

STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

LINDA LINGLE
GOVERNOR OF HAWAII

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DIRECTOR OF HEALTH

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ADMINISTRATOR

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December 16, 2005

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Mark E. Caputo
Chief Executive Officer
Liberty Dialysis - Hawaii, LLC
3820 East Mercer Way
Mercer Island, WA 98040

Dear Mr. Caputo:

The State Health Planning and Development Agency has evaluated Certificate of Need application #05-26A for the change of ownership of St. Francis Medical Center dialysis services at a capital cost of \$5,170,000.

Pursuant to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR), the Agency has determined that:

1. This proposal is eligible for administrative review as it meets the criterion in Section 11-186-99.1(b)(6), i.e.: "any proposal which is determined by the agency not to have a significant impact on the health care system."
2. Liberty Dialysis - Hawaii, LLC (the "applicant") has proven by a preponderance of evidence that its proposal meets the certificate of need criteria in Section 11-186-15, HAR:
 - a. The applicant states that "This application for the change of ownership of all the CON regulated medical assets of the dialysis business (Dialysis Assets) currently owned by St. Francis Medical Center to Liberty Dialysis-Hawaii, LLC...The Dialysis Assets relate to St. Francis' 10 outpatient dialysis clinics (the three dialysis areas on St. Francis Medical Center's Liliha Campus are considered one clinic) and the acute dialysis program."
 - b. The applicant states that "This proposal supports the goals and objectives of H2P2 for dialysis services to increase the span of life for those with chronic kidney failure... Further, through timely dialysis treatment, morbidity is reduced and discomfort and medical complications are alleviated."
 - c. The applicant states that "The need for these services is evidenced and established in the already approved certificates of need (CONs) held by St. Francis for these dialysis clinics. The current service areas and thereby access to dialysis services will be maintained."

- d. The applicant states that "This acquisition will maintain access to dialysis care for patients in keeping with St. Francis' existing policies. Charity care will be provided to those who are otherwise unable to afford dialysis treatment."
- e. The applicant states that "We will serve all residents of the area including low income persons, racial and ethnic minorities, women, persons with disabilities and other underserved groups, and the elderly."
- f. The applicant states that "Liberty Dialysis-Hawaii, LLC will not alter the scope of services presently provided at the dialysis centers. Furthermore, the clinical staff and attending physicians who care for the patients will remain unchanged, therefore ensuring continuity of service and quality of care for patients."
- g. The applicant states "As operated by St. Francis Medical Center, the dialysis clinics are certified by Medicare. Subsequent to the acquisition by Liberty Dialysis-Hawaii, LLC, the centers' Medicare certifications will be maintained."
- h. The applicant states that "Liberty Dialysis-Hawaii, LLC will maintain the clinical quality control programs instituted by St. Francis."
- i. The applicant states that "We have the ability to maintain these services and, the revenue/cost projections...show that we are able to cover our operating costs."
- j. The applicant projects the revenue and expenses to be: \$39,701,791 and \$37,713,947 respectively, for the first full year of operations, and \$43,584,962 and \$41,388,577 respectively, for the second full year of operations.
- k. The applicant states that the financial resources are available from Bain Capital to purchase the assets from St. Francis Medical Center.
- l. The applicant states that "Because we are continuing an existing service with no change in service or staffing, there will be no effect on other providers."
- m. The applicant states that "Most importantly to patients, this acquisition will allow for a seamless continuity of care. The change of ownership will appear to be invisible to patients."
- n. The applicant states that "Because this acquisition includes all of the dialysis staff currently employed by St. Francis Medical Center, staffing is already in existence for this service and no additional employees are needed in the centers in order to continue serving the existing patient base."


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

Pursuant to Section 323D-43(b), Hawaii Revised Statutes (HRS), the Agency finds that:

1. There is 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.

Accordingly, the State Health Planning and Development Agency hereby APPROVES and ISSUES a Certificate of Need to Liberty Dialysis - Hawaii, LLC for the proposal described in application #05-26A. The maximum capital expenditure allowed under this approval is \$5,170,000.

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.

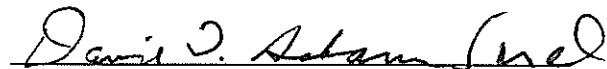

David T. Sakamoto, M.D.
Administrator

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached Administrative Review Decision was duly served upon the applicant by sending it by certified mail, return receipt requested, in the United States Postal Service addressed as follows on December 16, 2005:

Mark E. Caputo
Chief Executive Officer
Liberty Dialysis - Hawaii, LLC
3820 East Mercer Way
Mercer Island, WA 98040

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY


David T. Sakamoto, M.D.
Administrator