



STATE OF WASHINGTON
DEPARTMENT OF HEALTH

April 10, 2014

CERTIFIED MAIL # 7011 1570 0002 7809 5674

Sherrie Stewart, CSW
Administrator
Envision Home Health of Washington, LLC
31 South 400 West Street
Orem, Utah 84058

RE: CN14-10

Dear Ms. Stewart:

We have completed review of the Certificate of Need application submitted by Envision Home Health of Washington, LLC proposing to establish a Medicare certified and Medicaid eligible home health agency in King County. For the reasons stated in this evaluation, the application is consistent with applicable criteria of the Certificate of Need Program, provided Envision Home Health of Washington, LLC agrees to the following in its entirety.

Project Description

This Certificate of Need approves Envision Home Health of Washington, LLC to establish a new Medicare/Medicaid certified home health agency in King County. Envision Home Health of Washington, LLC will provide skilled nursing care, certified home health aide and medical social work services. Physical therapy, occupational therapy, and speech therapy will be provided through contract or directly. Services will be available to all residents of King County.

Conditions

1. Approval of the project description as stated above. Envision Home Health of Washington, LLC further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Prior to providing services, Envision Home Health of Washington, LLC will provide copies of the fiscal intermediary forms as stated on page 24 of the application for the department's review and approval. The fiscal intermediary forms must be consistent with the forms Envision Home Health of Washington, LLC provided to National Government Services, Inc.



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3. Prior to providing services, Envision Home Health of Washington, LLC will provide copies of the adopted policies listed below for the department's review and approval.
- Charity Care Policy
 - Non-Discrimination Policy
 - Acceptance/Admission of Patients Policy
 - Intake Service Policy
 - Patients with Special Communication Needs Policy

Copies of policies that have been adopted must be consistent with the draft policies provided in the application.

4. Prior to providing services, Envision Home Health of Washington, LLC will provide to the department for review the list of ancillary and support services with whom Envision Home Health of Washington, LLC entered into contracts.

Approved Capital Costs:

The approved capital expenditure associated with this project is \$66,556.

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

Other Than By Mail:

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,



Steven M. Saxe, FACHE
Director, Office of Community Health Systems

Enclosure

EVALUATION DATED APRIL 10, 2014, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY ENVISION HOME HEALTH OF WASHINGTON, LLC PROPOSING TO ESTABLISH A MEDICARE CERTIFIED AND MEDICAID ELIGIBLE HOME HEALTH AGENCY IN KING COUNTY

APPLICANT DESCRIPTION

Envision Home Health of Washington, LLC, submitted this application and it is proposing to establish a home health agency in Washington. Information within the application shows that both Envision Home Health of Washington, LLC and Envision Home Health and Hospice, LLC of Utah are related entities and both share board members. Additionally, information in the application shows that Envision Home Health of Washington, LLC and Envision Home Health and Hospice, LLC of Utah also share board members with Independent Rehab, LLC.

Independent Rehab, LLC provides contracted rehabilitation therapy services to skilled nursing facilities, assisted living facilities, home health agencies and outpatient's clinics in the US. [Source: Application page 5 and Supplemental information received November 14, 2013]

Envision Home Health and Hospice, LLC of Utah is a provider of skilled nursing services, physical, occupational and speech therapies, medical social services, and certified nurse's aides through five offices located in five counties in Utah. In Washington State, Independent Rehab, LLC provides contracted rehabilitation therapy services to skilled nursing facilities, assisted living facilities and Envision Home Health of Washington, LLC does not operate a healthcare facility.

PROJECT DESCRIPTION

Envision Home Health of Washington, LLC proposes to establish a new Medicare certified¹ home health agency in King County. The new home health agency to be known as Envision Home Health of Washington, LLC and would be located at 801 SW 150th Street, #110, within the city of Burien. [Source: Application, page 8] Envision Home Health of Washington, LLC would provide skilled nursing care, certified home health aide and medical social work services. The applicant anticipates it would provide physical therapy, occupational therapy, and speech therapy services as contracted services to patients in their place of residence. [Source: Application, page 8]

The estimated capital expenditure associated with the establishment of Envision Home Health of Washington, LLC is \$66,556. Of this amount, approximately \$46,756 or 70% is related to leasehold improvements, and the remaining 30% or \$19, 800 is related to equipment and furnishing. [Source: Application, Appendix E]

Envision Home Health of Washington, LLC anticipates it would be providing home health services to King County residents by April 2014. Under this timeline, the agency's first full calendar year of operation is 2015 and year three is 2017. [Source: Supplemental information received November 14, 2013] For ease of reference, the department would refer to Envision Home Health and Hospice, LLC of Utah as 'EHHH-Utah' and Envision Home Health of Washington, LLC as 'EHH-Washington'.

¹ A Medicare certified agency is also Medicaid eligible, therefore, the term "Medicaid eligible" will not be repeated throughout this evaluation. Those agencies that are Washington State licensed but not Medicare certified will be referred to as "licensed only."

