



# STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII

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October 11, 2011

## CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Jane Gibbons  
Executive Vice President  
Liberty Dialysis – Hawaii, LLC  
2226 Liliha Street, Suite 226  
Honolulu, HI 96817

Dear Ms. Gibbons:

The State Health Planning and Development Agency (the "Agency") has evaluated Certificate of Need application #11-13A from Liberty Dialysis – Hawaii, LLC (the "applicant") for the establishment of Chronic Renal Dialysis services at 7192 Kalanianaʻole Highway, Suite Q-101, Honolulu, Hawaii, at a capital cost of \$2,233,730.

1. Pursuant to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR), the Agency has determined that this proposal is eligible for administrative review as it meets the criteria in Sections 11-186-99.1(b)(5) and (6).
2. The applicant states that "This project will advance the Statewide Health Coordinating Council ("SHCC") priority of ensuring maintenance of overall access to quality health care at a reasonable cost by ensuring that residents of the Targeted Service Area have access to dialysis services near their homes. By improving access to dialysis services close to patients' homes, this proposal will reduce this barrier for individuals in the Targeted Service Area, encourage patients' better compliance with their HD treatment schedules, and thereby lower health care costs associated with treating conditions resulting from poor compliance and improve patients' quality of life."
3. The applicant states that "...this project will advance the Honolulu Subarea Council's ("SAC") goals by increasing the availability of support services and reducing the cost of senior care. ESRD frequently develops secondary due to diabetes mellitus (DM), which is among individuals between 45-64 years of age, with the median age of onset over the age of 55. The costs associated with dialysis are minimal compared to the costs of emergency medical care and/or hospitalization due to complications from ESRD that can result from noncompliance with prescribed dialysis treatment regimens... By improving access to a dialysis center near their homes, this proposal will assist seniors with ESRD to comply with their HD treatments regimens, thereby helping them to avoid nursing home care and reducing the financial and social costs of ESRD for patients, their families, and the community."

4. The applicant states that in 2010, Renal Dialysis Network 17 reported utilization data for the following dialysis centers in Honolulu:

|  |                            |
|--|----------------------------|
| Fresenius Aloha Dialysis Center          | 825 treatments per station |
| Liberty Dialysis Kaimuki Dialysis Center | 750 treatments per station |
| Liberty Dialysis Siemens Dialysis Center | 630 treatments per station |

5. Fresenius Medical Care states that, for the first eight months of 2011 (January 1, 2011 through August 31, 2011), the utilization for Fresenius Honolulu Dialysis Center and Fresenius Kapahulu Dialysis Center was:

|                                    |                            |
|------------------------------------|----------------------------|
| Fresenius Honolulu Dialysis Center | 483 treatments per station |
| Fresenius Kapahulu Dialysis Center | 376 treatments per station |

6. The applicant states that "The utilization of the new facility is expected to reach the threshold level of 600 treatments per dialysis station by the third year of the center's operation..."
7. The applicant states that "The 2008 USRDS Annual Data Report stated that the ESRD incident population grew by 3.4% in 2006. The greatest growth occurred in the 45-64 year old age group, where the number of people with ESRD increased by 6.1%. Since 2000, the adjusted incident rate for patient (sic) in the 45-64 age group has increased by 2.4%."
8. The applicant states that "The impact of these increases in ESRD prevalence in the middle-aged population will be reflect (sic) in a growing demand for dialysis services as Oahu's population ages. Between April 1, 2000 and July 1, 2009, the percentage of Oahu residents over age 50 increased from 28.5% to 32.5%... This percentage is expected to continue to increase as the baby boomers age. By 2035, DBEDT estimates that persons age 50 and older will comprise about 40% of Hawaii's population. The emergence of the baby boomers into a senior population will contribute to the overall ESRD population, even if improved medical care successful in moderating the disease rate."
9. The applicant states that "The State of Hawaii Data Book for 2009 reports that the median age for all the neighborhoods in the Targeted Service Area was over 42 years in 2000. The Waiialae-Kahala neighborhood had the highest median age of any neighborhood on Oahu, 46.8 years. This disparity in the concentration of older residents in the Targeted Service Area supports the need for additional dialysis capacity to serve them in coming years."
10. The applicant states that "...LDC will make its services available to all Oahu residents, including low-income individuals, racial and ethnic minorities, women, individuals with disabilities, other underserved groups, and the elderly. In addition, LDH will maintain its commitment to provide charity care to those otherwise unable to afford dialysis treatment."

