



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

NEIL ABERCROMBIE
GOVERNOR OF HAWAII

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November 24, 2014

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Craig Goguen
Chief Executive Officer
Dialysis Newco, Inc. d/b/a DSI Renal
424 Church Street, Suite 1900
Nashville TN 37219

Dear Mr. Goguen:

The State Health Planning and Development Agency (the "Agency") has evaluated Certificate of Need application #14-14A for administrative review from Dialysis Newco, Inc. d/b/a DSI Renal (the "applicant") for the establishment of Chronic Renal Dialysis services at 1908 South Beretania Street, Suite No. 1, Honolulu, HI, at a capital cost of \$3,714,850 (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 "By improving access to quality services at a reasonable cost and providing health education to assist patients and their families in better understanding and managing their chronic disease, the establishment of the Additional Location will support the general principles of the Statewide Health Coordinating Council ('SHCC') and the priorities of the Honolulu Subarea Health Planning Council ('HONSAC'). DSI acknowledges and represents:
 - Dialysis is a supportive service that maintains the quality of life for its patients.
 - Nutrition is an important part of a dialysis patient's everyday lifestyle and our nutrition guidelines and support to patients are all based on industry standards and scientifically-based knowledge.
 - We aim to be active in community engagement via partnerships with a wide array of organizations such as the National Kidney Foundation, Hawaii Health Systems Corporation, Transpacific Renal Network, the GFR Alliance, HMSA, Kaiser Permanente, the University of Hawaii, Kapi'olani Community College and the National Renal Administrators Association.
 - A vital part of our patient and family services will be health education counseling and classes about dialysis care and participation in community preventive health campaigns about kidney disease and diabetes.

- The establishment of the Additional Location will advance the 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 DSI patients residing in the Primary Service Area improved access to dialysis services closer to their homes. By maintaining and improving access, this Additional Location will encourage patients to comply with their dialysis treatment schedules and, thereby, lower health care costs associated with poor compliance.
 - The establishment of the Additional Location will advance the HONSAC priorities of increasing the availability of supportive services to help maintain quality of life and controlling escalating costs in the senior care industry and other needed services. Patient counts and prevalence rates for ESRD are highest among those individuals age sixty-five (65) and older. 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. