

**EVALUATION DATED SEPTEMBER 20, 2021, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY THE PENNANT GROUP, INC. PROPOSING TO PROVIDE MEDICARE AND MEDICAID-CERTIFIED HOSPICE SERVICES TO RESIDENTS OF MASON COUNTY**

**APPLICANT DESCRIPTION**

**The Pennant Group, Inc. dba Puget Sound Hospice**

Symbol Healthcare, Inc., dba Puget Sound Hospice, is a Washington State foreign profit corporation,<sup>1</sup> owned by The Pennant Group, Inc. Although The Pennant Group, Inc. is a publicly traded company, no shareholder has more than five percent ownership interest. Additionally, The Pennant Group, Inc., owns Cornerstone Healthcare, Inc., which in turn, owns Paragon Healthcare, Inc., which ultimately owns Symbol Healthcare, Inc. For this project, The Pennant Group, Inc. is considered the applicant.

The Pennant Group, Inc. owns and operates through its subsidiaries, Puget Sound Hospice. Which operates out of an office currently in Tacoma; and provides hospice services to Thurston County residents. The Pennant Group, Inc. offers several lines of service, which includes in-home care, via its subsidiary Cornerstone Healthcare, Inc.; and senior living communities, via its subsidiary Pinnacle Senior Living LLC. Cornerstone Healthcare, Inc. through its subsidiaries, owns and operates 10 home care agencies, 41 hospice agencies, 33 home health agencies, four physician groups, and two therapy groups throughout 14 states nationally. This count includes Washington State Certificate of Need-approved hospice services to Asotin, Garfield, Snohomish, and Thurston county residents as well as licensed only hospice services to the Whitman County residents. [sources: March 31, 2021, screening response, p3; Pennant’s website, About Us; and Certificate of Need facility files]

If a Certificate of Need is issued for this project, the department recognizes that the service county expansion could be added to Puget Sound Hospice’s existing in-home service license.<sup>2</sup> For this evaluation, the applicant, The Pennant Group, Inc. will be referenced in this evaluation as “*Pennant.*” The agency that is the focus of this evaluation, which is expanding its service area, Puget Sound Hospice, will be referenced as “*PSH.*”

**PROJECT DESCRIPTION**

Under the Medicare payment system, hospice care benefit consist of the following services: physician and clinical services, nursing care, medical equipment and supplies, symptoms control and pain relief management, hospital based short-term care, respite care, home health aide and homemaker services, physical and occupational therapy, social worker services, dietary counseling, grief and loss counseling. Respite care and outpatient drugs are each subject to a small co-payment and other services are covered in full<sup>3</sup>. Hospice staff would be available 24/7 for emergencies. Additional hospice services include inpatient hospice services to nursing home residents.

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<sup>1</sup> UBI 603 257 823

<sup>2</sup> IHS.FS.61032138

<sup>3</sup> Medicare Hospice Benefits, page 8 Centers for Medicare & Medicaid Services. CMS Product No. 02154, Revised March 2020.

**The Pennant Group, Inc. dba Puget Sound Hospice**

Pennant proposes to expand its existing agency’s services<sup>4</sup> and service area to include Medicare and Medicaid-certified hospice services to the residents of Mason and Grays Harbor<sup>5</sup> counties. The focus of this evaluation is limited to the Mason County expansion except when Pennant’s Grays Harbor County proposed operations overlaps impacting this proposed project. The agency currently shares office space with its affiliated home health agency at 4002 Tacoma Mall Boulevard, Suite #204, in Tacoma [98409]. Once PSH receives Medicare and Medicaid certification for hospice services it plans to relocate to an office located at 111 Tumwater Boulevard, Suite A302, in Tumwater [98502]. [source: Application, pp9-10, and March 31, 2021, screening response, p3]

Pennant provided the following table identifying the services it intends to provide in Mason County. [source: Application, p11]

*Applicant’s Table*

✓ Skilled Nursing	✓ Durable Medical Equipment
✓ Home Health Aide	✓ IV Services
✓ Physical Therapy	✓ Nutritional Counseling
✓ Occupational Therapy	✓ Bereavement Counseling
✓ Speech Therapy	✓ Symptom and Pain Management
✓ Respiratory Therapy	✓ Pharmacy Services
✓ Medical Social Services	✓ Respite Care
✓ Palliative Care	✓ Spiritual Counseling
✓ Other (please describe) Massage, Pet Therapy, Music Therapy, We Honor Veterans Programs	

If approved, Pennant intends to begin providing Medicare and Medicaid-certified hospice services to the residents of Mason County within three months of receiving a Certificate of Need. [source: Application, p11] Based on the timeline identified by the applicant, full calendar year one of the project is 2022 and full calendar year three is 2024.

Pennant identified an estimated capital expenditure of \$5,000 for this project. The costs are for office equipment and associated sales tax. The proposal includes that these costs are paid by the applicant; and that there are no construction costs. [sources: Application, p22 and March 31, 2021, screening response, p5]

**APPLICABILITY OF CERTIFICATE OF NEED LAW**

This application proposes to establish Medicare and Medicaid-certified hospice services for the residents of Mason County. This action is subject to review as the construction, development, or other establishment of new health care facility under Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code 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

<sup>4</sup> Pennant is currently is approved to provide Medicare and Medicaid-certified hospice services to residents of Thurston County, CN#1824.

<sup>5</sup> On December 31, 2020, The Pennant Group submitted an application to expand its Medicare and Medicaid hospice service area to Grays Harbor County. Given that the Grays Harbor project was submitted one month prior to this Mason County project, the evaluation approving the Grays Harbor project was released on August 16, 2021 and CN #1904 was issued on August 31, 2021, for the Grays Harbor project.

determinations. WAC 246-310-290 contains service or facility-specific criteria for hospice projects and must be used to make the required determinations.

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); 246-310-240 (cost containment); and WAC 246-310-290 (hospice standards and forecasting method).

**TYPE OF REVIEW**

As directed under WAC 246-310-290(3) the department accepted this application under the 2020 annual hospice agency concurrent review timeline for Mason County. Given that this application was the only hospice application proposing to provide services to the residents of Mason County, it was converted to the regular review process, as allowed by WAC 246-310-290(6).

During the hospice concurrent review cycles, Pennant submitted applications to provide Medicare and Medicaid-certified hospice services in Mason, Grays Harbor, King, and Pierce counties. While this evaluation focuses on the Mason County project, some areas of the evaluation must take into consideration the possibility that the applicant could be approved for multiple counties. Following is a chronological summary of the 2020 annual review for Mason County.

**APPLICATION CHRONOLOGY**

Action	The Pennant Group
Letter of Intent Received	December 17, 2020
Application Received	January 29, 2021
Department’s pre-review activities including: <ul style="list-style-type: none"> <li>• DOH First Screening Letter</li> <li>• Applicant’s Responses Received</li> <li>• DOH Second Screening Letter</li> <li>• Applicant’s Responses Received</li> </ul>	February 26, 2021 March 31, 2021 April 21, 2021 June 7, 2021
Beginning of Review	June 17, 2021
End of Public Comment <ul style="list-style-type: none"> <li>• Public comments accepted through the end of public comment</li> <li>• No public hearing requested or conducted</li> </ul>	July 22, 2021
Rebuttal Comments Deadline <sup>6</sup>	August 5, 2021
Department’s Anticipated Decision Date	September 20, 2021
Department’s Actual Decision Date	September 20, 2021

**AFFECTED PERSONS**

“Affected persons” are defined under WAC 246-310-010(2). In order to qualify as an affected person someone must first qualify as an “interested person” defined under WAC 246-310-010(34). During the course of the review of this application two entities requested interested person status.

Providence SoundHomecare and Hospice

Providence SoundHomecare and Hospice is licensed as an in-home services provider with a self-identified service area of Lewis, Mason, Pierce, and Thurston counties for a variety of home health and hospice

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<sup>6</sup> Given that no public comments were submitted for this project, the applicant did not submit rebuttal comments.

services.<sup>7</sup> On February 5, 2021, Providence SoundHomecare and Hospice submitted its request for interested person status. Providence SoundHomecare and Hospice did not provide comments on this application, therefore does not qualify as an affected person.

#### Nancy Field

Nancy Field is a consultant for multiple providers of healthcare services throughout the state and region. On March 5, 2021, Ms. Field submitted a request for interested person status. Nancy Field did not provide comments on this application, therefore does not qualify as an affected person.

### **PUBLIC COMMENT AND REBUTTAL**

There was no public comment submitted for this application; as a result, the applicant was precluded from providing rebuttal comments. This fact is stated here and will not be restated throughout this evaluation.

### **SOURCE INFORMATION REVIEWED**

- The Pennant Group's Certificate of Need application received on January 29, 2021
- The Pennant Group's first screening responses received on March 31, 2021
- The Pennant Group's second screening responses received on June 7, 2021
- Licensing and/or survey data provided by the Department of Health's Office of Health Systems Oversight
- Department of Health Integrated Licensing and Regulatory System database [ILRS]
- Licensing data provided by the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service
- The Pennant Group, Inc. website at <https://pennantgroup.com/>
- CMS QCOR Compliance website: [https://qcor.cms.gov/index\\_new.jsp](https://qcor.cms.gov/index_new.jsp)
- Medicare Hospice Benefits Centers for Medicare & Medicaid Services. CMS Product No. 02154, Revised November 2020
- Washington State Secretary of State corporation data
- Certificate of Need Program reports

### **CONCLUSION**

#### **The Pennant Group, Inc. dba Puget Sound Hospice**

For the reasons stated in this evaluation, the application submitted by The Pennant Group, Inc. dba Puget Sound Hospice proposing to expand its existing services to include Medicare and Medicaid-certified hospice services to the residents of Mason County is consistent with applicable criteria of the Certificate of Need Program, provided The Pennant Group, Inc. dba Puget Sound Hospice agrees to the following in its entirety.

#### **Project Description:**

This Certificate of Need approves The Pennant Group, Inc. dba Puget Sound Hospice to expand its existing services to include Medicare and Medicaid-certified hospice services to the residents of Mason County, Washington. The hospice services will be provided from its office located at 111 Tumwater Boulevard, Suite A302, in Tumwater [98502] in Thurston County. Hospice services provided to Mason County residents include skilled nursing, physical, occupational, respiratory, and speech therapies, medical social services, home health aide services, medical director services, palliative care, durable medical equipment, IV services, nutritional counseling, bereavement counseling, symptom and pain management, pharmacy,

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<sup>7</sup> According to the department's Integrated Licensing and Regulatory System database, license #IHS.FS.00000420.

respite care, spiritual counseling, massage, pet and music therapy, and special programs for veterans. Services may be provided directly or under contract.

Conditions:

1. Approval of the project description as stated above. The Pennant Group, Inc. dba Puget Sound Hospice 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. The Pennant Group, Inc. dba Puget Sound Hospice will obtain and maintain Medicare and Medicaid certification.
3. The Pennant Group, Inc. dba Puget Sound Hospice shall finance this project using existing corporate reserves, as described in the application.
4. Prior to providing Medicare and Medicaid-certified hospice services to Mason County residents, The Pennant Group, Inc. dba Puget Sound Hospice will provide a listing of its credentialed staff to the Certificate of Need Program for review. The listing shall include each staff person's name and professional license number.
5. Prior to providing Medicare and Medicaid-certified hospice services to Mason County residents, The Pennant Group, Inc. dba Puget Sound Hospice will provide the Certificate of Need Program with an updated version of its Charity Care Policy with clear and concise information.
6. The service area expansion for this Medicare and Medicaid-certified hospice agency is Mason County. Consistent with Washington Administrative Code 246-310-290(13) The Pennant Group, Inc. dba Puget Sound Hospice must provide hospice services to residents of the entire county for which this Certificate of Need is granted.

Approved Costs:

The capital expenditure for this project is \$5,000. The costs are for office equipment and associated sales tax. These costs are to be paid by the applicant.

**CRITERIA DETERMINATIONS**

**A. Need (WAC 246-310-210) and Hospice Services Standards and Need Forecasting Methodology (WAC 246-310-290)**

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that The Pennant Group, Inc. project **meets** the applicable need criteria in WAC 246-310-210 and the availability and accessibility criteria in WAC 246-310-290(8).

*(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 246-310-290(8)-Hospice Agency Numeric Methodology

The numeric need methodology outlined in WAC 246-310-290(8) uses hospice admission statistics, death statistics, and county-level population projections to predict where hospice services will be needed in Washington State. If a planning area shows an average daily census of 35 unserved hospice patients three years after the application submission year, there is numeric need and the planning area is "open"

for applications. The department published the step-by-step methodology in October of 2020; and it is attached to this evaluation as Appendix A. Following is the discussion and evaluation of this applicant’s numeric need methodology outlined in WAC 246-310-290(8).

The numeric methodology follows the Washington Administrative Code standards as written. Any alternate methodologies that historically have been suggested or past public comments that suggest an alternative to the stated rules will not be included in this review.

**The Pennant Group, Inc. dba Puget Sound Hospice**

Pennant provided its own step-by-step calculation of numeric need for Mason County which matches the one published by the department. Both numeric methodologies project a need for one hospice agency in Mason County in year 2022. [source: Application pp16-18]

**Department’s Evaluation of Numeric Methodology**

The 2020-2021 hospice numeric need methodology was released near the end of October 2020; and followed the steps required by WAC 246-310-290(8). The methodology relies on 2019 historical data; and projects to year 2022. Pennant acknowledged that the numeric methodology posted to the department’s website identifies need for one Medicare and Medicaid certified hospice agency in Mason County in projection year 2022. The results of the numeric methodology are shown in the table below.

**Department’s Table 1**

**Mason County Hospice Methodology Projection Summary for Year 2022**

Year 2022 - Unmet Patient Days divided by 365	35
Year 2022 - Number of Agencies Needed (divide by 35)*	1

\* the numeric need methodology projects need for whole hospice agencies only – not partial hospice agencies. Therefore, the results are rounded down to the nearest whole number.

In conclusion, the numeric methodology is a population-based assessment used to determine the projected need for hospice services in a county (planning area) for a specific projection year. Based solely on the numeric methodology applied by the department, need for one additional hospice agency to serve the residents of Mason County is demonstrated. **The department concludes that numeric need is demonstrated for this project.**

In addition to the numeric need, the department must determine whether other services and facilities of the type proposed are not or will not be sufficiently available and accessible to meet the planning area residents’ needs.

**The Pennant Group, Inc. dba Puget Sound Hospice**

Pennant provided the following statement related to this sub-criterion. [source: Application, p16 and March 31, 2021, screening response, p5]

*“Our project seeks to address the unmet need for additional hospice services in Mason County. The need for additional hospice agencies, as determined by the eight step methodology contained in WAC 246-310-290, which is found below, indicates an unmet Average Daily Census (ADC) of 30 in 2020, 33 in 2021 and 35 in 2022. This unmet ADC translates into unmet patient days of 11,053 in 2020, 11,965 in 2021 and 12,877 in 2022.*

*There are two Medicare Certified Hospice agencies in Mason County (Providence Sound Home Care and Hospice and Assured Hospice). Providence Sound Home Care and Hospice serves three counties*

*including Mason, Thurston, and Lewis. Assured Hospice serves five counties including Mason, Lewis, Thurston, Jefferson, and Clallam. While these hospice agencies have a history of providing hospice care in Mason county, there continues to be a need beyond the ability of these two multi-county hospice agencies to meet the needs of the mostly rural Mason county residents. This can be seen in the need methodology supporting an additional hospice provider in the mostly rural and diverse Mason county. The proven need combined with our understanding of the long admission wait times in other counties we are applying in, and assuming that Mason patients are experiencing the same long admission wait times, we do not believe this project will result in unjustified duplication of services.”*

Focusing on the assertion of ‘Mason County patients experiencing long admission wait times’ as referenced above, Pennant provided the following clarification. [source: June 7, 2021, screening response, p3]

*“In our correspondence with Mason County healthcare providers including Mason County Clinic in Shelton, WA, Providence Hospice, and Mason General Hospital, each have reported wait times of a few days to over a week for a hospice admission pre-COVID. As recent as May 25, 2021, all reported that over the past year, COVID has played a role in staffing availability that can lead to even longer hospice admit times. In speaking with Terri Gushee, long-term Mason General Hospital planner, an additional hospice in Mason county would be welcomed to help meet the community needs of timely hospice admissions of 24 hours or less.”*

### **Department Evaluation**

This section of the application allows an applicant to explain why the proposed project is not an unnecessary duplication of services. The rationale and discussion provided by Pennant is based on information specific to Mason County. There is a brief analysis of the county’s existing hospice agencies and ADC, relative to the county’s population. The department finds this rationale to be reasonable.

The approval of an additional provider in the planning area will result in an additional hospice options for many terminally ill hospice patients. Based on the information reviewed and the lack of public comment in opposition to this project, the department concludes that Pennant provided a practical rationale to support its project. **This sub-criterion is met.**

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

To evaluate this sub-criterion, the department evaluates an applicant’s admission policies, willingness to serve Medicare and Medicaid patients, and to serve patients that cannot afford to pay for services.

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 assurances regarding access to treatment. The admission policy must also include language to ensure all residents of the planning area would have access to the proposed 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.

Medicare certification is a measure of an applicant’s willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals age 65 and over. It is also well recognized that women live longer than men and therefore more likely to be on Medicare longer.

Medicaid certification is a measure of an applicant's willingness to serve low income persons and may include individuals with disabilities.

Charity care shows a willingness of a provider to provide services to individuals who do not have private insurance, do not qualify for Medicare, do not qualify for Medicaid, or are under insured. With the passage of the Affordable Care Act, the amount of charity care is expected to decrease, but not disappear.

**The Pennant Group, Inc. dba Puget Sound Hospice**

In response to this sub-criterion, Pennant provided copies of many policies in use at all its hospice agencies. Of the policies provided, the following policies are directly related to this sub-criterion. [source: March 31, 2021, screening response, Exhibit 6, p10]

Admission Criteria and Process – the stated purpose of this policy is *“To establish standards and a process by which a patient can be evaluated and accepted for admission.”* This policy states that patients will be admitted if they meet the admission criteria, and then identifies the admission criteria. The policy also provides the following non-discrimination language: *“Patients will be accepted for care without discrimination on the basis of race, color, religion, age, gender, sexual orientation, disability (mental or physical), communicable disease, or place of national origin.”*

The Admission Policy also states: *“While patients are accepted for services based on their hospice care needs, the patient's ability to pay for such services, whether through state or federal assistance programs, private insurance, or personal assets is a factor that will be considered.”*

Pennant provided the following clarification regarding the statement above in the Admission Policy. [source: March 31, 2021, screening response, p10]

*“If the client is unable to pay for services, the charity care policy will be instituted, this is what is meant by “factors that will be considered.”*

Charity Care Policy – the stated purpose of this policy is *“To detail the process utilized for patients in need of hospice services under the charity care policy as required by the Washington State Department of Health. Puget Sound Hospice will establish objective criteria and financial screening procedures for determining eligibility for charity care.”* The policy includes the following non-discrimination language: *“Once Federal and State hospice clinical admission guidance, all patients in need of hospice will receive Puget Sound services expeditiously regardless of ability to pay, race, color, gender, gender identity, religion, age, or citizenship.”* The policy identifies that the Executive Director/Administrator and appropriate program director will determine the appropriate amount of charity care to be provided.

Pennant provided the following clarification regarding the ‘objective criteria’ statement above in the Charity Care Policy. [source: March 31, 2021, screening response, p11]

*“Objective criteria’ refers to the hospice eligibility criteria that the federal government has established as guidance. No patient will be turned away from hospice due to an inability to pay but the individual needs to qualify for hospice by having a life limiting illness and an expectation that if the illness continues on it’s course the client will perish in 6 months or less. This charity policy is being utilized by our other Washington State agencies and has been approved by the DOH and the outside accreditors on several occasions.*

*Hospice care is a benefit under the hospital insurance program. To be eligible to elect hospice care under Medicare, an individual must be entitled to Part A of Medicare and be certified as being terminally ill. An individual is considered to be terminally ill if the medical prognosis is that the*



*individual’s life expectancy is 6 months or less if the illness runs its normal course. Only care provided by (or under arrangements made by) a Medicare certified hospice is covered under the Medicare hospice benefit. Please see Exhibit 15.”*

Nondiscrimination Policy and Grievance Process – the stated purpose of this policy is: *“To prevent organization personnel from discriminating against other personnel, patients, or other organizations on the basis of race, color, religion, age, sex (an individual’s sex, gender identity, sex stereotyping, pregnancy, childbirth and related conditions), sexual orientation, disability (mental or physical), communicable disease, or national origin.”* It includes additional assistance the agency has available to patients, as well as internal and external contact information for filing complaints. The policy is used to ensure Pennant hospice patients are aware of what services are available to them, how to access services, and how to air grievances if standards are not met.

To further support its availability to residents of the planning area, Pennant provided the following statements related to this sub-criterion. [Source: Application, p19]

*“Puget Sound Hospice will be available and accessible to the entire planning area.*

*Puget Sound Hospice will provide staff 24 hours a day, 7 days a week to meet patient and family needs. We are committed to providing our full range of services for all residents of Mason County. We are excited to provide additional hospice services and increasing access to end of life healthcare to the residents of Mason. As a long standing home health provider in Pierce County, Symbol has a history of taking hard to place patients due to their types of insurances that have less than desirable reimbursements, often at a loss, that other providers have declined. Symbol looks forward to continuing to leverage our current and well established relationships and partnerships within communities and referral sources to meet the needs of those who are under-served.”*

Additionally, Pennant provided the following anticipated payer mix for its Mason County hospice services: *“The numbers in the payer mix table below are averages across all Cornerstone-affiliated hospice agencies.”* [Source: Application, p24]

**Department’s Table 2  
Pennant’s Mason County Projected Payer Mix**

<b>Payer</b>	<b>Percentage of Gross Revenue</b>	<b>Percentage by Patient</b>
Medicare	94.6%	95.2%
Medicaid	4.0%	3.73%
Commercial	1.2%	0.87%
Self-Pay	0.2%	0.2%
<b>Total</b>	<b>100.0%</b>	<b>100%</b>

Pennant provided the following statements to clarify its assumptions for the payer mix identified in the table above. [source: March 31, 2021, screening response, p6]

*“The payer mix blended averages are consistent with the payer mix averages for five of our hospice and home health agencies in Washington state. These agencies are in Snohomish County, Asotin County, Pierce County, King County and Benton County. While the payer mixes vary, the variations are minor from county to county. Based on this, we are confident the payer mix will be similar for Mason County.”*

### Department Evaluation

The Admission Policy provided by the applicant describes the process Pennant would use to admit a patient to its hospice agency. The policy includes language to ensure all patients will be admitted for treatment without discrimination.

The Charity Care Policy includes non-discrimination language to ensure all patients eligible for hospice services could be served by the agency. The Charity Care Policy also provides the process to obtain charity care. One issue with this policy is that it contains references to its affiliated agency. This may cause confusion for some patients, and if this project is approved, the department will consider the submitted Charity Care Policy a draft; and include a condition to update this policy so that it does not include potentially confusing references. Despite this potentially confusing reference, Pennant's intention to provide indigent patients with care is clear. Pennant further demonstrated its intent to provide charity care to patients by including a "Charity Care" line item as a deduction from revenue within its pro forma income statements.

