



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #07-01A

Applicant: Liberty Dialysis-Hawaii, LLC  
3820 East Mercer Way  
Mercer Island, Washington 98040

Phone: 206 275 2000

Project Title: Addition of 26 dialysis stations

Project Address: 91-2137 Fort Weaver Road, Ewa Beach, Hawaii

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1. TYPE OF ORGANIZATION: (Please check all applicable)

- Public \_\_\_\_\_
- Private X
- Non-profit \_\_\_\_\_
- For-profit X
- Individual \_\_\_\_\_
- Corporation \_\_\_\_\_
- Partnership \_\_\_\_\_
- Limited Liability Corporation (LLC) X
- Limited Liability Partnership (LLP) \_\_\_\_\_
- Other: \_\_\_\_\_

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2. PROJECT LOCATION INFORMATION

A. Primary Service Area(s) of Project: (please check all applicable)

- Statewide: \_\_\_\_\_
- O`ahu-wide: \_\_\_\_\_
- Honolulu: \_\_\_\_\_
- Windward O`ahu: \_\_\_\_\_
- West O`ahu: X
- Maui County: \_\_\_\_\_
- Kaua`i County: \_\_\_\_\_
- Hawai`i County: \_\_\_\_\_

3. DOCUMENTATION (Please attach the following to your application form):

A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)

See Attachment 1.

B. A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.)

Building Permit from City & County of Honolulu  
Certificate of Occupancy from the City & County of Honolulu  
Fire Marshall's Approval from the City & County of Honolulu Fire Department  
CMS Medicare Certification from the State of Hawaii, Department of Health

C. Your governing body: list by names, titles and address/phone numbers

See Attachment 2

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D. If you have filed a Certificate of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:

- Articles of Incorporation: See Attachment 3.
- By-Laws: Not Applicable '07 FEB -7 A11 :14
- Partnership Agreements: Not Applicable
- Tax Key Number (project's location): 9-1-017-56

4. **TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in Service	Change in Beds
Inpatient Facility					
Outpatient Facility				X	
Private Practice					

5. **BED CHANGES.** Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

Type of Bed	Current Total	Bed	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
<b>TOTAL</b>				

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:	'07 FEB -7 A11 :14	AMOUNT:
1. Land Acquisition		_____
2. Construction Contract	ST HLTH PLAC & DEV. AGENCY	<u>\$2,000,000</u>
3. Fixed Equipment		<u>\$ 165,000</u>
4. Movable Equipment		<u>\$ 135,000</u>
5. Financing Costs		_____
6. Fair Market Value of assets acquired by lease, rent, donation, etc.		_____
7. Other: _____		_____
<b>TOTAL PROJECT COST:</b>		<b><u>\$2,300,000</u></b>

B. Source of Funds

1. Cash (retained earnings)		<u>\$2,300,000</u>
2. State Appropriations		_____
3. Other Grants		_____
4. Fund Drive		_____
5. Debt		_____
6. Other: _____		_____
<b>TOTAL SOURCE OF FUNDS:</b>		<b><u>\$2,300,000</u></b>

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7. **CHANGE OF SERVICE:** If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the addition of a new location of an existing service. Please reference the Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

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This proposal is for the addition of 26 dialysis stations at Liberty Dialysis -

Hawaii's existing 22-station dialysis facility at 91-2137 Fort Weaver Road in

Ewa Beach. Reference HAR § 11-186-5-(4)(A)

8. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:

- a) Date of site control for the proposed project: January 2006
- b) Dates by which other government approvals/permits will be applied for and received  
Applied for: January 2007  
Received: April 2007
- c) Dates by which financing is assured for the project: January 2007
- d) Date construction will commence: April 2007
- e) Length of construction period: 8 months
- f) Date of completion of the project: November 2007
- g) Date of commencement of operation: December 2007 (subject to completion of CMS Medicare certification survey)

Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the certificate of need.

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9. **EXECUTIVE SUMMARY:** Please present a brief summary of your project. In addition, provide a description of how your project meets each of the certificate of need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.

- a) Relationship to the Hawai'i Health Performance Plan (H2P2), also known as the State of Hawai'i Health Services and Facilities Plan.
- b) Need and Accessibility
- c) Quality of Service/Care
- d) Cost and Finances (include revenue/cost projections for the first and third year of operation)
- e) Relationship to the existing health care system
- f) Availability of Resources.

