatient (GIP) care. An additional 8.2% of its patients receive hospice services in a skilled nursing setting and 26.9% hospice receive services in custodial care settings, such as assisted living or adult family homes. These patients represent 36.6% of their current patient census and are in settings considered outside a private home. Providence estimated that 10% of these hospice patients will require inpatient hospice. [Source: Application, Page 19-20] Providence’s methodology is summarized in table 1.

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Data Used/Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning Area</td>
<td>Snohomish County</td>
</tr>
<tr>
<td>Providence Historical Data Used</td>
<td>Full years 2010, 2011, 2012</td>
</tr>
<tr>
<td>Three Year Average Total Days of Care</td>
<td>99,840</td>
</tr>
<tr>
<td>Total Number of Potential Patient Days</td>
<td>99,984 *0.10 = 9,984</td>
</tr>
<tr>
<td>Total number of Beds Needed at Full Capacity</td>
<td>9,984/365 = 27 beds</td>
</tr>
<tr>
<td>Total Number of Beds at 65% Occupancy</td>
<td>27/0.65 = 42 beds</td>
</tr>
</tbody>
</table>

Using the assumptions outlined above, Providence projected a need for 42 hospice care center beds for its patients. The result shows that Providence’s current patient base could support more beds than the 16 beds requested. [Source: Application, Page 20]

The department verified at Providence applied the numeric methodology correctly to its internal data. Revised Code of Washington (RCW) 70.127.280(1)(e) limits the number of beds a hospice care center may be licensed for to twenty. Providence has requested approval for a 16-bed facility. Therefore based on the need methodology the department concludes Providence’s request for 16-beds is reasonable.
WAC 246-310-295(8) sets forth a minimum occupancy requirement and it requires the applicant to demonstrate it can maintain the minimum occupancy rate of 65% after the first three years of operation. Providence provided documentation to demonstrate its ability to meet this occupancy requirement. [Source: Application, Pages 18-20] Table 2 shows Providence’s projected patient days during the first three years of operation.

Table 2
Projected Occupancy in First Three Years of Operation of the Hospice Care Center

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1st full year</td>
<td>2nd full year</td>
<td>3rd full year</td>
</tr>
<tr>
<td>Total patient days</td>
<td>1,935</td>
<td>2,977</td>
<td>4,011</td>
</tr>
<tr>
<td>Total patient days available</td>
<td>5,840</td>
<td>5,840</td>
<td>5,840</td>
</tr>
<tr>
<td>Percent Occupancy</td>
<td>33.1%</td>
<td>50.9%</td>
<td>68.9%</td>
</tr>
</tbody>
</table>

Table 2 shows that Providence’s hospice care center is expected to meet and exceed the 65% minimum occupancy standard by the third year of operation. This sub-criterion is met.

WAC 246-310-295(9)(a) requires that no 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. To determine if Providence’s proposed project would meet this criteria the department used the in home hospice surveys previously submitted by Providence. These show that on average Providence has 75,387 total patient days. Therefore the 2017 and 2018 combined hospice care center days represents about 9% of the total patient days. Therefore, the department concludes this sub-criterion is met.

Based on the evaluation of the source documents the department concludes this sub-criterion is met.

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

Providence Health & Services-Washington through its Providence Hospice and Home Care of Snohomish County and other licensed health care facilities currently provide services to the residents of Washington State. To determine whether all residents of the service area would continue to have access to an applicant proposed services, the department requires Providence Hospice and Home Care of Snohomish County to provide a copy of its current or proposed admission policy. The admission policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and any assurances regarding access to treatment.

Providence provided a copy of its current Admissions: Acceptance of a Patient to Service and Admissions for General In-Patients Care for Pain and Symptom Management Policies used for the hospice agency in Snohomish County. These same policies will be used for the proposed hospice care center. The policies includes the necessary language that demonstrates
all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups will access to these hospice care center services. [Source: Application, Attachment K-1]

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. Providence currently provides services to Medicare eligible patients through its hospice agency. The hospice care center’s expected sources of revenue to include Medicare. Additionally the facility’s pro forma financial statements include Medicare revenues. [Source: Supplemental information, received March 28, 2014]

To determine whether low-income residents would have access to the proposed facility, the department uses the facility’s Medicaid certification as the measure to make that determination.

Providence currently provides services to Medicaid patients through its hospice agency. A review of the pro forma financial statements shows they include Medicaid revenues. [Source: Supplemental information, received March 28, 2014]

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

Providence provided a copy the charity care policy and procedures Providence Health & Services-Washington uses at its existing health care facilities in Washington. This same policy is expected to be used at the hospice care center. The policy includes the necessary language to demonstrate 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 Providence healthcare services. The policy outlines the process a patient must use to access charity care. Additionally, a charity care line item deduction is included in its pro forma financial statements. [Source: Supplemental information, received March 28, 2014]

The department received a number of letters supporting the development of the hospice care center. No one opposed this project. Based on the source information evaluated the department concludes this sub-criterion is met.

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

Based on the source information evaluated and Providence’s agreement with the condition identified in the ‘conclusion’ section of this evaluation, the department concludes that Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County has met the financial feasibility criteria in WAC 246-310-220.

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

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

To determine if Providence would meet its immediate and long range operating costs, the department first reviewed the assumptions used to develop the financial statements. Building on the admission and patient day projections from table 2 additional key assumptions were. [Source: Application page 30]

- Medicare rates would increase 1% a year
- Commercial rates would increase by 2% a year
- Medicaid rates would not increase
- Salary, wages and benefits would increase 2.5% a year.
- All other expenses would increase 3% a year
- Construction depreciation is assumed at 20 years
- Mechanical depreciation is assumed at 15 years.

Table 3 is a summary of Providence’s projected revenue and expenses statements. [Source: Supplemental information received March 28, 2014]

<table>
<thead>
<tr>
<th></th>
<th>2016 1st full year</th>
<th>2017 2nd full year</th>
<th>2018 3rd full year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total patient days</td>
<td>1,950</td>
<td>3,005</td>
<td>4,035</td>
</tr>
<tr>
<td>Total Gross Revenue</td>
<td>$1,712,095</td>
<td>$2,572,456</td>
<td>$3,571,820</td>
</tr>
<tr>
<td>Net Patient Revenue</td>
<td>$1,334,013</td>
<td>$2,001,896</td>
<td>$2,736,662</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$1,717,727</td>
<td>$2,063,416</td>
<td>$2,246,557</td>
</tr>
<tr>
<td>Net Operating Income /(Loss)</td>
<td>($373,714)</td>
<td>($61,520)</td>
<td>$490,105</td>
</tr>
</tbody>
</table>

The ‘Net Patient Revenue’ line item is gross revenue minus any deductions for charity care, bad debt, and contractual allowances. The ‘Total Operating Expenses’ line item includes salaries and wages, depreciation, and allocated costs. As shown in the table 3, the hospice care center is projected to operate at a loss in years 2016 and 2017. In 2018 it would turn a profit.

The hospice care center is to be located in leased space on the 8th floor “A” wing at Providence Regional Medical Center-Colby Campus at 1321 Colby Avenue in Everett. Providence provided a copy of the draft lease. The initial terms of the lease are for 10 years with two 5 year extension. Base rent is $5,000 per month plus an additional amount for its proportionate share of other operating costs of the larger building. The department calculates this amount to be approximately 12,000 per year. The lease also includes a 3% annual increase. [Source: Application, Attachment Q] The department has verified that the costs associated with the lease have been accounted for in the pro forma financial statements.
Since the lease agreement is a draft, if this project is approved a condition would added for Providence to submit an executed lease prior to providing services. Additionally, since the hospice care center is to be located with Providence Regional Medical Center Everett, but licensed as a separate hospice care center, the department would attach a condition that the Providence provide documentation verifying that the physical space where the hospice care center is located has been de-license from Providence Regional Medical Center—Everett total licensed floor space.

Providence has not yet identified a Medical Director. Providence states that it plans to hire a Medical Director following approval of its certificate of need. However, Providence provided a draft medical director job description. [Source: Application Attachment D, screening responses February 10, 2014] In the staffing table provided in the application there is a 0.20 FTE physician position listed. Although not specifically stated to be the Medical Director, the 0.20 FTE attributed to the physician position is consistent with other hospice care center applications reviewed by the department. The salary/wage and benefits for this physician position are included as part of the total salary/wages and benefit expenses in the projected financial statements for the hospice care center.

In addition to the projected Revenue and Expense Statements, Providence provided Providence Health & Services-Washington’s audited Balance Sheets for years 2010, 2011, and 2012. [Source: Application, Attachment E-2] Tables 4 and 5 present the summaries of the audited 2010 and 2012 balance sheets for Providence Health & Services.