The applicant also provided a Notice of Non-discrimination along with several other related policies and procedures which further assures the department of Pennant's intention to provide access to hospice services to all the residents of Mason County.

Furthermore, documentation provided in the application indicates that if approved, Pennant would include Mason County in both its Medicare and Medicaid certifications. Pennant provided its projected Medicare and Medicaid revenues for Mason County operations and based its projections on its affiliate's historical performance.

Based on the information reviewed, the lack of public comment in opposition to the project, and with agreement to a condition to update its Charity Care Policy, the department concludes that Pennant's policies demonstrate that all residents of the service area may be accepted for services, regardless of the ability to pay. Thus, that **this sub-criterion is met.**

- (3) The applicant has substantiated any of the following special needs and circumstances the proposed project is to serve.
  - (a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both, to individuals not residing in the health service areas in which the entities are located or in adjacent health service areas.
  - (b) The special needs and circumstances of biomedical and behavioral research projects designed to meet a national need and for which local conditions offer special advantages.
  - (c) The special needs and circumstances of osteopathic hospitals and non-allopathic services.
- (4) The project will not have an adverse effect on health professional schools and training programs. The assessment of the conformance of a project with this criterion shall include consideration of:
  - (a) The effect of the means proposed for the delivery of health services on the clinical needs of health professional training programs in the area in which the services are to be provided.
  - (b) If proposed health services are to be available in a limited number of facilities, the extent to which the health professions schools serving the area will have access to the services for training purposes.
- (5) The project is needed to meet the special needs and circumstances of enrolled members or reasonably anticipated new members of a health maintenance organization or proposed health maintenance organization and the services proposed are not available from nonhealth maintenance organization

providers or other health maintenance organizations in a reasonable and cost-effective manner consistent with the basic method of operation of the health maintenance organization or proposed health maintenance organization.

### **Department Evaluation**

This sub-criterion under WAC 246-310-210(3), (4), and (5) is not applicable to this hospice project.

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that The Pennant Group, Inc. project **meets** the applicable 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 reviews the assumptions provided by an applicant, projected revenue and expense (income) statements, and projected balance sheets. The assumptions are the foundation for the projected statements. The income statement is a financial statement that reports a company's financial performance over a specific period—either historical or projected. Projected financial performance is assessed by giving a summary of how the business expects its revenues to cover its expenses for both operating and non-operating activities. It also projects the net profit or loss incurred over a specific accounting period.<sup>8</sup>

The purpose of the balance sheet is to review the financial status of company at a specific point in time. The balance sheet shows what the company owns (assets) and how much it owes (liabilities), as well as the amount invested in the business (equity). This information is more valuable when the balance sheets for several consecutive periods are grouped together, so that trends in the different line items can be viewed.

As a part of this Certificate of Need review, the department must determine that an approvable project is financially feasible – not just as a stand-alone entity in a new county, but also as an addition to its own existing operations. To complete its review, the department requested each applicant provide projected financial information for the parent corporation if the proposed agency would be operated under the parent.

### **The Pennant Group, Inc. dba Puget Sound Hospice**

Pennant through its subsidiaries, currently owns and operates in Washington State several in-home services agencies serving the residents of Asotin, Benton, Franklin, Garfield, King, Pierce, San Juan, Skagit, Snohomish, Thurston, and Whitman counties. Through its subsidiaries, Pennant was recently approved to offer hospice services to the residents of Grays Harbor County, Snohomish County, and

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<sup>8</sup> One purpose behind the income statement is to allow key decision makers to evaluate the company's current situation and make changes as needed. Creditors use these statements to make a decision on loans it might make to the company. Stock investors use these statements to determine whether the company represents a good investment.

Thurston County.<sup>9</sup> This applicant, the ultimate parent of all these agencies, The Pennant Group, Inc. operates numerous home health, hospice, skilled nursing, and assisted living facilities throughout the country.

Pennant provided the following assumptions used to determine the projected number of patients and visits for the proposed Mason County hospice services. [source: Application, p15]

*“To remain consistent with utilization of the methodology as the basis for this project rationale, population forecasts for 2023 and 2024 have been estimated using the same assumptions that are used in the eight step methodology contained in WAC 246-310-290. The calculation for the assumption of population growth within each age cohort for each projected year is: (year 2021 - year 2020) + year 2021 = year 2022*

*This same calculation is used for the unmet patient days in our pro forma financials projections for year 2023 and year 2024. Our 2022, 2023 and 2024 projections for unmet patient days, unmet patient days percent per year, patient days, annual admissions for unduplicated patients, monthly admissions for unduplicated patients, and average daily census are shown in Table 2 on page 20. This information and data is also shown in the pro forma at Exhibit 10.”*

*“Patient Days: Projected service for 75% in 2022, 80% in 2023 and 85% 2024.”* [source: Application, Exhibit 10]

*“Referral Rates:*

- Physician, 32.9%*
- Clinic, 36.5%*
- Hospital transfer, 12.2%*
- SNF transfer, 16.7%*
- All other, 1.7%”*

[source: Application, Exhibit 10]

#### Market Share

*“The market share assumptions are 75%, 80%, and 85% for years one, two and three, respectively. The assumed market share is based on our experience with other Cornerstone hospice startups as well as growth trends for acquired hospice agencies across Cornerstone.*

*Washington-Alpha Hospice, the startup in Snohomish County, has a census of 21. We are on pace and expect to reach an ADC of 43 by the end of 2021. California-Peaceful Heart Hospice in Riverside County has a census of 23. We launched this startup agency in November 2020. We expect to reach an ADC of 48+ by the end of 2021. Arizona-Emblem Hospice in Pima County reached an ADC of 51 by the end of the first year of the startup.”*

[source: March 31, 2021, screening response, p5 and June 7, 2021, screening response, p3]

Using the assumptions stated above, Pennant projected utilization for its Mason County operations summarized in the table on the following page. [source: Application, p19]

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<sup>9</sup> Grays Harbor County: CN #1904, issued on August 31, 2021 to The Pennant Group, Inc; Snohomish County: CN #1826R, issued on November 15, 2019 to Glacier Peak Healthcare; and Thurston County: CN #1824, issued on December 4, 2019 to Symbol Healthcare.

*Applicant's Table*

Projection Year	2022	2023	2024
unmet patient days	12877	13789	14701
unmet patient days % per year	75%	80%	85%
Patient Days	9658	11031	12496
Annual admissions - Unduplicated Patients with ALOS of 62.66	154	176	199
Monthly Unduplicated Patient admissions	13	15	17
Average Daily Census (ADC)	26	30	34

If this project is approved, the new service area of the hospice agency would be operated in combination with its parent's operations and is an expansion of an existing agency's service area. The department requested Pennant provide pro forma financial statements for the existing hospice agency alone, with its additional service areas proposed, and with its parent and affiliates as a whole, which incorporates existing operations. Since Pennant has four hospice applications currently under review, Pennant provided extensive financial statements, with varied scenarios anticipating a mixture of potential approvals. The various financial statements were helpful for the department to determine potential impacts of one project on existing operations as well as on other potential approvals or denials.

Pennant also provided the assumptions used to project profits and losses shown in the table beginning below. [source: Application, Exhibit 10, March 31, 2021, screening responses, p5 and pp11-13; and June 7, 2021, screening response, p3]

**Department's Table 3  
Pennant's Financial Assumptions**

<i>Line Item</i>	<i>Assumption</i>
<i>Routine Care Revenue</i>	<i>Days of Care x Per Diem Rates</i>
<i>Inpatient Respite Revenue</i>	<i>Days of Care x Per Diem Rates</i>
<i>Continuous Home Care Revenue</i>	<i>Days of Care x Per Diem Rates: Assumes one 8 hour shift per each unmet day</i>
<i>General Inpatient Revenue</i>	<i>Days of Care x Per Diem Rates</i>
<b>Contractual adjustments –</b>	
<i>Medicare Managed Care, Medicaid Managed Care, Private Pay, Third Party Insurance</i>	<i>Assumed 2%</i>
<i>Charity Care</i>	<i>Assumed 5%</i>
<i>Provisions for Bad Debt</i>	<i>Assumed 1%</i>
<i>Clinical Staffing Costs</i>	<i>FTE x Annual Compensation [includes registered nurses, certified nurse assistants, licensed clinical social worker, spiritual care coordinator, and director of clinical services.</i>
<i>Payroll Taxes &amp; Benefits</i>	<i>30% of Base Compensation</i>
<b>Contracted Patient Care</b>	
<i>Medical Director</i>	<i>Rate of \$190/hr per contract.</i>
<i>Physical Therapist</i>	<i>\$42.38/hr 1.5 hours/20 ADC/Month Based on Cornerstone Avg &amp; Wa. rates</i>
<i>Occupational Therapist</i>	<i>\$39.26/hr 1.5 hours/20 ADC/Month Based on Cornerstone Avg &amp; Wa. Rates</i>
<i>Speech Therapist</i>	<i>\$35.55/hr 1.5 hours/20 ADC/Month Based on Cornerstone Avg &amp; Wa. rates</i>
<i>Dietitian</i>	<i>\$33.29/hr 1.5 hours/20 ADC/Month Based on Cornerstone Avg &amp; Wa. rates</i>

<b>Line Item</b>	<b>Assumption</b>
<b>Direct Patient Care Costs</b>	
DME	\$6.04/Patient Day based on Cornerstone averages
Pharmacy	\$7.09/Patient Day based on Cornerstone averages
General Inpatient Costs	\$1039.53/General Inpatient day of care
Medical Supplies	\$2.59/Patient Day based on Cornerstone averages
Inpatient Respite	\$458.16/Inpatient Respite day of care
Room and Board	\$0.45/Patient Day based on Cornerstone averages
Mileage	Estimate 8 miles/day of care reimbursed at \$0.45/mile based on existing local agency
<b>Administrative Staff</b>	
Administrator	FTE x Annual Compensation
Business Office Manager, Medical Records, Scheduling	FTE x Annual Compensation
Intake	FTE x Annual Compensation
Community Liaison	FTE x Annual Compensation
Payroll Taxes & Benefits	30% of Base Compensation
<b>Administration Costs</b>	
Advertising	1% of revenue
Allocated Costs	5% Allocation to Cornerstone Service Center for support; Legal, HR, Accounting, IT, and Clinical
B & O Taxes	1.5% of Gross Revenue
Dues & Subscriptions	\$375/month, primarily Medbridge
Education and Trainings	\$10,000/year, Continuing education including Clinical education and compliance
Information Technology/Computer/ Software Maintenance	\$1,250/month
Insurance	Liability and Property Content
Legal and Professional	Included in Allocated Costs to Cornerstone Service Center
Licenses and Fees	Bi annual state license, rate based on FTE's
Postage	\$500/month
Purchased Services	\$1,000/month; bank fees, system access: HCHB, SHP, Workday
Repairs and Maintenance	\$150/month
Cleaning	\$210/month
Office Supplies	\$250/month
Equipment lease & maintenance	\$500/month, copier and postage machines
Building rent or lease	See lease
Lease NNN or Common Area Maintenance charges	See Triple net in lease
Recruitment	\$250 /month
Telephones	\$55/FTE/Month + \$250/month for landlines

Some expenses (see the following list) are split between Thurston County (75%) and Mason County (25%) operations assuming Mason County is approved. [source: March 31, 2021, screening response, Exhibit 10]

- Administrator Compensation
- Advertising
- Dues & Subscriptions
- Purchased Services
- Repairs and Maintenance
- Cleaning

- Insurance
- Licenses and Fees
- Postage
- Information Technology and Computer/Software Maintenance
- Office Supplies
- Equipment Lease & Maintenance
- Building Rent or Lease
- Lease Triple Net and Common Area Maintenance charges