**Executive Summary**

**Project Description**

Liberty Dialysis-Hawaii LLC ("LDH") seeks approval to expand its existing dialysis center located on the campus of St. Francis Medical Center – West at 91-2137 Fort Weaver Road in Ewa Beach from 22 to 48 dialysis stations.

LDH is a Delaware limited liability company that was established to acquire, own and operate the dialysis centers that were formerly part of the St. Francis Healthcare System ("SFHS").

The project is intended to provide outpatient dialysis services to West Oahu residents.

**a) Relationship to the Hawaii Health Performance Plan (H2P2), also known as the State of Hawaii Health Services and Facilities Plan.**

Expansion of LDH's Leeward Dialysis Center will advance the H2P2's goals of increasing the span of life of healthy adults and achieving equitable and effective access at reasonable cost for Hawaii's residents to health services that are responsive to the holistic needs of the community's members and its objectives of reducing the effects of chronic disease and prolonging health related quality of life and reducing morbidity and pain through timely and effective treatment. Persons suffering from End Stage Renal Disease ("ESRD") typically must undergo dialysis treatment three times each week. They often face challenges in coordinating transportation with family members, friends, the HandiVan and other sources of public and private transportation. Providing dialysis centers close to their homes helps to relieve this burden, thereby reducing the effects of ESRD, improving their health related quality of life, and promoting equitable access to health care that is responsive to their physical, emotional and social needs.

Recent testimony submitted to SHPDA by Josephine G. Rejante, Manager, Queen's Medical Center ("QMC"), Social Work and Nursing Home, and by June Williamson, Director of Case Management, Kapiolani Medical Center at Pali Momi ("Pali Momi"), indicated that both hospitals have experienced challenges in placing patients into

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outpatient hemodialysis programs, and that both facilities are retaining patients who need a lower level of nursing care in acute care beds because those patients are wait listed for outpatient hemodialysis services. LDH, the new owner and operator of the dialysis facilities formerly operated by the SFHS anticipates development of relationships with Oahu's other hospitals and looks forward to working with QMC and Pali Momi in order to find appropriate outpatient dialysis placements for all of the patients who are now wait listed. The addition of new dialysis capacity in West Oahu will allow patients living there to begin receiving outpatient treatment and move from acute hospital beds to nursing home or residential settings that are more appropriate for these patients' needs, thereby making hospital space available for persons genuinely in need of acute care and reducing the overall cost of healthcare in Hawaii by insuring more appropriate utilization of hospital beds.

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The addition of new hemodialysis stations is also consistent with the H2P2's basic principles for a health care system because it promotes improved access to chronic disease management. It will contribute toward improving three of the five critical elements of Hawaii's health care delivery system that are identified by the H2P2. First, it will promote equitable, effective and efficient access to dialysis services by making more dialysis stations available to meet the needs of the growing number of Oahu ESRD patients. Second, the proposed facility will provide quality management by monitoring its patients' response to treatment through anemia management, bone management, and evaluation of the adequacy of dialysis and patient satisfaction. Third, it will improve the cost-effectiveness of Hawaii's health care system by facilitating treatment of ESRD in the less costly outpatient setting rather than in an acute care setting.

By making treatment options more easily available in the community, the expanded facility will promote improved management of ESRD, slow deterioration of the health of ESRD sufferers, and make it easier for them to receive care in the least restrictive setting possible, thereby reducing their need to resort to more costly care due to the lack of a sufficient number of outpatient treatment openings.

The proposed expanded facility is consistent with the Statewide values and priorities identified by the H2P2 because it fosters development of care delivery for the elderly and chronically ill and will provide effective management of their health and quality of life, thereby reducing the financial and social burdens not only of those suffering from ESRD, but also of their families and the community as well. The proposal is also consistent with the West Oahu Subarea's priority of enhancing services for these suffering from diabetes, many of whom eventually develop ESRD.

Finally, the proposed expansion is consistent with the objectives established by Chapter VI of the H2P2, which addresses Hawaii's need for services targeted at chronic disabling conditions. The H2P2 recognizes that ESRD often develops secondary to diabetes, stating that 10-20% of all diabetics will eventually develop kidney disease that gradually deteriorates into ESRD. As their health declines, these individuals become

increasingly dependent on treatment and the help of others and less and less mobile. Consequently, their quality of life and self-esteem suffer tremendously, contributing to the high psychological cost of the disease. By making an adequate number of community-based dialysis services conveniently available, the additional hemodialysis stations will allow these people to maintain the maximum functioning, mobility and independence of which they are capable.