### Table 4
**Providence Health and Services-Washington**
**Balance Sheet-Year 2010**
(In thousands of dollars)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>Current Liabilities</td>
</tr>
<tr>
<td>$2,347,817</td>
<td>$1,806,625</td>
</tr>
<tr>
<td>Assets whose use is limited, net of current</td>
<td>Long Term Debt, net of current</td>
</tr>
<tr>
<td>portion</td>
<td>portion</td>
</tr>
<tr>
<td>$2,694,216</td>
<td>$1,705,313</td>
</tr>
<tr>
<td>Property, plant, and</td>
<td>Other long-term Liabilities</td>
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<tr>
<td>Equipment, net</td>
<td></td>
</tr>
<tr>
<td>$4,272,212</td>
<td>$930,310</td>
</tr>
<tr>
<td>Other Assets</td>
<td>Total Liabilities</td>
</tr>
<tr>
<td>$264,825</td>
<td>$4,442,248</td>
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<tr>
<td></td>
<td>Equity</td>
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<tr>
<td></td>
<td>$5,136,822</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>Total Liabilities and net Assets</strong></td>
</tr>
<tr>
<td><strong>$9,579,070</strong></td>
<td><strong>$9,579,070</strong></td>
</tr>
</tbody>
</table>

### Table 5
**Providence Health and Services-Washington**
**Balance Sheet-Year 2012**
(In thousands of dollars)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>Current Liabilities</td>
</tr>
<tr>
<td>$3,093,445</td>
<td>$2,234,021</td>
</tr>
<tr>
<td>Assets whose use is limited, net of current</td>
<td>Long Term Debt, net of current</td>
</tr>
<tr>
<td>portion</td>
<td>portion</td>
</tr>
<tr>
<td>$3,717,055</td>
<td>$2,943,152</td>
</tr>
<tr>
<td>Property, plant, and</td>
<td>Other long-term Liabilities</td>
</tr>
<tr>
<td>$6,236,213</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Page 9 of 20
Assets                                      Liabilities

| Equipment, net | | Total Liabilities | $6,740,010 |
|---------------|------------------|--------------|
| Other Assets  | $367,005         | Total Liabilities |             |
|               |                  | Equity       | 6,673,708   |
| **Total Assets** | **$13,413,718** | **Total Liabilities and net Assets** | **$13,413,718** |

As shown in the tables 4 and 5, Providence’s parent has the assets to support the proposed hospice care center. The cost of the hospice care center represents 0.04% of the assets of Providence Health & Services-Washington. Therefore the proposed hospice care center is not expected to have an adverse financial impact on the parent entity.

Based on the source information evaluated, the department concludes that the immediate and long range capital and operating costs of the 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.**

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

The capital costs associated with the construction of the hospice care center is $5,027,133. [Source: Application, page 27] The breakdown of the estimated costs is listed in table 6.

### Table 6
**Providence Hospice and Home Care of Snohomish County**

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Costs $^3$</td>
<td>$3,698,611</td>
<td>74%</td>
</tr>
<tr>
<td>Other itemized cost</td>
<td>$944,798</td>
<td>19%</td>
</tr>
<tr>
<td>Sales tax</td>
<td>$383,724</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>$ 5,027,135 $^4</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Providence provided a copy of the contractor’s estimate of the construction costs, including fixed equipment. The letter estimated that it would cost $4,554,632 for construction related activities for the hospice care center. [Source: Application, Attachment P] The remaining costs of $472,503 are for information technology such as cabling and networking. The estimated construction costs are comparable to other hospice care center applications reviewed by the department.

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$^3$ Construction costs include fixed equipment, architect/engineering fees, consulting fees, site preparation, supervision and inspection of the site.

$^4$ Due to rounding the numbers may not add to the total.
To further demonstrate compliance with this sub-criterion, the applicant provided its expected payer mix and source. Table 7 shows the expected payer mix for the proposed hospice care center. [Source: Application, Page 32]

Table 7

Hospice Care Center Payer Mix for 2018

<table>
<thead>
<tr>
<th>Payer Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>76%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>4%</td>
</tr>
<tr>
<td>Commercial Insurance/All Other</td>
<td>4%</td>
</tr>
<tr>
<td>Self-Pay</td>
<td>16%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

As shown above Providence expects the majority of its revenue to come from Medicare. Medicare pays hospices a daily rate for each day a patient is enrolled. The daily payments are made regardless of the amount of services furnished on a given day and are intended to cover the costs of providing the services identified in a patient’s Plan of Care (POC), including services provided directly by the hospice or arranged by the patient. There are four levels of hospice care. These are:

- Routine home care;
- Continuous home care;
- Inpatient respite care; and
- General inpatient care.