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need review as the 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).

EVALUATION CRITERIA

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

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

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

- (i) The consistency of the proposed project with service or facility standards contained in this chapter;*
- (ii) In the event the standards contained in this chapter do not address in sufficient detail for a required determination the services or facilities for health services proposed, the department may consider standards not in conflict with those standards in accordance with subsection (2)(b) of this section; and*
- (iii) The relationship of the proposed project to the long-range plan (if any) of the person proposing the project.”*

In the event 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 does not contain service or facility standards for home health agencies. To obtain Certificate of Need approval, EHH-Washington must demonstrate compliance with the applicable criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment).² Consistent with WAC 246-310-200(2)(b), the home health agency projection methodology and standards found in the 1987 State Health Plan, Volume II, Section (4)(d) is used to assist in the evaluation of home health applications.

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) and WAC 246-310-240(2),(3)

TYPE OF REVIEW

This application was reviewed under the regular schedule timeline outlined in WAC 246-310-160, which is summarized below.

APPLICATION CHRONOLOGY

Action	EHH-Washington
Letter of Intent Submitted	September 9, 2013
Application Submitted	October 4, 2013
Department’s pre-review activities including screening and responses	October 7, 2013 through December 5, 2013
Beginning of Review	December 6, 2013
End of Public Comment <ul style="list-style-type: none"> • comments accepted through the due date • No public hearing requested or conducted 	January 9, 2014
Rebuttal Comments due date	January 24, 2014
Department's Anticipated Decision Date	March 10, 2014
Department's Actual Decision Date	April 10, 2014

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, one entity sought and received affected person status under 246-310-010(2).

Providence Senior and Community Services (Providence)

Providence Senior and Community Services is owned and operated by Providence Health & Services. Providence Senior and Community Services is located at 2001 Lind Avenue SW, Suite #180 within the city of Renton in King County and Providence Home Health Services.

SOURCE INFORMATION REVIEWED

- Envision Home Health of Washington, LLC application received October 4, 2013
- Envision Home Health of Washington, LLC 1st and 2nd supplemental information received November 14, 2013 and November 27, 2013
- Public comment received January 9, 2014
- Public comments provided by Providence Senior and Community Services received January 8, 2014
- Rebuttal comments received from Envision Home Health of Washington, LLC received January 24, 2014
- Completed provider utilization surveys received from existing King County home health providers for calendar year 2012

- Population data obtained from the Office of Financial Management based on year 2010 census and published May 2012.
- 1987 Washington State Health Plan Performance Standards (SHP) for Health Facilities and Services, Home Health methodology and standards
- Licensing and survey data provided by the Department of Health's Investigations and Inspections Office
- Licensing and compliance history data provided by the Department of Health's Medical Quality Assurance Commission
- Licensing and/or survey data provided by out of state health care survey programs

- Data obtain from the Washington Secretary of State. <http://www.sos.wa.gov>
- Data obtain from the Washington State Department of Revenue. <http://www.dor.wa.gov>
- Medicare Home Health Care reimbursement information obtained from the Centers for Medicare & Medicaid Services. <http://www.medicare.gov/pubs/pdf/10969.pdf>

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Envision Home Health of Washington, LLC proposing to establish a Medicare certified and Medicaid eligible home health agency to serve the residents of King County is consistent with applicable criteria of the Certificate of Need Program, provided Envision Home Health of Washington, LLC agrees to the following in its entirety.

Project Description

This Certificate of Need approves Envision Home Health of Washington, LLC to establish a new Medicare/Medicaid certified home health agency in King County. Envision Home Health of Washington, LLC will provide skilled nursing care, certified home health aide and medical social work services. Physical therapy, occupational therapy, and speech therapy will be provided through contract or directly. Services will be available to all residents of King County.

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4. Prior to providing services, Envision Home Health of Washington, LLC will provide to the department for review the list of ancillary and support services with whom Envision Home Health of Washington, LLC entered into contracts.

Approved Capital Costs:

The approved capital expenditure associated with this project is \$66,556.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210) and Home Health Need Methodology

Based on the source information reviewed and provided the applicant agrees to the conditions stated in the 'conclusion' section of this evaluation, the department determines Envision Home Health of Washington, LLC met the need criteria in WAC 246-310-210(1) and (2) and the home health agency methodology and standards outlined in the 1987 State Health Plan, Volume II, Section (4)(d).

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

WAC 246-310 does not contain specific criteria. WAC 246-310-210(1) need criteria as identified in WAC 246-310-200(2)(a)(i). To assist with the determination of numeric need for home health agencies, the department uses the numeric methodology contained in the 1987 Washington State Health Plan (SHP).

Home Health Numeric Methodology-1987 SHP

The SHP methodology is a multiple step process that projects the number of home health visits in a planning area. The method uses the following elements:

- Projected population of the planning area, broken down by age groups [0-64; 65-70; & 80+];
- Estimated home health use rates per age group; and
- The number of visits per age group.

