



# STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII

LORETTA J. FUDDY, A.C.S.W., M.P.H.  
DIRECTOR OF HEALTH

ROMALA SUE RADCLIFFE, B.A., M.A.  
ADMINISTRATOR

1177 Alakea St., #402, Honolulu, HI 96813 Phone: 587-0788 Fax: 587-0783 www.shpda.org

March 19, 2013

## CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Mark Caputo  
Manager  
Liberty Dialysis - Hawaii, LLC  
7650 Southeast 27<sup>th</sup> Street, Suite 200  
Mercer Island, WA 98040

Dear Mr. Caputo:

The State Health Planning and Development Agency (the "Agency") has evaluated Certificate of Need application #12-34A from Liberty Dialysis-Hawaii, LLC ("LDH")(the "applicant") for the establishment of Chronic Renal Dialysis services at 4380 Lawehana Street, Suites #101-111, Honolulu, HI, at a capital cost of \$3,321,993 (the "Proposal").

1. Pursuant to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR), the Agency has determined that the Proposal is eligible for administrative review as it meets the criterion in Subsection 11-186-99.1(b) (5), HAR, i.e.: "An additional location of an existing service or facility."
2. The applicant states that "The Proposed Project will advance the Statewide Health Coordinating Council ("SHCC") priorities of ensuring maintenance of overall access to quality health care at a reasonable cost and striving for equitable access to health care services by providing LDH's patients residing in the PSA improved access to dialysis services closer to their homes. LDH has determined that about 30% of the patients now receiving treatment at the SFHS-East dialysis center reside in the PSA. The Proposed Project will be approximately eight miles (a 15-minute drive) closer to these patients' homes than the SFHS-East dialysis center where they now receive services. Transfer of these patients to the new facility will also provide LDH the flexibility it needs to ensure that patients residing closest to SFHS-East can continue to receive treatment there during the period when renovation of the Sullivan Building requires closure of the Sullivan Clinic. By maintaining and improving access, this proposal will encourage patients to comply with their dialysis treatment schedules and, thereby, lower health care costs associated with poor compliance."

3. The applicant states that "The Proposed Project will advance the West Oahu Subarea Council ("West Oahu SAC") priority of improving and increasing access to specialty care, specifically dialysis services. It will also advance West Oahu SAC's priorities by improving education and increasing preventive health effort for persons suffering from end stage renal disease through LDH's initiatives to educate its patients about how better to manage their disease and thereby prevent or delay the onset of more serious health problems."
4. The applicant states that "The Proposed Project will also advance the Honolulu Subarea Council ("SAC") priorities of increasing the availability of supportive services to help maintain quality of life and controlling escalating costs in the senior care industry. End Stage Renal Disease ("ESRD") frequently develops secondary to diabetes mellitus ("diabetes"), with the highest prevalence rate among individuals between 55 - 64 years of age. Diabetes Prevalence by Age Group (2010), Hawaii Behavioral Risk Factor Surveillance System, Hawaii Department of Health. The costs associated with dialysis are minimal compared with the costs of emergency medical care and/or hospitalizations due to complications from ESRD that can result from noncompliance with prescribed dialysis treatment regimens. Additionally, complications from ESRD frequently make it difficult for seniors to continue to live in their homes and necessitate costly nursing home care. By improving access to a dialysis center, the Proposed Project will assist seniors with ESRD to comply with their dialysis treatment schedules and help maintain their quality of life. It will also help individuals avoid nursing home care and reduce the financial and social costs of ESRD for them, their families and the community."
5. Chapter 2 of The State of Hawaii Health Services and Facilities Plan (the "HSFP") states that "Capacity (utilization) thresholds for certain standard categories of health care services are established to guide the initial determination of need for a service area."
6. The HSFP provides that the capacity threshold for Chronic Renal Dialysis services is as follows:

"For a new unit/service, the minimum annual utilization for each provider in the service area is 600 treatments per unit, and the utilization of the new unit/service is projected to meet the minimum utilization rate by the third year of operation."
7. The HSFP further states:

"It is recognized that some service areas may not meet the required threshold for a health care service. Sub-optimum utilization may be proposed if the benefits clearly outweigh the costs to the community of duplicate or under-utilized services, facilities, or technologies. Benefits are defined as the form of improved access for the service area(s) population combined with significant improvement in quality and/or significant reduction in cost to the public.

In addition, beyond regional factors, thresholds may be modified to:

  - Incorporate current and best clinical practices;
  - Allow for the cost-effective transition and capital investment in moving traditional inpatient services to outpatient modalities;
  - Allow for the cost-effective introduction of modern technology to replace existing technology;
  - Address the documented needs of an actual population rather than on statistical generalizations;
  - Create opportunities for cost reduction through competition, without sacrificing quality or cost-effectiveness of care; and
  - Encourage innovation in improving health care services that contribute to enhancing a community's health status."