Given that the applicant submitted two projects proposing to serve two new counties (Grays Harbor and Mason) from the Thurston County agency, the department requested clarification regarding shared costs if the Grays Harbor project is not approved. Pennant provided the following clarifications. [source: June 7, 2021, screening response, p5]

*“Mason County will have 25% assigned even if Grays Harbor is denied.”*

Specific to its lease costs, Pennant provided the following tables to clarify how the costs were calculated. [source: March 31, 2021, screening response, p13]

YEAR	BASE RENT	NNN	SQ.FT	LEASE PER YR	NNN PER YR
July 2021- June 2022	\$ 18.27	\$ 4.65	1492	27,258.84	6,937.80
July 2022- June 2023	\$ 18.81	\$ 4.65	1492	28,064.52	6,937.80
July 2023- June 2024	\$ 19.37	\$ 4.65	1492	28,900.04	6,937.80
July 2024- Dec 2024	\$ 19.95	\$ 4.65	1492	14,882.70	3,468.90
<b>LEASE COST: 25% OF TUMWATER LEASE</b>					
			<b>2022</b>	<b>2023</b>	<b>2024</b>
LEASE	<b>ANNUAL</b>	\$	<b>6,915.42</b>	<b>7,120.57</b>	<b>7,333.18</b>
LEASE	<b>MONTHLY</b>	\$	576.29	593.38	611.10
NNN	<b>ANNUAL</b>	\$	<b>1,734.45</b>	<b>1,734.45</b>	<b>1,734.45</b>
NNN	<b>MONTHLY</b>	\$	144.54	144.54	144.54

The calculation for each month is below:

			25% of Tumwater
<b>2022</b>	2022 JAN-JUNE	\$18.27*1492*.5	*.25
	2022 JULY-DEC	\$18.81*1492*.5	*.25
<b>2023</b>	2023 JAN-JUNE	\$18.81*1492*.5	*.25
	2023 JULY-DEC	\$19.37*1492*.5	*.25
<b>2024</b>	2024 JAN-JUNE	\$19.37*1492*.5	*.25
	2024 JULY-DEC	\$19.95*1492*.5	*.25

Specific to the combined Thurston County existing hospice operations and proposed Grays Harbor and Mason County proforma, Pennant provided the following explanation of how the costs were calculated. [source: June 7, 2021, screening response, p12]

*“When we applied for Grays Harbor, the application pro forma income statement for Grays Harbor assumed that we would be awarded the Grays Harbor CN. The income statement did not assume we would also be awarded the Mason County CN. This seemed appropriate based on our discussions with [CN staff] to provide clarity in the income statement. We did not split expenses between Grays Harbor, Mason and Thurston, instead, the expenses were split between Grays Harbor and Thurston only. With*

that approach, we applied 50% of the administrative costs to Grays Harbor, and 50% to Thurston. We took the same approach with the Mason application.

Based on our discussion with [CN staff], we have now included the Thurston County hospice (Puget Sound Hospice) pro forma income statement and balance sheet and the combined pro forma income statement and balance sheet for Thurston County + Grays Harbor County + Mason County. Grays Harbor and Mason, if awarded, will be service area expansions from Puget Sound Hospice (Thurston). The separate pro forma income statements now show 25% of many of the expenses for Grays Harbor, 25% for Mason, and 50% for Thurston. The pro formas are shown at Exhibit 10.”

Additionally, Pennant provided the following anticipated payer mix for its Mason County hospice services: “The numbers in the payer mix table below are averages across all Cornerstone-affiliated hospice agencies.” [Source: Application, p24]

**Department’s Table 4  
Pennant’s Mason County Projected Payer Mix**

<b>Payer</b>	<b>Percentage of Gross Revenue</b>	<b>Percentage by Patient</b>
Medicare	94.6%	95.2%
Medicaid	4.0%	3.73%
Commercial	1.2%	0.87%
Self-Pay	0.2%	0.2%
<b>Total</b>	<b>100.0%</b>	<b>100%</b>

Pennant provided the following statements to clarify its assumptions for the payer mix identified in the table above. [source: March 31, 2021, screening response, p6]

“The payer mix blended averages are consistent with the payer mix averages for five of our hospice and home health agencies in Washington state. These agencies are in Snohomish County, Asotin County, Pierce County, King County and Benton County. While the payer mixes vary, the variations are minor from county to county. Based on this, we are confident the payer mix will be similar for Mason County.”

Following is a summary of the projected Revenue and Expense Statement for Pennant’s Mason County hospice expansion. [Source: March 31, 2021, screening response, Exhibit 10] For all the following Revenue and Expense Statement summaries the amounts in the “Net Revenue” row includes gross revenues, minus contractual adjustments, charity care, and bad debt. The amounts in the “Total Expenses” row represents all direct patient care costs, all administrative costs, and depreciation associated with operating the agencies.

**Department’s Table 5  
Pennant’s Mason County  
Revenue and Expense Statement Summary for Years 2022 through 2024**

	<b>CY 2022 (Year 1)</b>	<b>CY 2023 (Year 2)</b>	<b>CY 2024 (Year 3)</b>
Net Revenue	\$1,538,666	\$1,757,484	\$1,990,830
Total Expenses	\$1,492,006	\$1,674,539	\$1,878,847
<b>Net Profit / (Loss)</b>	<b>\$46,660</b>	<b>\$82,945</b>	<b>\$111,983</b>



Because Pennant’s Mason County project is an expansion of an existing agency’s service area, if this project is approved, it would financially impact that existing Thurston County agency. Additionally, Pennant received CN approval for its Grays Harbor project in August 2021. Following is a summary of the projected Revenue and Expense Statement for Pennant’s Mason County hospice expansion including existing Thurston County with Grays Harbor operations. [source: March 31, 2021, screening response, Exhibit 10]

**Department’s Table 6  
Pennant’s Thurston, Grays Harbor, and Mason County Operations  
Combined Revenue and Expense Statement Summary for Years 2022 through 2024**

	<b>CY 2022 (Year 1)</b>	<b>CY 2023 (Year 2)</b>	<b>CY 2024 (Year 3)</b>
Net Revenue	\$4,957,974	\$5,935,441	\$6,993,776
Total Expenses	\$4,741,861	\$5,550,546	\$6,448,628
<b>Net Profit / (Loss)</b>	<b>\$216,113</b>	<b>\$384,895</b>	<b>\$545,148</b>

Pennant has also applied for hospice approval for two stand-alone agencies, one that would serve King County residents and another to serve Pierce County residents. Neither of these projects’ revenues or expenses, profits or losses are likely to impact the project being reviewed in this evaluation since they are to be operated independently.

Since all capital expenditure and start-up costs are also being funded by the applicant, the department reviewed the applicant’s historical and projected combined balance sheets through the projection period. Following is a summary of the projected Balance Sheets for Pennant’s Thurston County operations with both Grays Harbor and Mason County hospice expansion operations. [source: March 31, 2021, screening response, Exhibit 10]

**Department’s Table 7  
Balance Statement Summary for Years 2022 through 2024 Showing  
Pennant’s Thurston, Grays Harbor, and Mason County Operations**

<b>ASSETS</b>	<b>CY 2022 (Year 1)</b>	<b>CY 2023 (Year 2)</b>	<b>CY 2024 (Year 3)</b>
Current Assets	\$409,319	\$844,953	\$1,446,424
Property and Equipment	\$15,334	\$9,168	\$3,000
Other Assets	\$54,141	\$54,343	\$54,553
<b>Total Assets</b>	<b>\$478,794</b>	<b>\$908,464</b>	<b>\$1,503,977</b>

  

<b>LIABILITIES</b>	<b>CY 2022 (Year 1)</b>	<b>CY 2023 (Year 2)</b>	<b>CY 2024 (Year 3)</b>
Current Liabilities	\$262,683	\$307,459	\$357,826
Long-Term Debt	\$0	\$0	\$0
Equity	\$216,110	\$601,004	\$1,146,151
<b>Total Liabilities and Equity</b>	<b>\$478,793</b>	<b>\$908,463</b>	<b>\$1,503,977</b>

**Department Evaluation**

**Utilization Assumptions**

An applicant’s utilization assumptions are the foundation for the financial review under this sub-criterion. The applicant currently operates a hospice agency in Washington State, and based its projected utilization of the proposed service area expansion on specific factors:

- Average length of stay of 62.66 days, market share, and referral rates are all based on affiliate experience.
- Based on the factors above, the three-year average daily census calculates to 26 in year one, increases to 30 in year two, and 34 in year three.

The department concludes that Pennant’s utilization assumptions are reasonable.

### Pro Forma Financial Statements

As stated earlier, since Pennant has four hospice applications currently in process, Pennant provided extensive financial statements, with varied scenarios anticipating a mixture of potential approvals. These various statements were helpful for the department to determine potential impacts of one project on existing operations as well as on other potential approvals or denials.

The department first examined the financial feasibility of the Mason County service area expansion alone. As summarized in Table 5 above, the Mason County stand alone is projected profitable from its first year and continues to increase its profits through year three; with an expected \$111,983 more in revenues than expenses.

Table 6 shows that the addition of Mason County to the combined Thurston and Gray Harbor counties operations is also projected to be profitable from its first year and continue to increase its profits through year three with an expected \$545,148 more in revenues than expenses.

Pennant based its anticipated revenue and expenses for its hospice agency’s service area expansion on the assumptions referenced earlier. Pennant also used its affiliates’ operational experience as a basis for the anticipated revenue, expenses, and payer mix. From its experience, and since this project is a service area expansion, Pennant expects a quick start up, which results in net gains for the agency and larger parent company in the first full year of operation; with a growing profit through the projection period.

Pennant also provided a multitude of balance sheets for the mixture of scenarios including, existing operations, and potential approvals and denials that could be impacted by the Mason County expansion. As previously stated, the purpose of the balance sheet is to review the financial status of the project at a specific point in time. The balance sheets show what the hospice agency owns (assets) and how much it owes (liabilities), as well as the amount invested in the business (equity).

Table 7 above summarizes one of the projected combined balance sheets provided by the applicant. The balance sheets provided in the review demonstrate the proposed service area expansion is a very small part of a larger corporation with many assets, liabilities, debt, and equity. The balance sheets demonstrate that the applicant is financially healthy company that is able to support a relatively small project and investment of capital.<sup>10</sup>

### Lease

The applicant’s existing agency, PSH (Thurston County hospice) to which this project is a service area expansion (Mason County), is currently located out of shared offices in Tacoma. After the full implementation of PSH’s Certificate of Need,<sup>11</sup> the applicant plans to relocate its Thurston County hospice agency office to 111 Tumwater Boulevard, Suite A302, Tumwater [98502].<sup>12</sup> Thus, this Mason

<sup>10</sup> This project’s combined capital expenditure and start-up costs total \$20,500.

<sup>11</sup> Which it anticipates will be in September 2021 [Quarterly progress reports submitted for CN #1824.]

<sup>12</sup> For in-home service agencies, a change in location does not require prior CN review provided that the agency is operational.