11. The applicant states that "Liberty Dialysis ... is in full compliance with all federal and state regulations at all of its 14 dialysis centers in Hawaii. It will continue to provide the same high quality care to patients at the proposed new location."
12. The applicant states that "Liberty Dialysis is CMS certified, and observes the standards set by both the CDC and CMS in its centers' operations... Liberty Dialysis' quality improvement program was developed in accordance with CMS and the National Kidney Foundation's Disease Outcomes Quality Initiative ('KDOQI') guidelines."
13. The applicant states that "All Liberty Dialysis nurses are licensed in Hawaii and all patient care technicians are nationally certified as required by CMS."
14. The applicant states that "The operating revenue for the first year of operation is projected at \$1,462,500, and operating expenses for the same period are projected at \$1,442,254, resulting in an operating profit of \$20,246. By the third year of operation, revenue is expected to increase to \$3,295,500 with total expenses for year three projected at \$3,163,680, resulting in an operating profit of \$131,820."
15. The applicant states that "Establishment of a dialysis facility in Hawaii Kai will have a positive impact on the existing health care system as it will provide more access to care for the residents of East Oahu and provide them more options for scheduling their dialysis treatments. It will not negatively impact the existing service providers as the facilities in the service area that are closest to the proposed facility are above threshold capacity."
16. The applicant states that "There are no financial obstacles to the project. This project will be financed with retained earnings."
17. The applicant states that "LDH expects to assign staffing for the proposed facility from its current pool of employees in addition to seeking new employees through local and national advertisements."

### Conclusions

Using the State Health Services and Facilities Plan (HSFP) capacity threshold guidelines, the Agency determines that there is a need for additional dialysis units as four of the five dialysis facilities in the service area are operating above the capacity thresholds in the HSFP (using 2010 utilization data and annualized 2011 data) and the fifth facility has annualized utilization of 564 treatments per unit or approximately 94% of the capacity threshold. The Agency finds that the annualized utilization volume of 6% (approximately) below the capacity threshold at one of the five dialysis facilities in the service area is *de minimis* and is not a material factor in the determination of need for new dialysis units in the service area.

The Agency finds that the proposal meets the certificate of need criteria in HAR 11-186-15(a)(1), (3) - (10) inclusive, and HAR 11-186-15(a)(12). The criterion in HAR 11-186-15(a)(2) is not applicable to this proposal.

The Agency finds that the applicant has not proven by a preponderance of the evidence that its proposal meets the criterion in HAR 11-186-15(a)(11), namely, "The availability of less costly or more effective alternative methods of providing service."

The Agency finds that the proposal, if modified in accordance with the condition below, would meet the criterion in HAR 11-186-15(a)(11).

#### Order and Conditional Certification

The State Health Planning and Development Agency hereby APPROVES and ISSUES a CONDITIONAL Certificate of Need to Liberty Dialysis – Hawaii, LLC for the proposal described in Certificate of Need application #11-13A. The condition is:

That on or before December 15, 2011, the applicant shall submit a report to the Agency addressing the feasibility/viability of adding dialysis units at its Kaimuki Dialysis Center to meet the need for additional dialysis units in the service area. The Agency shall determine if the report satisfies the criterion in HAR 11-186-15(a)(11) i.e. That there are no "less costly or more effective alternative methods of providing service".

In the event that the Agency finds that the report does not meet the burden of proof to satisfy the criterion in HAR 11-186-15(a)(11), this application shall be deemed to be DENIED as provided under Section 11-186-77 HAR.

This modification is required for the application to successfully meet the criteria for the issuance of a certificate of need.

As provided under Section 323D-46, HRS and Section 11-186-77 HAR, the Agency establishes Noon, October 28, 2011 as the date and time by which the applicant must certify, in writing, that it accepts this condition otherwise this application shall be deemed to be DENIED as provided under Section 11-186-77 HAR.

There is no compelling public interest which will be served by requiring the application to go through the standard review process.

As required under Section 323D-43(b), Hawaii Revised Statutes (HRS), the Agency determines that, if modified as specified in the above Order,

1. There will be a public need for this proposal.

2. The cost of the service will not be unreasonable in light of the benefits it will provide and its impact on health care costs.

The maximum capital expenditure allowed under this approval is \$2,233,730.

Please be advised that pursuant to Section 323D-47, HRS and Section 11-186-99.1(g) HAR, any person may, for good cause shown, request in writing a public hearing for reconsideration of the Agency's decision within ten working days from the date of this decision. Accordingly, if no person makes such a timely request for reconsideration, this decision shall become final immediately after the deadline for making such a request has expired.



Romala Sue Radcliffe  
Romala Sue Radcliffe  
Administrator