8. The applicant states that "The primary service area ("PSA") of the Proposed Project is the Salt Lake/Moanalua/Pearl City/Aiea/Waipahu and Kapolei area. The two dialysis centers that do not satisfy the HSFP threshold utilization levels are located in Windward Oahu and are too far distant from the PSA to be effectively accessible to its residents, because dialysis patients must typically receive treatments, which range from 3 to 5 hours in length, at least 3 times each week. Travel is sometime difficult for dialysis patients, who often do not drive themselves and must arrange for transportation to their treatments. Accordingly, lengthy travel times between home and dialysis facilities sometimes discourage dialysis patients from complying with their treatment regimens."
9. In written testimony received by the Agency March 13, 2013, Jay Yalowitz, Executive Vice-President of DSI Renal, states that the utilization at DSI Honolulu (zip code 96817) is 557 treatments per station per year and DSI Kapahulu (zip code 96816) is 527 treatments per station per year.
10. The applicant states that "The Proposed Project is needed to provide improved access to dialysis services to individuals residing in central and west Oahu. Additionally, the new facility will allow LDH flexibility in meeting the needs of patients now being treated at the SFHS-East dialysis center during upcoming renovations on the SFHS-East campus. LDH has determined that about 30% of the patients receiving treatment at the SFHS-East dialysis centers reside in the PSA and will experience improved access to their dialysis treatment at the proposed new site. This will allow SFHS-East patients living in downtown Honolulu and other locations close to the SFHS-East dialysis center to continue to receive treatment in that location when the Sullivan clinic must be taken out of service for remodeling."
11. In written testimony received by the Agency March 7, 2013, Dr. James Ireland states "Factors like long commutes, limited availability of treatment times, and other access issues substantially exacerbate the burden of dialysis treatment and, in my experience, can lead to patients who are less likely to comply with dialysis prescriptions, either through cutting treatment short, missing treatments or discontinuing dialysis treatments entirely resulting in poorly managed ESRD. Poorly managed ESRD leads to a number of complications, resulting in costly hospitalizations, loss of productivity and, in some cases, death. Ensuring access to local, high quality dialysis care is the best and most cost effective way, to guard against unnecessary complications that lead to expensive and avoidable interventions and diminished quality of life."
12. In written testimony received by the Agency March 7, 2013, Glen Hayashida, CEO of the National Kidney Foundation of Hawaii states "While we take no position on the merits of the application, I would like to emphasize the needs of the patient and what a difference a dialysis center in a closer proximity means... While there is little that can be done to shorten the time on dialysis without impacting the quality of treatment, if we can reduce the travel time for patients then it will relieve driving time, time in traffic, or waiting time for a Handivan... With convenience, there is less likelihood of skipping treatments. If treatment is skipped then the body can feel like a blown up balloon. However, we all know how we sometimes plan our lives to avoid traffic concerns. Patients on dialysis machines are no different. I ask that you consider how much time and convenience having a closer dialysis facility means to people."

13. In his written testimony, Mr. Hayashida further states "...the combination of our aging population, diabetes, and incidence of chronic kidney disease in our community (sic) that the need for dialysis centers will only increase in a short period of time. Currently, it is estimated that 1 out of 7 adults or 156,000 of our residents in Hawaii have chronic kidney disease. Nationally, one out of every three people is at risk of chronic kidney disease."
14. In written testimony dated March 8, 2013, Arthur A. Ushijima, President and Chief Executive Officer of The Queen's Health Systems states that "According to the 2012 U.S. Census, West O'ahu is the fastest growing region on the island and is home to 356,000 (42%) of O'ahu's residents. While the overall population on O'ahu is expected to grow at an average of less than 1% per year, West O'ahu's population is projected to grow at an annual rate of 2-3%. By 2030, it is expected to grow to 50% of O'ahu's population with over 600,000 residents. Housing growth is expected to be strongest in Kapolei/Ewa, followed by moderate growth in Mililani/Waipio and Waianae."
15. In his written testimony, Mr. Ushijima states "The West O'ahu region is home to the largest concentration of Native Hawaiians in the State. According to the State of Hawaii Department of Health, Native Hawaiians have the poorest health status and lowest life expectancy among Hawaii's major ethnic groups. According to the State of Hawaii Department of Health's Behavioral Risk Factor Surveillance System (BRFSS), Native Hawaiians had the highest incidence of diabetes among Hawaii's major ethnic groups in 2010, followed closely by Filipinos. Many diabetes patients can digress towards kidney failure, thereby requiring hemodialysis."
16. In his testimony, Mr. Ushijima further states "As an inpatient hospital, The Queen's Medical Center (QMC) experiences significant delays in the discharge processing, especially new patients, for dialysis treatment in a clinic... A patient remains hospitalized until outpatient services are secured, unnecessarily utilizing critical bed space and adding to the overall cost of healthcare. For example, in recent past, two leeward patients remained hospitalized at QMC for two weeks while waiting for an outpatient slot. Both had to accept Honolulu slots, while being waitlisted for a hemodialysis slot closer to home. Another patient remained hospitalized for three months at QMC while awaiting a care home near an existing facility with an open slot."
17. In written testimony dated March 5, 2013, Brigitte McKale, Vice-President & Chief Nurse Executive of Pali Momi Medical Center, states that "This project is a much needed expansion to meet the dialysis needs for residents of Central and West O'ahu. On any given day at Pali Momi Medical Center (PMMC) there are patients who have been treated and are waiting to be discharged but who must remain "waitlisted" because they do not have access to outpatient dialysis services. This represents a poor quality of life option for the patient, presents an often insurmountable dilemma for providers and patients, and creates a serious financial drain on acute care hospitals with ripple effects felt throughout other healthcare service sectors"