The total projected number of visits is then divided by 10,000, which is considered the 'target minimum operating volume' for a home health agency. The resulting number represents the maximum projected number of agencies needed in a planning area. The SHP states fractions are rounded down to the nearest whole number. [Source: SHP, pB-35] The final step in the numeric methodology is to subtract the existing number of home health agencies in a planning area from the projected number of agencies needed. This results in the net number of agencies needed for the planning area.

EHH-Washington

Using the SHP methodology, EHH-Washington determined the projected number of patient visits in King County in 2017 would be 469,460. Dividing the projected number of visits by 10,000 resulted in 46 agencies that would be needed in King County in 2017. EHH-Washington identified 36 existing home health agencies that are currently providing services to the residents of King County. To show net need, EHH-Washington subtracted the existing 36 agencies from the 46 projected agencies resulting in a net need of 10 new agencies. [Source Application, pages 11-14] A summary of EHH-Washington methodology is presented in the table below.

Table 1
Summary of EHH-Washington 2017 Need Projections

Estimated Home Health Agency Need	
Total Population	2,049,543
# Total Patient Visits	469,460
Divided by 10,000	46
Existing Medicare Certified/Medicaid Eligible Agencies	36
Net Need	10

Based on the summary shown in the table above, the applicant concluded there is a need for additional home health agencies in King County.

Department's Numeric Methodology

The department used the SHP methodology to assist in determining need for home health agencies in King County. There are 36 home health agencies providing services to the residents of King County. Of the 36 home health agencies, 15³ are Medicare certified providers and the remaining 21 are licensed only providers. A summary of the department's methodology is presented in the table below. The complete methodology is Appendix A attached to this evaluation.

Table 2
Summary of Department of Health
King County Home Health Need Projection

	2013	2014	2015	2016	2017	2018
# Total Patient Visits	438,812.07	445,671.50	452,527.66	461,491.13	470,458.40	479,426.35
Divided by 10,000	43.88	44.57	45.25	46.15	47.05	47.94
Rounded down	43	44	45	46	47	47
Existing Home Health Agencies	36	36	36	36	36	36
Net Need per SHP	7	8	9	10	11	11

As shown in the table above, need for 8 additional agencies is projected in 2014, which increases to 11 in 2018. Based solely on the numeric methodology need for an additional home health agency in King County is demonstrated.

In addition to the numeric methodology, an applicant must also demonstrate that existing providers would not be available and accessible to meet the projected need. To demonstrate that an unmet need exists, EHH-Washington stated, *"The illustrative chart and its supporting data...show that, even with approval of new agencies since 2010, the gap between need and supply is greater in 2013 than it was in 2010... thus, the combination of reductions and additions to capacity has not kept up with the population driven-growth in demand"*. [Source: Application, Page 13]

³ Amenity HH, Brookdale Senior Living, Careage HH, Evergreen HH & Hospice, Franciscan HH, Gentiva Health Services, Group Health Home and Hospice, Harvard Partners, Highline Home Care Services, MultiCare Good Samaritan Home Health, Sea Mar Community Health Centers, Signature Home Health, Votto Health Care, Providence Home Services, and Wesley Homes at Home, LLC.

To assist in its evaluation of the availability of the existing providers, the department reviewed the capacity and patient volumes for home health providers located within the planning area. Within the planning area, the department identified 36 home health agencies. Of the 36 agencies, 21 are “licensed only” and 15 are Medicare certified agencies.

On October 14, 2013, the department sent a utilization survey to the 36 agencies providing services within the planning area requesting 2012 home health utilization data, average daily census, and maximum capacity. Of the 36 agencies surveyed, four “licensed only” agencies⁴ and four Medicare certified agencies provided responses to the department’s survey. The Medicare certified agencies providing responses to the surveys were Highline Home Health and Hospice Services, Providence Home Health Services, Wesley Home Community Health Services and Kline Galland Home Health.⁵ The table below is a summary of the survey responses received by the department.

**Table 3
Summary King County Home Health Patient Visits Year 2012**

Name	Total Visits	ADC	Maximum Capacity of Patients
Highline Home Health and Hospice Services	19,090	230	258
Providence Home Health Services	34,927	369	393 ⁶
Wesley Home Community Health Services	7,781	100	145
Kline Galland Home Health	121	32	85
Totals	61,919		

Information in the table above shows four Medicare home health agencies located in the planning area provided 61,919 patient visits with Providence Home Health Services providing almost 56% of those visits. In its application, EHH-Washington projected it would provide the number of visits stated in the table below. [Source: Application, Pages 17-18 and November 14, 2013, supplemental information, page 7]

Year 1--2014	Year 2--2015	Year 3--2016	Year 4--2017
3,350	10,495	11,434	12,506

Given EHH-Washington projections, the department subtracted the applicant’s projected visit from the department’s projected visits for each year to arrive at a remaining potential number of visits for year 2014-2017. Assuming that the four agencies number of visits would remain constant, the department subtracted its projected visits from the existing agencies reported number of visits and the balance of projected visits represents the potential unmet numbers of visits in King County for that year as shown in the table below.