The Medicare payments made to the hospice are based on the level of care required to meet patient and family needs. [Source: Center for Medicare and Medicaid Services Hospice Factsheet] The hospice care center will focus on patients who can no longer be effectively managed at home, but could be appropriately served through an inpatient setting. [Source: Application page 6] Since there is no hospice care center in Snohomish County these patients would either need to remain at home even though their symptoms could not be effectively managed, move to a nursing home, leave the county to receive care at a hospice care center in King or Pierce counties or be admitted to an acute care hospital for care. The proposed project would reduce this impact on hospice patients and their families. Given that the majority of patients are expected to be on Medicare, the design of the Medicare hospice care payment system, and the similar construction costs to previously reviewed hospice care centers, the department concludes that the costs of this project will not have an unreasonable impact to the costs and charges for health care services. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific source of financing criteria as identified in WAC 246-310-200(2) (a) (i). There are also no known recognized standards as identified in WAC 246-310-200(2) (a) (ii) and (b) that directs how a project of this type and size should be financed. Therefore, using its experience and expertise the department compared the proposed project’s source of financing to those previously considered by the department.
The capital expenditure associated with this project is $5,027,133. Providence states, “Providence Health & Services - Washington, d/b/a Providence Hospice and Home Care of Snohomish County ("Providence") is striving to fund 100% of the hospice care center through philanthropic fundraising activities. While it is not expected at this time, if the philanthropic donations fall short of the 100% fundraising goal, Providence will fund any remaining portion of the hospice care center through cash reserves.” As of March 21, 2014, Providence states it has already collected $2,436,113 in philanthropic donations for the hospice care center. Additional pledges or current requests that have not been collected were not included in this $2.4 million figure. [Source: Screening Responses dated March 28, 2014] Providence also has a contingency plan in case donated funds fall short of the total amount. A letter from Todd Hofheins, Executive Vice President and Chief Financial Officer, Providence Health & Services states: "In 2012 Providence and its direct affiliates had a consolidated annual operating revenue of more than $10 billion and spent $823 million on community benefit programs. Providence is fully committed and able to fund the proposed 16-bed hospice care center" [Source: Screening Responses dated March 28, 2014, Attachment A] The department has review approximately 12 hospice care center applications since 2002. The majority of those projects used donated funds as their primary funding source for the facility. Use of donated funds is the least costly way to fund the construction of the hospice care center when compared to other sources such as debt financing. Based on the department’s experience with hospice care centers, the use of donated funds is reasonable. Based on the source information evaluated, the department concludes this sub-criterion is met.

C. Structure and Process (Quality) of Care (WAC 246-310-230)
Based on the source information evaluated and the Providence’s agreement with the condition identified in the ‘conclusion’ section of this evaluation, the department concludes that Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County has met the structure and process of care criteria in WAC 246-310-230.

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

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs that should be employed for projects of this type or size. However, Washington Administrative Code (WAC) 246-335 does contain general hospice care center staffing requirements.

Providence provided a listing of the types and number of staff for the proposed hospice care center. Table 8 shows years 2016 through 2018, and the projected numbers and type of staff. [Source: Application, Page 33 and March 28, 2014, supplemental information, Page 3]

<p>| Table 8 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <strong>Providence Hospice and Home Care of Snohomish County</strong> |
| <strong>Proposed FTEs for Years 2016-2018</strong> |
| | 2016 1st full year | 2017 Increases | 2018 Increases | Total |
| RN / Manager | 1.00 | 0.0 | 0.0 | 1.00 |
| RN Hospice Clinician | 5.14 | 1.46 | 0.0 | 6.60 |</p>
<table>
<thead>
<tr>
<th>Staff</th>
<th>2016 1st full year</th>
<th>2017 Increases</th>
<th>2018 Increases</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSW Bereavement</td>
<td>0.60</td>
<td>0.00</td>
<td>0.00</td>
<td>0.60</td>
</tr>
<tr>
<td>Hospice Aid</td>
<td>4.20</td>
<td>2.10</td>
<td>0.00</td>
<td>6.30</td>
</tr>
<tr>
<td>Physician</td>
<td>0.20</td>
<td>0.00</td>
<td>0.00</td>
<td>0.20</td>
</tr>
<tr>
<td>ARNP</td>
<td>1.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Chaplain</td>
<td>0.20</td>
<td>0.00</td>
<td>0.30</td>
<td>0.50</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>0.20</td>
<td>0.00</td>
<td>0.00</td>
<td>0.20</td>
</tr>
<tr>
<td><strong>Total FTE's</strong></td>
<td><strong>12.54</strong></td>
<td><strong>3.66</strong></td>
<td><strong>0.30</strong></td>
<td><strong>16.40</strong></td>
</tr>
</tbody>
</table>