18. The applicant states that "...the Proposed Project is expected to meet the threshold level by the end of its third year of operation."
19. In written testimony received by the Agency March 7, 2013, Margery S. Bronster, attorney for the applicant, states that "...in the West Oahu PSA, there is a need for an additional 54 stations. The need for 54 additional stations takes into account the 24 stations that SHPDA has authorized for a DSI center to be operated in Waipahu, which we understand has not yet commenced operations."
20. The applicant states that "Although the proposed dialysis center is primarily intended to meet the needs of the Salt Lake, Moanalua, Pearl City, Aiea, Waipahu and Kapolei communities, LDH will make its services available to all Oahu residents, including low income individuals, racial and ethnic minorities, individuals with disabilities, the elderly and other medically underserved groups. In addition, LDH will maintain its commitment to provide charity care to those otherwise unable to afford dialysis treatment."
21. The applicant states that "LDH provides the highest quality of dialysis services to its patients and is in full compliance with all applicable federal and state regulations at all of its dialysis centers in Hawaii."
22. The applicant states that "LDH's clinics are CMS certified and observe the standards set by both the CDC and CMS in their operations. LDH's quality improvement program was developed in accordance with CMS and the National Kidney Foundation's Disease Outcomes Quality Initiative ("KDOQI") guidelines. In keeping with the LDH Dialysis Quality Improvement Program, each facility monitors the quality of care in the following areas: anemia management, bone management, adequacy of dialysis, patient satisfaction, and technical management."
23. The applicant states that "All LDH nurses are licensed in Hawaii and all patient care technicians are nationally certified in compliance with CMS. All nurses and hemodialysis technicians must complete LDH's training program prior to being assigned patient care duties. All LDH patient care staff will participate in regular in-service training to maintain the highest quality of competency."
24. The applicant states that "The total cost of the project is estimated at approximately \$3,321,993, which includes \$1,270,000 for construction costs, \$625,000 for equipment and \$1,426,993 for the site lease, which will be paid over the life of the lease. The project will be financed through a committed working capital line."
25. The applicant projects that for the first full year of the Proposal, total operating revenue will be \$2,250,000 and net income from operations will be \$35,000. The applicant projects that for year three of the Proposal, total operating revenue will be \$3,450,000 and net income from operations will be \$450,000.

26. In his written testimony, Mr. Ushijima states "The proposed project will have a positive impact on the State's existing health care system because it will help fill the gap between the current availability of hemodialysis services and the increasing need for more services. As QHS anticipates the opening of The Queen's Medical Center - West O'ahu in 2014, this proposed project will also have positive impact to the capacity to discharge patients from that hospital facility, as well."
27. The applicant states that "There are no financial obstacles to this project. The Proposed Project will be paid for with cash reserves or through a committed working capital line, which Liberty has dedicated to this project."
28. The applicant states that "LDH expects to assign staffing got the Proposed Project from its current pool of employees in addition to seeking new employees through local and national advertisements. LDH engages in extensive local recruitment and conducts in-house nurse and technician training programs to ensure that its personnel are qualified to provide high quality care to its dialysis patients."

#### Conclusions and Order

Pursuant to Title 11, Chapter 186, HAR, the Agency has determined that:

- (a) The Proposal is eligible for administrative review as it meets one or more of the criteria in HAR 11-186-99.1(b).
- (b) The applicant, Liberty Dialysis-Hawaii, LLC, has proven by a preponderance of the evidence that the Proposal meets the Certificate of Need criteria in HAR 11-186-15 (a).
- (c) There is no compelling public interest which will be served by requiring the application to go through the standard review process.

As required under Subsection 323D-43(b), HRS, the Agency finds that:

1. There is a public need for the Proposal.
2. The cost of the Proposal will not be unreasonable in light of the benefits it will provide and its impact on health care costs.

Accordingly, the State Health Planning and Development Agency hereby APPROVES the and ISSUES a Certificate of Need to Liberty Dialysis-Hawaii, LLC for the Proposal described in Certificate of Need Application #12-34A. The maximum capital expenditure allowed under this approval is \$3,321,993.

#12-34A, Administrative Review Decision  
March 19, 2013  
Page 7

Please be advised that pursuant to Section 323D-47, HRS, 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  
Administrator