⁴ Amicable Health Care, Ashley House, Helping Hands for the Disable Visions and Children’s County Home are licensed only agencies.

⁵ When an agency does not return a utilization survey, the department concludes that agency has made the determination that the proposed project will either not impact them or any impact the proposed new agency will have is not significant.

⁶ Based on the department interpretation of Providence Responses

Table 4
Summary-Additional Patients to Reach Maximum Capacity
and Estimated Number of Visits

Year	Department's Projected Visits	EHH-Washington Projected Visits	Reported Agency Visits	Balance of Projected Visits
2014	445,671	3,350	61,919	383,752
2015	452,527	10,515	61,919	390,608
2016	461,491	11,454	61,919	399,572
2017	470,491	12,528	61,919	408,572

As shown in Table 4 above, the number of projected visits within the planning area is sufficient to accommodate another provider. The department received public comments from Providence related to EHH-Washington project. Summarized below are the comments received by the department.

Providence [Source: Public comments received January 8, 2014]

- The department should consider using additional need data sources besides the standard need methodology because adding additional providers at a time when consolidation and cost reduction is on the horizon weakens existing providers.

In response to the Providence comments, the applicant provided rebuttal comments summarized below.

EHH-Washington [Source: Public comments received January 24, 2014]

- Providence suggestions that the department consider other need methodology sources to use in the review of the application, means it wishes to see fewer agencies in King County. Providence also suggested that a new agency in King County would affect its operations, but it did not provide any specific analysis related to how that might happen.

The Department Evaluation

Providence suggested the department should consider using another need methodology besides the home health interim methodology to project new in King County. The department has a long-standing policy of using methodologies from the previous State Health Plan when a methodology has not been adopted in rules. Therefore, changing rules midstream without giving applicants notification would not be fair to the applicant.

The department received some letters of support from healthcare providers located within the planning area. Letters of support received from Kindred Hospital, Ballard Manor Senior Living and Burien Nursing Rehabilitation stated they would refer residents to Envision if it were approved. Additionally letters of support received from three physicians operating in the planning area stated they support Envisions application and would also refer patients to Envision if the application is approved. Based on the evaluation the department concludes that existing providers at their current capacity may not be sufficiently available to meet the projected need. **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.

EHH-Washington does not currently provide home health services in Washington. To determine whether all residents of King County would have access to an applicant's proposed services, the department requires applicants 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. The admission policy must also include language to ensure all residents of the service area would have access to services. This is accomplished by providing an admission policy that states patients would be admitted without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status.

To demonstrate compliance with this sub-criterion, EHH-Washington provided its Acceptance and Admission of Patients Policy that would be used at the home health agency. The document states any patient needing treatment will be accepted for treatment without regard to race, creed, color, age, sex, or national origin. [Source: Application, Appendix K] This policy is undated, unsigned, and it references Envision Home Health in California and Medical Consultants Networks, Inc. For these reasons, the policy is considered a draft. If this project is approvable, the department would attach a condition requiring this policy

The department uses the facility's Medicaid eligibility or contracting with Medicaid to determine whether low-income residents would have access to the proposed services. EHH-Washington does not currently provide services in Washington. Information presented within the application stated the applicant would seek Medicaid certification. A review of the anticipated revenue sources indicates that the applicant expects 10% to be from Medicaid. [Source: Application, Page 25 and Supplemental information received November 14, 2013, Appendix SC1-C]

The department uses Medicare certification to determine whether the elderly would have access or continue to have access to the proposed services. Information within the application indicates the applicant would provide services to Medicare patients. A review of the anticipated revenue sources indicates that EHH-Washington expects to receive Medicare reimbursements at 70%. [Source: Application, Page 25 and Supplemental information received November 14, 2013, Appendix SC1-C]

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. EHH-Washington demonstrated its intent to provide charity care to home health patients in King County by submitting its Charity Care Policy. The draft policy outlines the process one would use to access services. Additionally, EHH-Washington also included a 'charity care' line item as a deduction from revenue within its pro forma income statement. [Source: Application, Appendix K and Supplemental information received November 14, 2013, Appendix SC1-C]

The policy provided is undated, unsigned, and it references Envision Home Health in California and Medical Consultants Networks, Inc. For these reasons, the policy is considered a draft. If this project is approvable, the department would attach a condition requiring this policy. Based on the above information and the applicant's agreement to the condition related to the admission policy, the department concludes **this sub-criterion is met.**

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

Based on the source information reviewed and provided the applicant agree to the conditions identified in the 'conclusion' section of this evaluation, the department concludes that Envision Home Health of Washington, LLC 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 evaluate this sub-criterion, the department reviewed the assumptions used by EHH-Washington to determine the projected number of patient days and patients that it would serve. Summarized below are the assumptions.