As shown in table 8 Providence proposes to have a total of 16.40 FTEs by the 3rd year of operation. The majority of the staff is to be hired in year one. To further demonstrate compliance with this sub-criterion, the applicant provided the following statements. [Source: Application, Page 34]

“PHCC is a well-established and highly regarded hospice care provider in Snohomish County with a significant depth of organizational support through Providence Health and Services—WA to recruit both clinical and management staff. Collectively, Providence Health and Services—Washington is the largest hospice provider in Washington State and has substantial resources on which to ensure for appropriate staffing.”

WAC 246-335-155(14) requires hospice care centers to have adequate staffing on duty at all times. The WAC further requires a hospice care center to have specific key staff available 24/7. These include:

- two people, who may be either personnel, contractor or volunteers, available 24/7;
- RN available 24/7 for consultation and direct participation in nursing care;
- RN available 24/7 for direct nursing services; and
- Pharmacist available 24/7 for services and consultation

Since Providence Hospice and Home Care of Snohomish County hospice care center would not be operational until November 2015, key staff has not been hired. Providence states, “The Hospice Care Center staffing model takes into account the WAC 246-335-155(14)(c) and WAC 246-335-155(14)(e)(i) staffing requirement that a registered nurse be available 24 hours and 7 days a week for consultation and direct participation in nursing services. Following approval of the Certificate of Need application, PHHC will recruit and hire the individuals who will meet this requirement, which may or may not be a current PHHC employee or contractor.” Providence further states “The Hospice Care Center will ensure availability of a pharmacist(s) 24 hours and 7 days a week as indicated by the WAC 246-3335-175. Following approval of the Certificate of Need application, PHHC will recruit and hire the pharmacist(s) who will meet this requirement, which may or may not be a current PHHC employee or contractor.” [Source: Screening Responses February 13, 2014]

Providence has not yet identified a Medical Director. Providence states that it plans to hire a Medical Director following approval of its certificate of need. However, Providence provided a draft medical director job description. [Source: Application Attachment D, screening responses]
February 10, 2014] If this project is approved a condition would be necessary related to the identification of the Medical Director.

Provided Providence agrees to the condition related to the Medical Director, the department concludes that sufficient staffing is available or can be recruited. This sub-criterion is met.

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

WAC 246-310 does not contain specific WAC 246-310-230(2) as identified in WAC 246-310-200(2)(a) (i). There are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what relationships, ancillary and support services should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials contained in the application.

To address the sub-criterion, Providence provided the following statements. [Source: Application, Page 34]

“The proposed Hospice Care Center will operate collaboratively with community physicians and Providence Regional Medical Center—Everett. PHHC will contract for many support or ancillary services that already exist within the hospital, such as laundry, pharmacy, environmental, security, and dietary services, to avoid duplication of available services and ensure costs are appropriately managed.”

Providence Hospice and Home Care of Snohomish County is an existing provider of healthcare services in Snohomish and Island counties. Additionally, Providence Health & Services—Washington, its parent owns and/or operates a variety of healthcare facilities throughout Washington. As an existing provider of care Providence already has established organizational relationships related to ancillary and support services. In addition Providence stated: “PRMCE5 and PHHC6 also collaborate on various quality initiatives to support readmission reduction efforts and improved access to palliative care. As partners, PHHC, PRMCE, Providence physicians, and The Everett Clinic physician group champion a community based program called "Partners in Palliative Care" which brings palliative care services into partner physician clinics in the community.”

With Providence’s history of providing health care services in Washington, the department expects that the Providence to establish appropriate ancillary and support relationships for the hospice care center.

Based on the source information evaluated, the department concludes this sub-criterion is met.