### b) Need and Accessibility

The LDH Leeward Dialysis Center currently has 22 dialysis stations and serves 167 patients who reside in contiguous areas. See Attachment 4. Located on the grounds of the St. Francis Medical Center - West campus, the facility is at the crossroads of Central Oahu and West Oahu. The Leeward area is Oahu's fastest growing. In a February 29, 2004 article, the Honolulu Star-Bulletin reported that its population increased 89 percent from 1990 to 2000. Allison Schaefer, *The Struggle Over Growth*, HONOLULU STAR-BULLETIN, Feb. 29, 2004, also available at <http://starbulletin.com/2004/02/29/business/story1.html>. Utilization of the existing facility is averaged 104% of capacity. In order to continue to provide dialysis services to its current patients, the facility has extended its hours of operation to 1 a.m., six days per week. The table below summarizes utilization of each of LDH's Oahu dialysis facilities during the month of December 2006:

Dialysis Facility	Leeward	Siemens	RA	Sullivan	Waianae
Provider #	12-2512	12-2518	12-2518	12-2518	12-2514
Number of HD stations	22	48	5	21	16
Number of billed treatments	2013	4071	239	622	803
Max Treatment Capacity (#of stations x3.5/day* # of dialysis days/month (Dec=27)	2079	4536	472.5	1985	1512
% capacity	97%	90%	51%	31%	53%

Table 1. Utilization At LDH's Current Dialysis Facilities.

Moreover in its October 10, 2006 decision on certificate of need application 05-19A for establishment of 24 hemodialysis stations and 2 peritoneal dialysis stations by Bio-Medical Applications of California, Inc. at 750 Palani Avenue (the "October 2006 Decision"), the agency found that utilization of other currently available dialysis facilities in West Oahu is as follows:

Fresenius Medical Services Kapolei – 114%  
 Fresenius Medical Services Pearl Ridge – 101%

The H2P2 states that existing dialysis facilities should be operating at 80% utilization in order to establish new dialysis services. Thus, all of the dialysis centers in the area surrounding the Leeward dialysis facility are operating above the H2P2 utilization

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threshold for new dialysis services. While there is some excess capacity at LDH's dialysis centers in Waianae and on the St. Francis – Liliha campus, it is not good medical practice to transport dialysis patients served by the Leeward dialysis facility to these distant locations for dialysis treatment, and the need to travel extensive distances for treatment poses transportation and financial burdens for patients seeking such care.

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In addition, the agency has determined that there are now 33 wait listed patients on Oahu, who need, but cannot obtain, outpatient dialysis services. Hence, there is unmet need for dialysis services on the island. Information from a November 7, 2003 presentation to the Tri-Isle Subarea Health Planning Council by the National Kidney Foundation of Hawaii shows that the number of ESRD patients in Hawaii has historically increased by about 7% annually. However, because of West Oahu's rapidly expanding population, LDH's Leeward Dialysis Center has experience historical growth in utilization of 9% annually. The rate of growth in the number of Hawaii residents needing dialysis treatment can be expected to increase because of general increases in population, the aging of Oahu's population, and the increased life-span of ESRD patients that will result from improved treatment. However, based on the current 9% growth rate, LDH projects that the expanded facility will achieve the following utilization rates:

	Current	Build	Year 1	2	3	4	5
Year	2006	2007	2008	2009	2010	2011	2012
Patients	167	182	198	216	236	257	280
Available Stations	22	22	48	48	48	48	48
Utilization	104%	116%	59%	64%	70%	76%	83%

Table 2. Projected Utilization Of Expanded Facility.

The proposed site is easily accessible by public transportation and will offer free parking for 36 vehicles. The Handivan has established routes serving the Leeward facility, thereby assuring access by elderly patients and those with disabilities.

While the proposed facility is targeted primarily at West Oahu residents, LDH currently provides, and will continue to provide, services for all residents of Oahu. Its patients include low-income persons, racial and ethnic minorities, women, handicapped persons, and the elderly, all of whom are offered services on a non-discriminatory basis.