- EHH-Washington anticipates that patient admissions would increase by 2.5 patient's month starting from April 2014 through March 2016.
- Starting from 2016, the second full year, EHH-Washington anticipates patient admissions would increase from 30 patients per month to 32 patients per month.
- Starting from 2017, the third full year of its operation EHH-Washington anticipates that admissions would increase from 32 patients per month to 35 patients.
- EHH-Washington stated it adopted an average of 30 visits per patient based on its experience as rehabilitation oriented provider in Utah.

Using the assumptions summarized above, EHH-Washington projected the number of visits summarized in the table below. [Source: Application, Page 16 and Supplemental information received November 14, 2013, Pages 6-9 and 16]

**Table 5
EHH-Washington Projected Patients and Patient Visits**

	Partial Year 2014	Full Year -1 2015	Full Year -2 2016	Full Year-3 2017
# of Unduplicated Patients	113	353	384	420
# of Visits Per Patient	30	30	30	30
# of Home Health Visits Per Year	3,350	10,495	11,434	12,506

Using the projected number of patients by EHH-Washington in the table above, the applicant prepared its projected revenue and expense statement for the home health agency. Summarized in table below is that information. [Source: Supplemental information, received November 14, 2013, Appendix SC1-C]

Table 6
EHH-Washington Projected Revenue and Expense Statements

	Partial Year 2014	Full Year 2015	Full Year 2016	Full Year 2017
Net Revenue	\$591,192	\$1,864,693	\$2,017,937	\$2,207,118
Total Operating Expenses	\$646,425	\$1,516,307	\$1,611,393	\$1,701,185
Net Profit /(Loss)	(\$55,233)	\$348,386	\$406,544	\$505,933
Net Revenue Patient Per Visit	\$180.04	\$181.24	\$180.05	\$180.05
Operating Expenses Per Patient Visit	\$192.96	\$144.48	\$140.93	\$136.03
Net Profit (Loss) Per Patient Visit	(\$12.92)	\$36.76	\$39.12	\$44.02

The 'Net Revenue' line item is gross revenue and any deductions for charity care, bad debt, and contractual allowances. The 'Total Operating Expenses' line item includes salaries and wages for the proposed home health agency. As shown in the table above, EHH-Washington projected the proposed home health agency would incur losses during partial year of operation and it would profit in the first year through the third full year of operation. Within the application, EHH-Washington stated it intends to lease office space and provided an executed lease agreement. [Source: Application, Appendix G]

EHH-Washington identified James J. Buttitta, MD as the medical director for the proposed home health agency and provided an executed contract. The cost associated with the medical director position are substantiated in the pro forma revenue and expense statement under the 'Patient Care Costs—Contract and Labor' line item. [Source: Supplemental information, received November 14, 2013, Appendix SC1-C] In addition to the projected revenue and expense statements, EHH-Washington provided a projected balance sheets using calendar years 2014 through 2017. [Source: Application, Appendix M]

Table 7
EHH-Washington Forecasted Balance Sheets
Partial Year One - 2014

Assets		Liabilities	
Total Current Assets	(\$38,245)	Total Liabilities	\$49,682
Property Plant & Equipment	\$23,924	Equity	(\$64,003)
Total Assets	(\$14,321)	Total Liabilities and Equity	(\$14,321)

Third Year of Operation (2017)

Assets		Liabilities	
Total Current Assets	\$516,763	Total Liabilities	\$82,126
Property Plant & Equipment	\$36,296	Equity	\$470,933
Total Assets	\$553,059	Total Liabilities and Equity	\$553,059

As shown in the balance sheet information above, EHH-Washington projected negative equity in years during its partial year of operation in 2014. However, EHH-Washington would be financially stable in full calendar year 2017. A review of the applicant's balance sheet did not show that it has any long-term debt.

The department received public comments from Providence regarding EHH-Washington projected patient's visit and volume. Summarized below are the comments provided by Providence.

Providence [Source: Public comments received January 8, 2014]

- Envision cited MedPac a national benchmarks data, but this data source has a high degree of regional variance. Envision stated the business model it proposed would result in more care at the same cost, but it is not clear how that would be possible given the current Medical payment system.
- Furthermore, Washington home health utilization has historically been 12-16 visits for a typical home health patient, which is lower than the national average. The proposed number of patient visit projected by the applicant [29.8] is not reasonable.
- Envisions business model of more visits does not fit into the future direction of healthcare. The MedPac report that Envision referenced shows that Medicare reimbursements for home health services is being reduced due to higher utilization and costs that has exceeded Medicare's budget. The high utilization and case mix projected by Envision are examples that MedPac cites as reasons why home health reimbursements needed to be reformed.
- The 2013 MedPac payment report cited by Envision shows a multiyear recommendation to Congress that rates for home health care should be reduced because Medicare has overpaid for services since 2000.

The department received rebuttal comments from EHH-Washington, which are summarized below.