(3) There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or

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5 PRMCE is Providence Regional Medical Center-Everett
6 PHHC is Providence Hospice and Home Care
the Medicare program, with the applicable conditions of participation related to those programs. WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2) (a) (i). There are known recognized standards as identified in WAC 246-310-200(2) (a) (ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. As part of its review, the department must conclude that the proposed service would be operated in a manner that ensures safe and adequate care to the public.7

Related to this sub-criterion, Providence stated, “The applicant is certified under Medicaid and Medicare as a hospice provider (CCN501514) and has a WA State Department of Health “In-Home Services Agency for Home Health and Hospice” License and WA State Business License, for its existing location. As a result of its existing certification and licensure, the applicant is familiar with licensing requirements and conditions of participation related to hospice under Medicare and Medicaid, and can provide reasonable assurances that it will conform to the same requirements in the proposed new location. The recent WA State Department of Health Medicare Hospice recertification survey completed on May 8th, 2013 reflected no deficient practices found”. [Source: Application, Page 35]

Providence currently provides home health and hospice services in Snohomish County and Camano Island. The Department of Health Investigations and Inspections Office (IIO) conducts quality of care and compliance surveys for in home services. Records indicate that IIO completed at least one compliance survey for the applicant since 20138. The compliance survey found no significant deficiencies. [Source: facility survey data provided by the Investigations and Inspections Office]

Providence Health & Services–Washington is a major provider of health care services in Washington. Providence Health & Services–Washington contracts with the Joint Commission to survey and accredit the quality of service provided by its health care facilities. The Joint Commission lists nine Providence facilities holding Joint Commission accreditation in Washington9. These facilities are:

- Providence Centralia
- Providence Health & Services-Washington
- Providence Holy Family Hospital
- Providence Mt. Carmel Hospital
- Providence Regional Medical Center-Everett
- Providence Sacred Health Medical Center & Children’s Hospital
- Providence St. Peter Hospital
- Providence St. Joseph Hospital-Chewelah
- Providence St. Mary-Walla Walla

Providence identified three physicians and one nurse practitioner on its active medical staff. The three physicians and nurse practitioner identified are Jeff Ward MD, Deborah Meyers, MD and Patricia Duley, MD and Alan Abrams, ARNP. A review of all three physicians and

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7 Also WAC 246-310-230(5).
8 Survey November 13, 2013.
9 http://www.qualitycheck.org
the nurse practitioner compliance histories did not show any current or past enforcement actions. [Source: Compliance history provided by Medical Quality Assurance Commission]

Providence has not yet identified a Medical Director. Providence states that it plans to hire a Medical Director following approval of its certificate of need. However, Providence provided a draft medical director job description. [Source: Application Attachment D, screening responses February 10, 2014] Because Providence has not identified the proposed Medical Director, a condition would necessary. With Providence’s agreement with the condition identified in the ‘conclusion’ section of this evaluation the department concludes this sub-criterion is met.

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

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

To demonstrate compliance with this sub-criterion, Providence provided the following statements. [Source: Application, Page 35]

“The establishment of the Hospice Care Center owned and operated by PHCC will serve to build continuity of care for patients transitioning in their care needs, and not results in fragmentation of services”.

Hospice care is an elected benefit covered under Medicare for a patient who meets all of the following requirements:

- The individual is eligible for Medicare Part A;
- The individual is certified as having a terminal illness with a medical prognosis of 6 months or less if the illness runs its normal course;
- The individual receives care from a Medicare approved Hospice program; and
- The individual signs a statement indicating that he or she elects the Hospice benefit and waives all other rights to Medicare payment for services that are related to the treatment of the terminal illness and related conditions.

Medicare will continue to pay for covered benefits for services that are unrelated to the terminal illness or related conditions. The Medicare hospice benefit includes the following services for the support and management of the terminal illness and related conditions:

- Physician services furnished by Hospice-employed physicians and nurse practitioners (NP) or by other physicians under arrangement with you;
- Nursing care;
- Medical equipment;
- Medical supplies;
- Drugs for pain and symptom management;
• Hospice aide and homemaker services;
• Physical therapy;
• Occupational therapy;
• Speech-language pathology services;
• Social worker services;
• Dietary counseling;
• Spiritual counseling;
• Grief and loss counseling for the individual and his or her family before and after death;
• Short-term inpatient care for pain control and symptom management and for respite care; and
• Any other Hospice services, as specified in the patient’s plan of care (POC) and furnished or arranged by you, as reasonable and necessary, and for which payment may otherwise be made under Medicare. [Source: Center for Medicare and Medicaid Services Hospice Factsheet].

There is no hospice care center located in Snohomish County. While the GIP component of hospice care can be provided in an acute care hospital, hospice care centers are by definition a homelike, non-institutional facility where hospice services are provided. [Source: RCW 70.127.010(14)]

Development of this hospice care center has the potential of reducing existing fragmentation of services for hospice patients in Snohomish County.

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

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

This sub-criterion is evaluated in sub-section (3) above. Based on its evaluation of the source information, the department concludes **this sub-criterion is met.**

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

Based on the source information evaluated, the department concludes that Providence Health & Services-Washington dba Providence Hospice and Home Care of Snohomish County has met the cost containment criteria in WAC 246-310-240.

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

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

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

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

For this project, Providence has met the review criteria in the applicable sections of WAC 246-210, WAC 246-310-220, and WAC 246-310-230. Therefore, the department would not reject the proposed project base on failing these criteria.

Before submitting this application, Providence considered and rejected two other options. These were “Do Nothing” and “Build a free standing hospice care center.” Each of the options is listed below along with the weaknesses Providence identified for each rejected option.

- **Do nothing**
  Providence identified weaknesses of this option.
  - Lack of visibility of services
  - Inability of market services to community
  - Inability to develop operational models to scale services for expansion
  - Financial lose-lose scenario for hospital and hospice

- **Build a free standing hospice care center**
  Providence identified weaknesses of this option:
  - Substantial upfront capital costs
  - Lead time construction and design
  - Return on investment may be diminished
  - Duplicative of Providence services per regulatory requirements (i.e. food services, reflection space, etc.)
  - Lack of flexibility if community needs change
Providence chose to submit a project that repurposes available existing space in the hospital and turn it into a hospice care center. This option was selected based on the following criteria.

- **Continuity of care**—the applicant stated this option improves continuity of care more effectively than other options because patients can easily transition between levels of care. Many patients transition directly from an acute episode within the hospital to a GIP level of hospice care. The hospital and hospice care teams can seamlessly hand-off patient care and enhance communication to improve the patient experience.

- **Access to care**—uses existing hospital space that is centrally located in the Everett market and already a very familiar destination for excellent health care delivery. Many referrals for hospice come directly from the hospital so co-locating will help ensure timely access.

- **Efficient use of existing resources**—as hospital revenue stabilize or shrink in an environment of Accountable Care Organization, there will be increasing pressure to re-pur pose existing space to provide lower cost care options. The existing space is not being currently used presents an opportunity to meet the increasing demand for end-of-life services to the community.

- **Capital Cost**—the cost of building from the ground up would most likely more than double the capital cost compared to remodeling an existing space.

- **Existing community partnerships**—A strong partnership already exists between hospital and hospice staff. This option allows “us” to leverage these existing partnerships to build end-of-life expertise services instead of transitioning services and partnerships outside the hospital.

The department did not identify any other alternatives that would equal to or superior to those considered by Providence. The reasoning for rejecting the two identified options appears reasonable. The reasoning for selecting the option proposed by this application also appears reasonable. Based on the source information evaluated the department concludes that **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;

WAC 246-310 does not contain specific WAC 246-310-240(2)(a) criteria as identified in WAC 246-310-200(2)(a)(i). There are known minimum building and energy standards that healthcare facilities must meet to be licensed or certified to provide care. If built to only the minimum standards all construction projects could be determined to be reasonable.

Providence states the proposed Hospice Care Center renovation involves making modifications to the existing space to meet WAC 246-335 requirements that govern Hospice Care Centers. The location was chosen to achieve capital cost reduction by leveraging existing unused space within the Providence. The renovation involves making some modifications to the existing heating ventilation and air conditioning (‘HVAC’) system to accommodate wall location revisions. The rationale for the HVAC revisions includes meeting WAC 246-335 requirements that govern Hospice Care Centers. All new lighting and lighting controls will be designed to meet the Washington State Energy Code and energy
conservation design under consideration in the proposal includes low-emitting light fixtures (LED) and low flush toilets among others. This project is not an energy related project and therefore a grant under the National Every Conservation Act was not actively sought. The scope of the project as described appears reasonable. The cost of the project was within the financial feasibility criterion under WAC 246-310-220(2).

Based on the source information evaluated the department concludes that 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). This sub-criterion is met.