County project proposes a hospice agency serving Thurston and Mason counties from offices in Tumwater. In its application materials Pennant provided a copy of an executed lease agreement and first amendment between itself and the property owners. The lease commencement date is July 1, 2021 and “*The term of this Lease shall terminate at midnight on the last day of the 42<sup>nd</sup> full month following the Commencement Date...*” [sources: Application, Exhibit 4 and June 7, 2021, Exhibit 4]

All costs associated with the lease are clearly defined; and Pennant accounted for the lease expenses in its projected Revenue and Expense Statements as “*Building rent or lease*” and “*Lease NNN or Common Area Maintenance charges*” line items. The anticipated amounts match those in the lease agreement’s first amendment. [sources: June 7, 2021, screening response, Exhibit 4 and p13]

#### Medical Director Service Agreement

Pennant provided a copy of an executed Medical Director Service Agreement with William Elledge, M.D. The agreement identifies the roles and responsibilities of both the hospice agency and its medical director, and projected Revenue and Expense Statements identify all costs associated with this agreement as a “*Medical Director*” line item. [source: Application, Exhibit 3]

Based on the information reviewed and the lack of public comment in opposition to this project, the department concludes that this Mason County expansion project **meets this sub-criterion.**

- (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 Pennant Group, Inc. dba Puget Sound Hospice

The estimated capital expenditure for this project is \$5,000, which includes a phone system, computer, IT equipment, and associated sales tax. In response to this sub-criterion, Pennant provided the following statements. [source: Application, p23]

*“This project will not have any negative impact on the costs and charges of health services in the planning area. Hospice care has been shown to be cost-effective and is documented to reduce end-of-life costs. This project proposes to address the hospice agency shortage in the county and will improve access [sic] to care. Over time, this will reduce the cost of end of life care and benefit patients and their families.*”

*The capital and start-up costs of this project are minimal, estimated at \$20,500. They will not have an unreasonable impact on the costs and charges of health services in the planning area. Hospice care has been shown to be cost-effective and is documented to reduce end-of-life costs. This project proposes to address the hospice agency shortage in the county and will improve access [sic] to care. Over time, this will reduce the cost of end of life care and benefit patients and their families.”*

Pennant also identified its expected start-up costs to expand its Medicare and Medicaid hospice services to residents of Mason County. [source: Application, p22-23 and March 31, 2021, screening response, p6]

*“We expect the following start-up costs, totaling \$15,500.*

**Recruitment - \$5,000** estimated based on Cornerstone's past experience with starting new hospice operations as well as agencies that are expanding their service area. Includes external postings on job boards that include; LinkedIn, Indeed, Career Builder, and Glassdoor. We will also identify and attend any applicable and timely job fairs. We will also contact the local colleges and local healthcare professional associations.

**Marketing/Advertising - \$4,000** estimated based on Cornerstone's past experience with starting new hospice operations as well as agencies that are expanding their service area. Advertisements in local media including print, notifying of our grand opening, including holding a meet and greet for local healthcare administrators and other community partners. We will also develop marketing brochures and patient packets.

**Travel - \$6,500** estimated based on Cornerstone's past experience with starting new hospice operations as well as agencies that are expanding their service area. This accounts for essential Resources traveling to and from the Pennant Service Center to provide necessary support including HR, IT, and Clinical Resources. This will continue for a period of 60-90 days.

*The start-up costs are estimated based on the start-up costs in Washington State for Alpha Hospice in Snohomish County and Puget Sound Hospice in Thurston County. These costs are also similar to the start-up costs we have experienced in other states."*

Pennant also provided a letter of financial commitment to demonstrate the organization's commitment to the project. It is dated January 4, 2021, and signed by Morgan Boatman, Corporate Controller, of The Pennant Group, Inc. committing to all the costs of the project. [source: Application, Exhibit 12]

The applicant also included a copy of The Pennant Group, Inc.'s Securities and Exchange Commission 10-Q for the period ending September 30, 2020, to demonstrate existing capital is available for this project. [source: Application, Exhibit 9]

### **Department Evaluation**

The estimated capital expenditure for this project is \$5,000 with no construction costs. All the estimated capital costs are for movable equipment and associated sales tax. The applicant identified start-up costs to be \$15,500 to expand into Mason County. All start-up costs are associated with recruitment, marketing, and travel expenses.

Pennant provided a letter dated January 4, 2021, from the Corporate Controller of The Pennant Group, Inc. Morgan Boatman, demonstrating its financial commitment to this project, including the projected capital expenditure and any start-up costs.

The department does not have an adopted standard on what constitutes an unreasonable impact on charges for health services. Medicare patients typically make up the largest percentage of patients served in hospice care. For this project, Pennant projected that 95.2% of its patients would be eligible for Medicare; Medicaid patients are projected to be 3.7%, for a combined Medicare and Medicaid total patients at 98.9%. Gross revenue from Medicare and Medicaid is projected to be 98.6% of total revenues. Thus, standard reimbursement amounts and related discounts are not likely to increase with the approval of this project.

Based on the information reviewed and the lack of public comment, the department concludes that approval of this project is not expected to have an unreasonable impact on the costs and charges of

healthcare services in the planning area. Based on the information, the department concludes that this Mason County hospice expansion project **meets this sub-criterion**.

(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 Pennant Group, Inc. dba Puget Sound Hospice**

Pennant provided the following statement regarding the financing of the \$5,000 capital expenditure and additional \$15,500 start-up costs for this project. [Source: Application, p23]

*"The Pennant Group Inc. is responsible for the estimated start-up costs identified above."*

Pennant also provided a letter of financial commitment to demonstrate the organization's commitment to the project. It is dated January 4, 2021, and signed by Morgan Boatman, Corporate Controller, of The Pennant Group, Inc. committing to all the costs of the project. [source: Application, Exhibit 12]

The applicant also included a copy of The Pennant Group, Inc.'s Securities and Exchange Commission 10-Q for the period ending September 30, 2020, to demonstrate existing capital is available for this project. [source: Application, Exhibit 9]

**Department Evaluation**

The estimated capital cost for this project is \$5,000, plus another \$15,500 for start-up costs, resulting in a total of \$20,500. Pennant intends to finance this project using available reserves; and provided a letter from its corporate controller demonstrating financial commitment to this project, including its capital expenditure and start-up costs. This approach is appropriate because documentation was provided to demonstrate assets are sufficient to cover these costs and those of other projects under review by the same applicant.

If this project is approved, the department would attach a condition requiring the applicant to finance the project consistent with the financing description in the application. With the financing condition, the department concludes **this sub-criterion is met**.

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that The Pennant Group, Inc. project **meets** the applicable 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. Therefore, using its experience and expertise the department concludes that the planning would allow for the required coverage.

**The Pennant Group, Inc. dba Puget Sound Hospice**

To demonstrate compliance with this sub-criterion, Pennant provided the following assumptions it used in projecting full-time equivalents (FTEs) for this expansion project. [source: Application, p27]

*“The assumptions used to project the number and types of FTE’s identified for this project are based upon the average numbers and types used across all Cornerstone-affiliated hospice agencies, which include two Washington state hospice agencies. The Washington state hospice numbers are consistent with these averages.*

*Puget Sound Hospice is confident that our proposed staff to patient ratio is appropriate for several reasons. First, Cornerstone-affiliated hospice agencies have found that operating at these ratios is optimal to produce quality outcomes. Additionally, these ratios were in Symbol’s 2018 hospice CN application for Thurston County, which the CN Department found to be appropriate. Further, we compared our proposed staff/patient ratios in this application with the approved 2018 hospice CN application for Snohomish County of another Cornerstone-affiliated hospice agency, Glacier Peak Healthcare, Inc., d/b/a Alpha Hospice, which had these same ratios. Table 5 below shows these ratios.”*

*Applicant’s Table*

Type of Staff	Staff to Patient Ratio
Registered Nurses	1:12 (day) and .8:12 (evenings and weekends)
Certified Nursing Assistant	1:10
Social Work	1:30
Spiritual Care Coordinator	1:30

Pennant also provided the following projected full-time equivalents (FTEs) needed for this expansion project. [Source: Application, p26]

**Department’s Table 8  
Pennant’s Mason County FTE Projections**

FTE Type	Year 1 - 2022	Year 2 - 2023 Increase	Year 3 - 2024 Increase	Total
Administrator	0.30	0.00	0.00	<b>0.30</b>
Business Office Manager, Medical Records, Scheduling	0.90	0.10	0.10	<b>1.10</b>
Intake	1.00	0.00	0.00	<b>1.00</b>
Community Liaison	0.90	0.10	0.10	<b>1.10</b>
Registered Nurse	4.00	0.50	0.60	<b>5.10</b>
Certified Nursing Assistant	2.60	0.40	0.40	<b>3.40</b>
Licensed Clinical Social Worker	0.90	0.10	0.10	<b>1.10</b>
Spiritual Care Coordinator	0.90	0.10	0.10	<b>1.10</b>
Director of Clinical Services	0.70	0.10	0.10	<b>0.90</b>
<b>Total FTEs</b>	<b>12.20</b>	<b>1.40</b>	<b>1.50</b>	<b>15.10</b>

Pennant clarified that the positions of medical director, physical, occupational, and speech therapists, and dietician are under contract and not included in this FTE count.

Pennant also provided the following statements regarding the recruitment and retention of necessary staff. [Source: Application, pp28-31]

*“In addition to Symbol operating a home health agency in Pierce County, its ultimate parent company, Pennant, owns 134 healthcare organizations across 14 states in the United States, including a senior living home in Redmond, Washington, as well Cornerstone-owned home health agencies in King, Pierce, Snohomish, Skagit, San Juan, Aston, Garfield, Benton, and Franklin counties. Additionally, Cornerstone owns Washington-based hospice agencies that service the following counties: Snohomish, Aston, Garfield, [sic] counties, with operations beginning in Thurston county in 2021. In the experience of Pennant’s affiliated agencies and communities, health care employees are drawn to the Pacific Northwest Region for its outdoor experiences and its culture and vitality making recruiting generally easier than other parts of the country. Additionally, if Puget Sound Hospice has qualified and experienced staff in good standing that want to move to Mason County, or to transition from long-term care or home health to hospice, we are able and willing to support that relocation or transition.*

*Both Puget Sound Home Health and Hospice and its affiliates have strong and proven histories of recruiting and retaining quality staff. We offer a competitive wage scale, a generous benefit package, and a professionally rewarding work setting, as well as the potential for financial assistance in furthering training and education.*

*Cornertone [sic] has access to and utilize a variety of recruitment resources, including the use of social media and internet recruitment platforms such as LinkedIn, Indeed, Monster and Glassdoor, among others, and due to our employees’ high job satisfaction we have found great success in recruiting through our staff’s network of other skilled healthcare professionals.*

*The following provides additional details as to Puget Sound Hospice’s approach to recruiting and retention.*

### Recruiting

*Puget Sound Hospice leaders will continually perform the following recruiting activities.*

- *Identify any opportunity to recruit at local job fairs and State and National associations websties [sic] and conferences.*
- *Maintain a liaison with career/placement staff at regional colleges, universities, and clinical certification organizations to actively recruit its students, including offering clinical shadowing and volunteer opportunities.*
- *Join applicable healthcare professional associations.*
- *Utilize national talent search companies.*
- *Meet community market wages, recruiting, and sign on bonuses.*
- *Provide leadership and advancement opportunities [sic] for staff to elevate within Symbol and Pennant.*
- *Post positions within Pennant multistate organizations.*

*Puget Sound Hospice’s Administrator and DCS will continually identify open positions. Determination of open positions will be based necessary staff members needed based on hospice IDT caseloads and ADC growth. This will be continuously assessed to ensure staff to patient ratios remain appropriate to maintain consistent delivery of quality patient care and ensure the IDT team/staff are not overburdened.*

*Once an open position has been identified the agency's leaders will do the following.*

- *Email HR/Payroll Group with the standard subject line: Recruiting Need Discipline. The content of this email will set out the following information as to the open position:*
- *FTE*
- *Discipline*
- *Territory*
- *Rate Sets*
- *Urgency of fill: Immediate, moderate, low*
- *Potential Hire date*
- *Bonus – Sign on – automatic for urgent need, hard to fill.*
- *Post open position in Workday via human resource information system provided by Pennant Services.*
- *Post open position on job boards on LinkedIn, Indeed, Career Builder, Glassdoor.*
- *Share the job posting on agency social media.*