**c) Quality of Service/Care**

LDH provides the highest quality of dialysis services to its patients and is in full compliance with applicable federal and state regulations at the 14 dialysis centers it currently operates in Hawaii. It will continue to provide the same high quality care to patients at the expanded West Oahu location. LDH facilities are CMS certified and observe the standards set by both the CDC and CMS in their operations. Copies of LDH's CMS certifications for its existing Hawaii dialysis centers are included in Attachment 5. The LDH 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 Quality Improvement Program, each

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facility monitors the quality of care in the following areas: anemia management, bone management, adequacy of dialysis, patient satisfaction, and technical management.

All LDH nurses are licensed in Hawaii. LDH nurses and hemodialysis technicians must complete the LDH training program and/or pass a competency examination prior to assignment to patient care duties. LDH patient care staff participates in regular in-service training in order to assure maintenance of the highest level of competency.

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To further enhance the quality of care, LDH has added the position of Clinical Manager for each clinic. The role of the Clinical Manager is to focus on the patient quality of care, communication with physicians, other health team members, and ancillary staff, and monitoring changes in patient condition/status.

### **d) Cost and Finances**

The total cost of the project is estimated at approximately \$2,300,000, which includes \$2,000,000 for site improvements, \$165,000 for fixed equipment and \$135,000 for movable equipment. The project will be financed from retained earnings. The site is already under lease.

The operating revenue for the first year of operation is projected at \$2,546,544, and operating expenses for the same period are projected at \$2,205,740, resulting in an operating profit of \$340,804. By the third year of operation, revenue is expected to increase to \$3,410,187, with total expenses for year three projected at \$2,942,379, resulting in an operating profit of \$467,808.

### **e) Relationship to the Existing Health Care System**

Because this project will add new capacity, the need for which has already been established, and because current providers in the service area are operating at more than 100 percent utilization, no significant impact on the existing health care system is expected.

### **f) Availability of Resources**

There are no financial obstacles to the project.

LDH expects to assign staffing for the proposed facility from its current pool of employees. LDH engages in extensive local recruitment and conducts in-house nurse and technician training programs to assure that its personnel are qualified to provide high quality care to its dialysis patients. LDH has also partnered with local educators to provide clinical training opportunities for new nurses and technicians. LDH has also expanded its in-house training efforts and has increased recruitment of local dialysis nurses that have left the field and mainland nurses and technicians in order to maintain a consistent supply of qualified personnel to provide patient care in its dialysis facilities.

LDH maintains the following ratios of clinical staff to patients at its facilities:

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Registered Dialysis Nurse (RN): 1.0 FTE per 12 patients  
 Patient Care Technicians: 1.0 FTE per 4 patients  
 Registered Dietitian: 1.0 FTE per 120 patients  
 Social Worker: 1.0 FTE per 140 patients

The Leeward Dialysis Facility currently employs 1.0 FTE Facility Manager, 1.0 FTE Clinical Manager, 8.0 FTE RNs, 2.0 FTE LPNs, 16.0 FTE hemodialysis technicians, 2.0 FTE dialysis equipment technicians, 2.0 FTE unit clerks, 1.0 FTE service coordinator, 0.8 FTE social worker and 1.0 FTE registered dietitian. A registered nurse is on duty at all times that the facility is open and is assisted by one or more patient care technicians as patient volume requires. Additional staff will be employed and trained as needed to maintain LDH's staffing ratios as patient census increases. LDH anticipates the following future staffing levels:

Year	Census	Registered Nurse*	Technicians*	Social Workers*	Registered Dieticians*
2007	167	8	18	1	1
2008	179	8	18	1.5	1.5
2009	191	9	19	1.5	1.5
2010	205	9	19	1.5	1.5
2011	219	9	20	2	2
2012	234	10	21	2	2
2013	250	10	22	2	2
2014	268	11	23	2	2
2015	287	11	24	2.5	2.5
2016	307	11	25	2.5	2.5
2017	328	12	26	3	3
2018	330	12	26	3	3

Table 3. Projected Staffing At Expanded Facility.

\* Staffing levels are expressed in FTEs.

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**Eligibility to file for Administrative Review.** This project is eligible to file for Administrative review because: (Check all applicable)

- It involves bed changes, which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
- It involves service changes which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
- It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.
- It is a change of ownership, where the change is from one entity to another substantially related entity.
- It is an additional location of an existing service or facility.
- The applicant believes it will not have a significant impact on the health care system.

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