EHH-Washington [Rebuttal comments received January 24, 2014]

- Providence comments did not take into account the conservative approach that Envisions used to project its finances. Envisions projections shows it anticipated using a large part of its reimbursement dollar to provide care for very sick patients. Its projections did not maximize reimbursement, but rather are designed to satisfy providers and patient needs.
- Envision anticipated that it would provide care to clinically difficult to place patients referred from assisted living and skilled nursing facilities. Patients from these settings require a higher level of rehabilitation services because they are usually unable to function independently.
- Providence raises the threat of Medicare cost cutting, but Washington is not among the states that would be affected. Whether the cuts Providence alluded to will happen or not, the Certificate of Need application required Envision to use current Medicare policy and reimbursement in its financial projections.
- Providence incorrectly states the Washington average number of visits is 12-16. According to the Medicare home health utilization data by states for 2010, the average number of visits for Washington is 21. Providence raises the possibility of reimbursement cost reduction by Medicare, but Envisions research shows that Washington is not among states identified by Medicare whose reimbursement rates would be cut.

- Providence ignores the Affordable Health Care Acts financial penalties levied against hospitals nationally and in Washington that penalizes hospitals readmitting too many of their recently discharged patients. The financial penalty would force hospitals to coordinate discharged patients post-acute care, this would result in more referrals to home health agencies, and it would increase the numbers of visits. While this might reduce use rates of all kinds, but due to the baby boom generation moving into Medicare enrollment, they would provide a countervailing trend and this would result in increase volume.

Department's Evaluation

A review of the assumptions used by EHH-Washington to project its finances showed the average number of visits per patient anticipated is maybe optimistic. However, even the applicant failed to achieve its stated number of patient projections, revenue is expected to exceed expenses from the first full year and beyond. Providence comments that Medicare is proposing cutting cost for home health services might be true, but it did not provide documentation to support its assertions.

The department agrees with Providence assertions that the applicant's projected number of patients visit may be high. A review of the Medicare Home Health Utilization by state provided by the applicant shows that Washington's utilization in 2010 was 880,799 and the average visit per patient for the same time was 21. In the absence of a more recent documentation, it can be concluded that EHH-Washington stated 30 visits per patient is higher, but not unreasonable. Based on reimbursement information available at the Centers for Medicare and Medicaid Services website reimbursements for home health services are paid within a sixty days period that is based on the patient's condition and care need. [Source: <http://www.medicare.gov>]

Given the department's understanding of how a home health patient may qualify for Medicare payments, the department concludes that the 30 visits per patient projected by EHH-Washington could be achieved depending on the patient episode of care need. A review of EHH-Washington financial projections shows the proposed project is financially viable. Based on the source information reviewed, the department concludes that the immediate and long-range capital and operating costs of the project could be substantiated. **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 estimated capital expenditure associated with the establishment of Envision Home Health of Washington, LLC is \$66,556. Of this amount, approximately \$46,756 or 70% is related to leasehold improvements, and the remaining 30% or \$19, 800 is related to equipment and furnishing. [Source: Application, Appendix E] EHH-Washington anticipated the majority of its revenue would come from Medicare reimbursements and provided the payer mix for the proposed home health agency. [Source: Application, Page 26]

Table 8
EHH-Washington Payer Mix

Payer	Payer Source Distribution
Medicare	70%
Medicaid	10%
Commercial Insurance	20%
Total	100%

Since the applicant expects that majority of its payer source would be from Medicare, the proposed project is not expected to have any impact on the operating costs and charges for home health services in the planning area because Medicare payments are prospective payments. Based on the information reviewed, the department concludes that the costs of this project will probably not result in an unreasonable impact to the costs and charges for health care services within the services area. **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.

EHH-Washington provided the following capital expenditure breakdown for the proposed project.
[Source: Application, Appendix E]

Table 9
EHH-Washington Projected Capital Cost

Item	Cost
Leasehold Improvements	\$46,756
Equipment and Furnishing	\$19,800
Total Project Cost	\$66,556

EHH-Washington provided a letter of financial commitment signed by a representative of the board. [Source: Application, Appendix L] Based on the information above, the department concludes the project can be funded. **This sub-criterion is met.**

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

Based on the source information reviewed and provided the applicant agree to the conditions identified in the ‘conclusion’ section of this evaluation, the department concludes Envision Home Health of Washington, LLC 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 also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs that should be employed for projects of this type or size.

EHH-Washington expects to hire 13.07 FTE's. Additionally, they expect to contract for physical, occupational, and speech therapy services. The table below summarizes EHH-Washington proposed FTE's for years 2014 to 2017. [Source: Supplemental information, received November 14, 2013, Appendix SC1-C]

**Table 10
EHH-Washington Proposed FTEs Years 2014-2017**

Category	Partial Year 2014	Year 1 2015	Year 2 2016	Year 3 2017	Total
Physical, Occupational, and Speech Therapies	Professional Services Contracted/Allocated				
Administrator	1.00	0.00	0.00	0.00	1.00
Office Manager	1.00	0.00	0.00	0.00	1.00
Account Executive	1.00	0.00	0.00	0.00	1.00
Team Assistant	1.00	0.00	0.00	0.00	1.00
Director of Professional Services	0.75	0.25	0.00	0.00	1.00
Clinical Manager	0.13	0.87	0.00	0.00	1.00
Home Care Specialist	0.25	0.75	0.00	0.00	1.00
Nursing	1.14	4.01	0.00	0.00	5.15
MSW	0.02	0.07	0.00	0.00	0.09
Home Health Aide	0.22	0.62	0.00	0.00	0.84
Total FTE's	6.51	6.57	0.00	0.00	13.08

To further demonstrate compliance with this sub-criterion, EHH-Washington provided the following statements. [Source: Application, Page 28]

“Through the operation of its related contract therapy company, Independence Rehab, Envision is familiar with the availability of necessary qualified staff in the King County labor market. Due to its ownership and operation by rehabilitation specialist themselves, Independence has been very successful in attracting and retaining the staffing it requires to serve its nursing home and assisted living clients. Envision does not believe that staff availability will be a problem as result of the strong relationship its owners have through their Independence Rehab presence in the same market”.

EHH-Washington identified James J. Buttitta, MD as the medical director for the proposed home health agency and provided an executed agreement between Envision Home Health of Washington, LLC (Agency) and James Buttitta (Medical Director). [Source: Application, Appendix D] The agreement outlines the medical director's roles and responsibilities and additionally, it identifies the annual compensation for the medical director services. Based on the source information reviewed 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 also 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, EHH-Washington provided a list containing the names vendor's names that it anticipates it would use for ancillary and support services. [Source: Application, Page 29 and Appendix N] Prior to providing services, EHH-Washington will provide to the department for review the list of ancillary and support services providers EHH-Washington has entered into contracts with within the planning area. Additionally, comments provided by EHH-Washington stated, "In Utah, as will be true in Washington, Envision will be contracting with many of the same therapists that King County institutions employ through their contracts with Independence Rehab". [Source: Application, page 30] Based on the source information reviewed, and with agreement to the ancillary and support services condition stated within the evaluation, the department concludes there is reasonable assurance the proposed home health agency 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.

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. Therefore, using its experience and expertise the department assessed the applicant's history in meeting these standards at other facilities owned or operated by the applicant.

As stated earlier within this evaluation, EHH-Washington does not currently provide any healthcare services in Washington. Within the application information provided by EHH-Washington shows that it shares some board members with EHHH-Utah and Independence Rehab, Inc. Independence Rehab, Inc. currently provides contracted therapy services in Washington. EHHH-Utah does not provide services in Washington. EHHH-Utah is located in Utah where it provides skilled nursing services, physical therapy, occupational therapy, speech therapy, medical social services, and certified nurse's aides through five offices located in five counties in that state.

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.⁷ To comply with this sub-criterion, EHH-Washington provided a contact list of the regulatory agency responsible for surveying EHHH-Utah healthcare facilities in Utah. [Source: Supplemental information, received November 14, 2013, Page 21]

⁷ WAC 246-310-230(5).

In November 2013, the department requested quality of care compliance history from Utah and the survey responses provided by Utah did not reveal any non-compliance issues related EHHH–Utah operations in that state. [Source: Electronic correspondence from Utah received November 29, 2013]

To further to show compliance for this sub-criterion, EHH-Washington provided a copy of the documents listed below. [Source: Application, Page 4 and Appendix D]

- Resume and professional license identification number for the proposed agency medical director James J. Buttitta, MD.
- Washington professional license identification numbers for its board of members who are also members of EHHH–Utah and Independence Rehab, Inc.

The Department of Health’s Investigations and Inspections Office (IIO) did not identify any disciplinary enforcement action against six of the board members or the medical director whose credentials in Washington were reviewed by staff. [Source: Compliance history provided by Medical Quality Assurance Commission] Given the compliance history of James J. Buttitta, MD and EHH-Washington board members, the department concludes that there is reasonable assurance that the project will be in conformance with applicable state licensing requirements and with the applicable conditions of Medicare and Medicaid. **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, EHH-Washington provided the following statements. *“Many of these patients will have the same therapist in the nursing home setting as they have when they get home. Since most of the therapist will be contracting with both Independent Rehab and with Envision, the in-home therapy teams will be familiar with practices and protocols at the institutions from which the patients are being referred. This tightly knit continuum of care substantially reduces the high risk of medical error and gaps in care that have been recognized as typical in the “hand-off” of patients between settings”.* [Source: Application, Page 30]

Based on the source information reviewed, the department concludes that 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, and based on that evaluation; the department concludes that **this sub-criterion is met.**

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

Based on the source information reviewed and provided the applicant agree to the conditions identified in the 'conclusion' section of this evaluation, the department concludes Catholic Health Initiatives National Home Care 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, the department takes a multi-step approach. Step one determines if the application has met the other criteria of WAC 246-310-210 thru 230. If it has failed to meet one or more of these criteria then the project is determined not to be the best alternative, and would fail this sub-criterion.

If the project met the applicable criteria, the department would move to step two in the process and assess the other options the applicant or applicants considered prior to submitting the application under review. If the department determines the proposed project is better or equal to other options the applicant considered before submitting their application, the determination is either made that this criterion is met (regular or expedited reviews), or in the case of projects under concurrent review, move on to step three.

Step three of this assessment is to apply any service or facility specific criteria (tie-breaker) contained in WAC 246-310. The tiebreaker 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 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.

Step One

For this project, EHH-Washington's project met the review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two below

Step Two

Before submitting this application, EHH-Washington considered the following three alternatives: do nothing, purchasing an existing agency within the planning area, or submitting an application in different planning area. [Source: Application, Pages 33-35] Summarized below are the alternatives considered by the applicant.

1. Do Nothing

EHH-Washington stated this alternative does not respond to need for an additional home health agency within the community therefore, this option was rejected.

2. Purchasing an existing King County agency

EHH-Washington stated purchasing an existing agency would have allowed it to rapidly address need, but this option was rejected because there was no home health agency available for purchase.

Given the options considered by the applicant and since the department's methodology shows that an additional capacity can be added within the planning area, the department concludes **this sub-criterion is met.**

Step Three

This step is used to determine the best available alternative between two or more approvable projects. The department did not receive any other application proposing to establish a home health agency in King County. Therefore, this **step is not applicable to this project.**

**State Health Plan Home Health Methodology-King County
Envision Home Health of Washington (CN14-10)**

Population by age group by year						
	2013	2014	2015	2016	2017	2018
Total County Population	1,980,169	1,996,476	2,012,782	2,031,988	2,051,194	2,070,402
Population 0-64	1,744,637	1,752,660	1,760,682	1,768,901	1,777,119	1,785,338
Population 65-79						
65-69	171,543	179,407	187,272	197,706	208,140	218,575
70-74	81,013	85,578	90,143	93,502	96,862	100,221
75-79	53,094	55,648	58,203	62,903	67,603	72,304
Total Population 65-79	37,436	38,181	38,926	41,301	43,675	46,050
Total Population 65-79	171,543	179,407	187,272	197,706	208,140	218,575
Population 80 +						
80-84	63,989	64,409	64,828	65,381	65,935	66,489
85+	28,740	28,671	28,602	29,093	29,585	30,076
Total Population 80+	35,249	35,738	36,226	36,288	36,350	36,413
Total Population 80+	63,989	64,409	64,828	65,381	65,935	66,489
Pop. Calc. test back	1,980,169	1,996,476	2,012,782	2,031,988	2,051,194	2,070,402

State Health Plan Home Health Methodology-King County Envision Home Health of Washington (CN14-10)

Step 1-Population by Age Cohort	2013	2014	2015	2016	2017	2018
0-64	1,744,637	1,752,660	1,760,682	1,768,901	1,777,119	1,785,338
65-79	171,543	179,407	187,272	197,706	208,140	218,575
80+	63,989	64,409	64,828	65,381	65,935	66,489
Step 2-Projected Home Health Patients by Age Cohort						
0-64 X 0.005	8,723.19	8,763.30	8,803.41	8,844.51	8,885.60	8,926.69
65-79 X 0.044	7,547.89	7,893.91	8,239.97	8,699.06	9,158.16	9,617.30
80+ X 0.183	11,709.99	11,786.85	11,863.52	11,964.72	12,066.11	12,167.49
Step 3-Projected Home Health visits by age cohort						
0-64	8,723.19	8,763.30	8,803.41	8,844.51	8,885.60	8,926.69
Multiplier	10	10	10	10	10	10
Subtotal 0-64	87,231.85	87,633.00	88,034.10	88,445.05	88,855.95	89,266.90
65-79	7,547.89	7,893.91	8,239.97	8,699.06	9,158.16	9,617.30
Multiplier	14	14	14	14	14	14
Subtotal 65-79	105,670.49	110,514.71	115,359.55	121,786.90	128,214.24	134,642.20
80+	11,709.99	11,786.85	11,863.52	11,964.72	12,066.11	12,167.49
Multiplier	21	21	21	21	21	21
Subtotal 80+	245,909.73	247,523.79	249,134.00	251,259.18	253,388.21	255,517.23
Total Projected Home Health Visits	438,812.07	445,671.50	452,527.66	461,491.13	470,458.40	479,426.33
Step 4-Gross Need (Step 3 Total Visits /10,000)	43.88	44.57	45.25	46.15	47.05	47.94
Step 5- No. of Home Health Agencies	36	36	36	36	36	36
Step 6 Net Need (Per Method, Fractions are rounded down)	7	8	9	10	11	11

A negative number means there is a surplus