*Once a candidate has been identified the agency will follow its standard screening process:*

- *Step 1. Perform phone interview of candidate, screening for relevant experience, positive attitude, and discuss compensation.*
- *Step 2. DCS in-person or video conference interview with clinical candidate; Administrator or DCS in-person or video conference interview with administrative candidate.*
- *Step 3. Ride-along with clinical staff (only clinical candidates with little or no hospice experience).*
- *Step 4. Candidate interviewed by 2-4 agency staff.*

*Once agency leadership decide to extend the candidate an offer the agency will follow its standard process:*

*Agency administrator or HR designee will:*

- *Provide candidate with offer letter setting out the duties of the position, rate of compensation, start date, and directions on how to accept the offer.*
- *Perform a background check compliant with state law, which will include primary source verification of licensure, if applicable.*
- *Instruct candidate as to how to perform drug screen.*
- *Perform reference checks for references identified by candidate.*
- *Notify candidate on necessary items to bring on start date for onboarding (e.g., identification documentation for I-9).*
- *Inform agency leaders and appropriate staff regarding the candidate's acceptance/rejection of offer, candidate's start date, and any additional pertinent information.*

### Retention

- *With retention even more important than recruitment, all Pennant-affiliates are provided resources and support from the Pennant Service Center to provide rigorous department orientation, clinical and safety training, initial and ongoing competencies assessments, and performance evaluations.*
- *Staff will be trained on our core values: Celebration, Accountability, Passion for Learning, Love One Another, Customer Second, Ownership. These core values will guide all of our decisions and will form the basis for expectations of the staff.*
- *Agency will have weekly rounding/one-on-one sessions during first 90 days with director or designee. Quarterly thereafter.*



- *Staff will have 90-day and annual reviews, allowing open dialogue about the employee's performance, concerns, and feedback.*
- *We offer programs for CEU and tuition reimbursement.*
- *We offer competitive benefits, including health care, dental, vision, paid time off, and more.*
- *We perform an anonymous employee satisfaction survey annually to gauge employee satisfaction.*
- *We provide ongoing professional training based on needs identified in our QAPI program, annual compliance and profession-specific training, and regular inservice training."*

### **Department Evaluation**

Pennant would be a new provider of Medicare and Medicaid hospice services for the residents of Mason County. However, Pennant has operational hospice agencies already providing Medicare and Medicaid-certified in-home services to residents of several other Washington State counties. Thus, it based staffing ratios and projections on its affiliates' experience.

As shown in the FTE table, 12.20 FTEs are needed in the first full year of operation (2022), which increases to 15.10 FTEs by the end of full year three (2024). Pennant also clarified that its Medical Director, therapy staff, and dietician would be contracted and are not included in the FTE table. This approach is reasonable.

For recruitment and retention of staff, Pennant emphasized the magnitude of its existing post-acute care operations and staff nationally as well as in Washington State. This provides them with flexibility, resources, and experience in staffing for post-acute care services. It plans to use its proven strategies for recruitment efforts including participating in job fairs, various associations' events, college placement contacts, national talent search companies, competitive wages, competitive signing bonuses, and offering internal advancement opportunities. Pennant also uses specific proven staff retention efforts such as proper training and orientation, ongoing assessments and evaluations, tuition reimbursement opportunities, competitive benefits, anonymous employee satisfaction surveys, and ongoing professional training.

Based on the information reviewed and the lack of public comment in opposition to this project, the department determined that Pennant likely has the ability and expertise to recruit and retain a sufficient supply of qualified staff for its Mason County expansion project. **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) 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 an agency must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the applicant's ability to establish and maintain appropriate relationships.

### **The Pennant Group, Inc. dba Puget Sound Hospice**

In response to this sub-criterion, Pennant provided the following statement and list of ancillary and support service vendors already in place. [source: Application, p32]

*“Strategic Healthcare Programs (SHP)  
Home Care Home Base (HCHB) -EMR  
DME Vendor*

*Pharmacy Vendor*  
*Supply Vendor*  
*eSolutions – accounting interface*  
*Workday – HR interface*  
*Lippincott – Electronic educational/procedural tool for clinicians*  
*Focura – Leading document management and HIPPA compliant communication for clinicians*  
*Providor Link – for Community Physicians*  
*Relias Learning – clinician focused learning tool*  
*TigerConnect-HIPAA compliance communication for clinicians*

*None of these contracts are expected to change as a result of this project.”*

Pennant provided the following statements related to healthcare facilities with which the applicant already has working relationships. [source: Application, p33]

*“Since being awarded the CN for Thurston County, Puget Sound Hospice has been laying the groundwork and building relationships with local hospice referral sources, medical leaders, and local skilled nursing facilities in the surrounding areas. Puget Sound Hospice has been in conversations with its partner on the skilled nursing side, the Ensign Group, specifically Ensign-affiliated skilled nursing facilities surrounding Mason County such as Pacific Care and Rehabilitation in Grays Harbor and Olympia Transitional Care and Rehab in Thurston Counties to help support and provide hospice needs to those who may seek medical care outside of Mason county who intend to return to Mason county for hospice services. These providers have expressed a desire to partner with us to meet the needs of those needing hospice services. This will include providing education to other community healthcare providers, in a joint effort to improve patients outcomes and care coordination.*

*Puget Sound Hospice’s medical director, Dr. William Elledge has practiced medicine for over 30 years, with most of his professional career being right here in Washington. Dr. Elledge has detailed knowledge of the local healthcare systems and those medical providers who support hospice service within Thurston and Mason counties.*

*We are confident that the groundwork we’ve laid in our working relationships will prove effective in our future care coordination and meeting the hospice needs of the residents of Mason County.*

*We anticipate our working relationships would only grow stronger as a result of approval of this project.”*

Pennant provided a copy of the executed Medical Director Service Agreement between William Elledge, M.D. and Symbol Healthcare, Inc., dba PSH. The agreement was executed on December 21, 2020 and outlines roles and responsibilities for each of the parties, as well as compensation. Additionally, there is an expense line item to account for this cost in Pennant’s projected Revenue and Expense Statements. The agreement is effective for one year, with automatic annual renewals in perpetuity. [Source: Application, Exhibit 3]

Further, Pennant provided a copy of the executed Operational Support Services Agreement between Cornerstone Service Center, Inc. and Symbol Healthcare, Inc. The agreement was executed on October 1, 2019 and outlines roles and responsibilities for each of the parties, as well as compensation. Additionally, there is an expense line item to account for this cost on Pennant’s projected Revenue and

Expense Statements. The agreement is effective for one year, with automatic annual renewals in perpetuity. [Source: Application, Exhibit 9]

### **Department Evaluation**

As previously stated, Pennant has received recent approval to serve Medicare and Medicaid hospice patients in Thurston and Snohomish counties within Washington State, both approvals were late in 2019. In August 2021, Pennant was approved to expand its Thurston county operations into Grays Harbor County. This project under review proposes to expand the Thurston County operations into adjacent Mason County. Pennant also operates hospice agencies in a number of other states; and also has subsidiaries that operate home health agencies which serve the residents of several Washington State counties.

Pennant provided a listing of ancillary and support agreements already in place and not likely to change as a result of this project. Pennant also provided a copy of its executed Medical Director Service Agreement and Operational Support Services Agreement. Pennant further detailed its existing area relationships and network; and provided a recent example of its affiliate using these relationships to help community members access services.

Information provided in the application demonstrates that the proposed project's hospice agency would have the experience and access to all necessary hospice ancillary and support services needed by the agency. Based on the information reviewed and the lack of public comment, the department concludes that Pennant has the experience and expertise to maintain and expand existing ancillary and support relationships for the proposed project. Thus, 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 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 an agency must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the applicant's history in meeting these standards at other agencies owned or operated by the applicant.

As part of this review, the department must also conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.<sup>13</sup> To accomplish this task, the department reviews the quality of care compliance history for all Washington State and out-of-state healthcare facilities and agencies owned, operated, or managed by an applicant, its parent company, or its subsidiaries.

### **The Pennant Group, Inc. dba Puget Sound Hospice**

In response to this sub-criterion, Pennant provided the following statements.

*“Neither Symbol, Cornerstone, nor Pennant have any history of criminal convictions, denial or revocation of license to operate a health care facility, revocation of license to practice a health profession, or decertification as a provider of services in the Medicare or Medicaid program. Further, they have never been adjudged insolvent or bankrupt in any state or federal court. And, none have been involved in a court proceeding to make judgment of insolvency or bankruptcy with respect to the applicants.”* [source: Application, p34]

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<sup>13</sup> WAC 246-310-230(5).

*“We are proud to share that none of Cornerstone’s 63 home health and hospice agencies have exhibited a pattern of conditional level findings.” [Source: Application, p36]*

Pennant provided the following statements and discussion regarding its proposed assessment for training quality staff, customer satisfaction, and quality improvement. [source: Application, pp31-32]

*“All Cornerstone hospice agencies (and home health agencies) have a method for assessing customer satisfaction and quality improvement for our existing hospice agencies. Each of these agencies has a robust process to ensure Federal, State and local guidelines for customer satisfaction and quality improvement are met.*

*Customer Satisfaction is a critical element for our quality program and reflects the patient and family experience. We partner with Strategic Healthcare [sic] Programs (SHP) for this process. SHP mails the Consumer Assessment of Healthcare Providers and System (CAHPS) survey to the appropriate [sic] designee identified by our electronic medical record (EMR) system vendor, Home Care Home Base (HCHB), and collects the data from the responses. Those responses are then summarized into useable data for use in interdisciplinary meetings (IDG) meetings and quality assurance/performance improvement (QAPI) programs to address customer perceptions and improve community relationships.*

*To help drive our quality improvement, we have partnered with SHP. Through SHP we are able to view our quality metrics in real time. We also utilize our partnership with our HCHB team to provide data and reporting based on direct patient contact and the patient record. These partners combined with our processes, related IDG meetings and QAPI programs drive patient satisfaction and quality improvement and help build a reputation within our communities of being a hospice provider of choice.*

*Accurate documentation is a critical necessity that is supported by our internal compliance department and agency leadership with regular review intervals. HCHB helps ensure we have all required documentation at the initiation of service and subsequent visits in areas such as Hospice Item Set (HIS) information, Symptom Management, and Service Intensity. HCHB is integrated with SHP to help us analyze trends related to Hospice Quality Reporting Program (HQRP) elements and Hospice Compare STAR rating. HCHB also provides an avenue to document opportunities for improving on avoidable events in areas like infection control, patient complaints, [sic] falls, and medication errors. We can then use this information to help focus the discussion in our IDG meetings and to drive areas of improvement in our QAPI programs.*

*Quality improvement is largely driven by our IDG. The main purpose of our IDG meeting is to bring together key hospice professionals to review and discuss the hospice needs for each individual patient and their family. As we mentioned above, individualized care plans help drive the best patient outcomes. The IDG also establishes policies governing the day-to-day provision of services, which include agency programs to ensure our clinicians are skilled in providing hospice care.*

*Lastly, our QAPI program is designed to drive great patient outcomes. Our QAPI program will be regularly reviewed by our leadership team and our governing body. More frequency reviews of performance improvement projects (PIP) developed through our QAPI program occur in the IDG meeting. One of the main purposes of our QAPI program is to measure, analyze and track quality indicators to drive the best quality outcomes and patient satisfaction possible.”*

## **Department Evaluation**

As a part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.<sup>14</sup> For hospice services, the department reviews two different areas when evaluating this sub-criterion. One is a review of the Centers for Medicare and Medicaid Services (CMS) “Terminated Provider Counts Report” covering years 2018 through 2021.<sup>15</sup> The department uses this report to identify agencies that were involuntarily terminated from participation in Medicare reimbursement.

The department also reviews an applicant’s conformance with Medicare and Medicaid standards. The department uses the CMS ‘Survey Activity Report’ to identify facilities with a history of condition level findings. For CMS surveys, there are two levels of deficiencies: standard and condition.<sup>16</sup>

- **Standard Level**

A deficiency is at the Standard level when there is noncompliance with any single requirement (or several requirements) within a particular standard that is not of such character as to substantially limit a facility’s capacity to furnish adequate care, or which would not jeopardize or adversely affect the health or safety of patients if the deficient practice recurred.

- **Condition Level**

Deficiency at the Condition level may be due to noncompliance with requirements in a single standard that, collectively, represent a severe or critical health or safety breach, or it may be the result of noncompliance with several standards within the condition. Even a seemingly small breach in critical actions, or at critical times, can kill or severely injure a patient, and such breaches would represent a serious or severe health or safety threat.

Below is a summary of the two areas reviewed for The Pennant Group.

As stated in the Applicant Description section of this evaluation, Symbol Healthcare, Inc., dba Puget Sound Hospice, is a Washington State foreign profit corporation, and is owned by The Pennant Group, Inc., who owns Cornerstone Healthcare, Inc., which owns Paragon Healthcare, Inc., which ultimately owns Symbol Healthcare, Inc. Based on the ownership structure, Pennant is the applicant for this project. Pennant offers several post-acute lines of service, which includes in-home care, via its subsidiary Cornerstone Healthcare, Inc.; and senior living communities, via its subsidiary Pinnacle Senior Living LLC.

Pennant operates through its subsidiaries 10 home care agencies, 41 hospice agencies, 33 home health agencies, four physician groups, and two therapy groups nationally. Since the proposed project is for hospice services, the focus of this review will be hospice and home health operations<sup>17</sup> as they are either the same or functionally the most similar to the services proposed in this project. The table on the following page shows the count of Pennant-owned home health or hospice agencies in the following 14 states.

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<sup>14</sup> WAC 246-310-230(5).

<sup>15</sup> Reports are all current as of 08/01/21.

<sup>16</sup> Definitions of standard and condition level surveys: <https://www.compass-clinical.com/deciphering-tjc-condition-level-findings/>

<sup>17</sup> Operated under Cornerstone Healthcare, Inc.

**Department's Table 9  
Pennant's Cornerstone Home Health or Hospice Agencies**

State	# of Agencies	State	# of Agencies
Arizona	16	Oklahoma	2
California	10	Oregon	3
Colorado	2	Texas	10
Iowa	2	Utah	8
Idaho	6	Washington	8
Montana	1	Wisconsin	2
Nevada	2	Wyoming	2

Terminated Provider Counts Report for Cornerstone Healthcare, Inc.

Focusing on years 2018 through 2020 and partial year 2021, none of Pennant's hospice or home health agencies were involuntarily terminated from participation in Medicare reimbursement. [Source: CMS Quality, Certification, and Oversight Reports as of August 1, 2021]

Conformance with Medicare and Medicaid Standards for Cornerstone Healthcare, Inc.

The department reviewed the survey history for the applicant using the Center for Medicare and Medicaid Services (CMS) Quality, Certification & Oversight Reports (QCOR) website. The review included full years 2018 through 2020 and partial year 2021.

Pennant subsidiaries operate eight separate agencies in Washington State which provide home health or hospice services. Following is a summary of Pennant's Washington State subsidiaries' home health and hospice agencies' survey activity reports as of August 1, 2021.

**Department's Table 10  
Summary of Pennant's Washington State Home Health & Hospice Surveys**

Service Type	# of Agencies	Standard Surveys	Complaint Surveys	Number of Surveys with Specific Types of Deficiencies		
				No Deficiencies	Standard Only	Condition & Standard
Home Health	5	4	0	2	2	0
Hospice	3	2	0	2	0	0
<b>Totals</b>	<b>8</b>	<b>6</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>0</b>

Washington State Healthcare Agencies

Of the seven Washington State agencies which are currently Medicare and Medicaid-certified,<sup>18</sup> for full years 2018 through 2020 and partial year 2021, there is a total of six surveys, all standard. Two of which resulted in standard level findings only; and four of which had no deficiencies at all.

In addition to its Washington State agencies, Pennant operates 66 separate agencies in an additional 13 different states, which provide home health or hospice services. The table on the following page is a summary of Pennant's out-of-state subsidiaries' home health and hospice agencies' survey activity reports as of August 1, 2021.

<sup>18</sup> One agency was recently approved and thus does not yet have a CMS certification number. This evaluation also does not take into consideration the recent approval for Grays Harbor County.

**Department's Table 11**  
**Summary of Pennant's Out-of-State Home Health & Hospice Surveys**

Service Type	State	# of Agencies	Standard Surveys	Complaint Surveys	Number of Surveys with Specific Types of Deficiencies		
					No Deficiencies	Standard Only	Condition & Standard
Home Health	Arizona	6	6	0	5	1	0
	California	5	7	0	4	3	0
	Colorado	1	2	0	0	2	0
	Iowa	1	1	0	0	1	0
	Idaho	3	3	2	1	3	1
	Oklahoma	1	1	0	0	1	0
	Oregon	2	2	0	0	2	0
	Texas <sup>19</sup>	3	3	0	2	1	0
	Utah	4	5	1	6	0	0
	Wisconsin	1	0	1	0	0	1
	Wyoming	1	1	0	0	1	0
Hospice	Arizona	10	14	4	18	0	0
	California <sup>20</sup>	5	4	0	2	1	1
	Colorado	1	1	1	0	2	0
	Iowa <sup>21</sup>	1	0	0	0	0	0
	Idaho	3	2	2	0	2	2
	Montana	1	2	0	0	2	0
	Nevada	2	3	0	1	2	0
	Oklahoma	1	1	0	0	1	0
	Oregon <sup>22</sup>	1	0	0	0	0	0
	Texas <sup>23</sup>	7	7	3	9	1	0
	Utah	4	5	0	5	0	0
	Wisconsin	1	0	1	1	0	0
	Wyoming	1	1	0	0	1	0
<b>Totals</b>	<b>66</b>	<b>71</b>	<b>15</b>	<b>54</b>	<b>27</b>	<b>5</b>	

Out-of-State Healthcare Agencies

Of the remaining 66 home health or hospice agencies, five had not experienced any surveys for full years 2018 through 2020 and partial year 2021, there is a total of 86 surveys, 71 standard and 15 complaint. Of these 86 surveys, 54 resulted in no deficiencies, 27 in standard-level findings only, and five with standard and condition-level findings. Again, none of these surveys resulted in termination from participation; and all deficiencies were resolved through plans of correction and/or follow-up survey.

<sup>19</sup> One of the Texas State home health agencies (CCN 743120) did not have any surveys in the years reviewed for this project.

<sup>20</sup> One of the California State hospice agencies (CCN 51787) did not have any surveys in the period reviewed.

<sup>21</sup> One of the Iowa State hospice agencies (CCN 161556) did not have any surveys in the period reviewed.

<sup>22</sup> One of the Oregon State hospice agencies (CCN 381563) did not have any surveys in the period reviewed.

<sup>23</sup> One of the Texas State hospice agencies (CCN 671667) did not have any surveys in the period reviewed.

In summary, since year 2018, none of Pennant's 74 home health or hospice agencies' 92 surveys resulted in termination from participation; and all deficiencies were resolved through plans of correction and/or follow-up survey.

Pennant provided the name and professional license number for the existing agency's medical director, William Elledge, M.D. Using data from the Medical Quality Assurance Commission, the department found that William Elledge, M.D. is compliant with state licensure and has no enforcement actions on his license.

Although with this project, Pennant is proposing a service area expansion to an existing agency, the existing agency is relatively recently approved, and soon to have commenced and completed the approved project.<sup>24</sup> Thus, only the Medical Director and Director of Clinical Services have been identified. If this project is approved, the department would attach a condition requiring Pennant to provide the name and professional license number of its hospice agency staff serving the residents of Mason County prior to providing services.

The staff which have already been identified include a Director of Clinical Services, Denise Rose Carlock-Hanna, R.N. Using data from the Nursing Commission, the department found that Ms. Carlock-Hanna is compliant with state licensure and has no enforcement actions on her license.

In review of this sub-criterion, the department considered the total compliance history of the Pennant organization, by reviewing agencies owned and operated by its subsidiaries which are similar in function to in-home hospice services. The department also considered the compliance history of the Medical Director and Director of Clinical Services who are associated with the agency. Based on the information reviewed and the lack of public comment in opposition to the project, the department concludes that Pennant has been operating in compliance with applicable state and federal licensing and certification requirements. The department also concludes there is reasonable assurance that the applicant's service area expansion of an existing hospice agency in Washington State would not cause a negative effect on the compliance history of Pennant. The department concludes that this project **meets this sub-criterion**.

- (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 also 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.

#### **The Pennant Group, Inc. dba Puget Sound Hospice**

In response to this sub-criterion, the applicant provided the following statements.[source: Application, p34]

*"Symbol is committed to aligning and seeking collaboration with hospitals/health systems and primary and secondary providers within the post-acute care community to improve access to care for Mason County residents. An example of this can be seen in Puget Sound Home Health. It is part of the 2020 MultiCare and CHI Franciscan hospitals narrowed networks in Pierce County designed to increase timely care and care coordination. Community contacts within Mason, Grays Harbor, and Thurston*

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<sup>24</sup> The Thurston County hospice anticipated commencement and completion of Certificate of Need is March 2021. [source: March 31, 2021, screening response, p4]



*Counties have already been identified and discussions have occurred around care coordination, county specific discrepancies, and unwarranted fragmentation of services. These conversations have uncovered a community feeling of underutilization of hospice and palliative care services for patients. Examples include patients that might benefit from hospice services in skilled nursing facilities sooner than what is currently being provided and/or offered. Symbol welcomes these conversation and partnerships in order to help meet the hospice and palliative care needs of these patients in order to provide them the much needed services at their most fragile time of life.*

*The Ensign Group, Cornerstone's former parent company, has partnered with the Pennant Group to improve the care continuum. Ensign provides skilled nursing and rehabilitative services in the post-acute sphere. Specific to this project, Ensign has a long standing skilled nursing facility within Grays Harbor and Thurston Counties that we will partner with to address unwarranted fragmentation of healthcare upstream and downstream services for those residents to seek care outside Mason County. Many Mason County residents are forced to leave the county to access downstream healthcare services due to the geographical and provider shortages.*

*With the above relationships, partnerships, and associations, we believe we can provide the continuity of care and prevent unwarranted fragmentation of services through quick and thoughtful bridging and referrals to hospice services.”*

Pennant provided the following statements regarding its intended hours of operation for the Mason County services. [source: Application, p31]

*“Puget Sound Hospice’s office hours of operation will be 8 am to 5 pm, Monday through Friday, however, we will provide hospice services 24 hours a day, 7 days a week. Puget Sound Hospice admissions documents will include instructions to the patient and family/caregiver as to how to reach the agency at all hours. During non-business hours, Puget Sound Hospice’s main phone number will be rolled to an on -call phone. This phone will be assigned to an on-call nurse.*

*If the on-call nurse does not answer (extraneous circumstance), the outgoing message will instruct the client/caregiver to call the nurse administrator on-call if no return call occurs within 15 minutes.”*

### **Department Evaluation**

For this proposed service area expansion project, Pennant identified potential referral sources, including an affiliate that is interested in partnering in the planning area, detailed its existing area relationships and network, discussed its broader state-wide success in improving the care continuum, and provided a recent example of its affiliate using similar relationships to help community members access services. Certificate of Need evaluations also take into account any public comments submitted during a review, for this project, no public comments were received.

To evaluate this sub-criterion, the department also considers its own analysis and conclusions of this project as related to WACs 246-310-210, 220, and 230. The department concluded this application was compliant with the need criterion under WAC 246-310-210 and the financial feasibility criterion under WAC 246-310-220.

Based on the information reviewed and the lack of public comment in opposition to this project, the department concludes that expansion approval of Pennant’s Thurston County hospice services into Mason County would likely not result in unwarranted fragmentation of hospice services in the planning area. **This sub-criterion is met.**

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

This sub-criterion is addressed in sub-section (3) above and **is met for** Pennant's Mason County expansion project.

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that The Pennant Group, Inc. project **meets** the applicable 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 has met the applicable criteria in WAC 246-310-210 through 230 criteria, in step two, the department 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 in Step three.

##### Step One

##### **Department Evaluation**

For this project, the Pennant service area expansion project met the applicable review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two for this project.

##### Step Two

##### **The Pennant Group, Inc. dba Puget Sound Hospice**

Pennant provided a listing of alternatives that it considered prior to submission of this application proposing to expand its Thurston County agency's hospice services into Mason County. Two alternatives considered are: take no action (do nothing) and purchase an existing hospice agency. The applicant compared these two alternatives with the submission of this project using the following review criteria: Patient access to healthcare services, capital cost, legal restrictions, staffing impacts, quality of care, and cost or operation efficiency. The recreated tables beginning on the following page provide the conclusions of the comparison by Pennant. [source: Application, p34-38]

*Applicant's Table Recreated*

**Take No Action (Do Nothing)**

<b>Criteria</b>	<b>Results</b>
<i>Access to Hospice Services</i>	<i>There is no advantage to taking no action in terms of improving access. The disadvantage is that taking no action does nothing to address the need for additional hospice agencies in Mason County. Therefore, this option does not address the access to care problem that exists.</i>
<i>Quality of Care</i>	<i>There is no advantage to taking no action regarding quality of care. The disadvantage with taking no action is driven by shortages in access to hospice services. With time, access would tighten and there would be adverse impacts on quality of care.</i>
<i>Cost and Operating Efficiency</i>	<i>With this option, there would be no impacts on costs. The disadvantage is that there would be no improvements to cost efficiencies.</i>
<i>Staffing Impacts</i>	<i>The advantage is not hiring/employing additional staff. There are no disadvantages from a staffing perspective.</i>
<i>Legal Considerations</i>	<i>No Legal considerations.</i>
<i>Decision</i>	<i>This alternative was not chosen; it does not improve access to health care services and it could have a negative impact on the quality of care.</i>

*Applicant's Table Recreated*

**Purchase Existing Hospice**

<b>Criteria</b>	<b>Results</b>
<i>Access to Hospice Services</i>	<i>The disadvantage is that an acquisition may not add additional capacity for hospice services in Mason County when compared to alternative A and alternative B. Also, at present, we do not know of a hospice agency for sale in Mason County.</i>
<i>Quality of Care</i>	<i>The advantage: This option could enhance quality and continuation of care in Mason County. There are no apparent disadvantages to this option.</i>
<i>Cost and Operating Efficiency</i>	<i>The disadvantage: The acquisition of an existing hospice requires considerable up front cost and time to purchase and complete due diligence.</i>
<i>Staffing Impacts</i>	<i>The advantage for staffing is that the staff from the existing agency already exists. This option potentially creates no new jobs, which does not benefit Mason County.</i>
<i>Legal Considerations</i>	<i>There are no advantages. The disadvantage is that an acquisition takes considerable time and resources to conduct due diligence.</i>
<i>Decision</i>	<i>This alternative was not chosen; it does not improve access to health care services, it may add additional costs and effort related to acquiring an existing agency, and it requires considerable time and resources related to legal and due diligence requirements. Finally, we are not aware of any hospice agencies in Mason County for sale.</i>

*Applicant's Table Recreated*

<b><i>Apply for and Receive a CN (Submit this Project)</i></b>	
<b><i>Criteria</i></b>	<b><i>Results</i></b>
<i>Access to Hospice Services</i>	<i>This project meets current and future access issues identified in Mason County. It will increase access to care. With this project, there are no disadvantages to access to health care services.</i>
<i>Quality of Care</i>	<i>This project meets and promotes quality of care in Mason County. There are no disadvantages.</i>
<i>Cost and Operating Efficiency</i>	<i>Puget Sound Hospice will be able to leverage fixed costs, such as the lease, by spreading fixed costs over the hospice and home health services. Cost and operational efficiency will be affected by minimal operating expenses during the initial startup period before it achieves volume that covers fixed and variable costs.</i>
<i>Staffing Impacts</i>	<i>This project will create new jobs that benefit Mason County. These new jobs also provide paths for staff who are dedicated to efficient delivery of hospice services. There are no disadvantages; Cornerstone and Symbol have a proven track record of hiring and retaining quality staff.</i>
<i>Legal Considerations</i>	<i>The advantage: Puget Sound Hospice staff will be able to provide hospice services to Mason County residents. This will improve access, quality, and continuation of care. The disadvantage: CN approval is required; this requires time and expense.</i>
<i>Decision</i>	<i>This alternative was selected because it will improve access to health care services, it enhances quality and continuation of care, it leverages existing fixed costs and has no negative impacts on staffing. Finally, this project will quickly be executed and it does not require undue legal or regulatory requirements.</i>

In response to the department's request, Pennant evaluated the alternative of applying to establish a new office in Mason County, rather than serving the Mason County residents from its Thurston County office. The applicant's evaluation of this alternative is below. [source: March 31, 2021, screening response, p8]

<b><i>Establish a New Agency in Mason County</i></b>	
<b><i>Criteria</i></b>	<b><i>Results</i></b>
<i>Access to Hospice Services</i>	<i>This project meets current and future access issues identified in Mason County. It will increase access to care. With this project, there are no disadvantages to access to health care services. An office located in Mason County could increase our visibility in the community and would provide a "local home" for staff. We might be able to serve patients a bit quicker depending on where the patient is located. While these slight advantages may exist, we are confident that the location of the office in Tumwater is a great strategic location, as we will be close to the major roadways and will be minutes away from Mason County. We will build strong relationships in the community so our visibility will also be strong.</i>
<i>Quality of Care</i>	<i>This project meets and promotes quality of care in Mason County. There are no disadvantages, and no apparent Quality of Care advantages to having the office in Thurston or Mason County.</i>

<i>Establish a New Agency in Mason County (continued)</i>	
<b>Criteria</b>	<b>Results</b>
<i>Cost and Operating Efficiency</i>	<i>Puget Sound Hospice will be able to leverage fixed costs, such as the lease, by spreading fixed costs over the hospice services between the Thurston team and the Mason team with the Tumwater office. An additional lease expense in Mason is avoided by not having an office in Mason County.</i>
<i>Staffing Impacts</i>	<i>This project will create new jobs that benefit Mason County. These new jobs also provide paths for staff who are dedicated to efficient delivery of hospice services. There are no disadvantages; Cornerstone and Symbol have a proven track record of hiring and retaining quality staff. A “home office” in Mason County may be a slight advantage to positively impact staff, but we also see strengths in having a shared office for the Mason and Thurston teams: they are all part of the Puget Sound Hospice team.</i>
<i>Legal Considerations</i>	<i>The advantage: Puget Sound Hospice staff will be able to provide hospice services to Mason County residents. This will improve access, quality, and continuation of care. The disadvantage: CN approval is required; this requires time and expense.</i>
<i>Decision</i>	<i>This alternative was not selected because the extra lease expense and slight distance reduction, depending on where the patient is located, do not offset. We look forward to adding the Mason team to the Puget Sound Hospice Thurston team and the camaraderie that will take place between them.</i>

**Department Evaluation**

Pennant is currently approved to operate a Medicare and Medicaid-certified hospice agency which will serve the residents of Thurston County and was recently approved to expand the services into Grays Harbor County. Pennant provided a discussion of why submitting this application is the superior alternative when considering advantages and disadvantages related to access to health care services, quality of care, costs and operating efficiencies, and legal considerations of either this project, a variation of this project, no action, or purchasing an existing hospice. Pennant concluded that the most advantages and least disadvantages was in submitting this proposed project.

Based on the information reviewed and lack of public comment, the department finds the applicant’s analysis reasonable, and moves to step three for this project.

**Step Three**

**Department Evaluation**

For this project there is no competing or concurrently reviewed application for Mason County. Thus, step three does not apply to this project under review.

The department concludes that the project submitted by Pennant is the best available alternative for the community. **This sub-criterion is met.**

(2) In the case of a project involving construction:

- (a) The costs, scope, and methods of construction and energy conservation are reasonable;
- (b) The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.

### **Department Evaluation**

There is no construction associated with this proposed project, thus this sub-criterion is not applicable.

(3) The project will involve appropriate improvements or innovations in the financing and delivery of health services which foster cost containment and which promote quality assurance and cost effectiveness.

### **The Pennant Group, Inc. dba Puget Sound Hospice**

Pennant provided the following statements related to this sub-criterion. [Source: Application, pp38-39]

*“Following are some examples of the ways we use innovations in the delivery of care, effectively increasing efficiency in the delivery of care, promoting quality assurance, and fostering cost effectiveness.*

*HomeCare HomeBase- HCHB is the leading electronic medical records system in the nation that is specific to home health and hospice agencies. HCHB was designed by home health and hospice industry leaders and integrates compliance measures and tools to ensure the requirements of pertinent regulations are met. We are also able to customize HCHB to meet any other specific needs we may have (compliance with state specific regulations, meeting the needs of particular patient populations, addressing a certain payer mix, etc.).*

*HCHB Analytics- Analytics is the tableau (visualization of data software) reporting platform that is built by HCHB and integrates all of the HCHB data to tableau. HCHB supplies a stock set of reports that can be used for preparation for upcoming regulation changes, productivity management/regulation and quality reporting management. The reports can be built and customized by a certain tableau report builder for all of our specific reporting needs.*

*Forcura- Forcura is a totally HIPAA compliant document management, referral management, order tracking, and wound measurement/management solution that integrates directly with HCHB to allow the transmission of patient data between the two platforms. Forcura is available to office workers via a dashboard and field workers via mobile application for each use. This application provides our users with a more seamless referral acceptance for quicker processing, more accurate wound measurement tracking tools for more accurate documentation between multiple caregivers, order tracking, and automatic processing of orders out and back in with auto populated details for quicker, more seamless order processing.*

*In Addition to these innovative tools, we believe we are a partner of choice to payors, providers, patients and employees in the healthcare communities we serve. As a partner, we focus on improving care outcomes and the quality of life of our patients in home or home-like settings. Our local leadership approach facilitates the development of strong professional relationships, allowing us to better understand and meet the needs of our partners. We believe our emphasis on working closely with other providers, payors and patients yields unique, customized solutions and programs that meet local market needs and improve clinical outcomes, which in turn accelerates revenue growth and profitability.*

*We are a trusted partner to, and work closely with, payors and other acute and post-acute providers to deliver innovative healthcare solutions in lower cost settings. In the markets we serve, we have developed formal and informal preferred provider relationships with key referral sources and transitional care programs that result in better coordination within the care continuum. These partnerships have resulted in significant benefits to payors, patients and other providers including reduced hospital readmission rates, appropriate transitions within the care continuum, overall cost savings, increased patient satisfaction and improved quality outcomes. Positive, repeated interactions and data-sharing result in strong local relationships and encourage referrals from our acute and post-acute care partners. As we continue to strengthen these formal and informal relationships and expand our referral base, we believe we will continue to drive cost effectiveness and quality outcomes.”*

### **Department Evaluation**

Pennant’s service area expansion project is likely to improve delivery of hospice services to the residents of Mason County with the addition of needed service to the planning area. The department concludes that **this sub-criterion is met.**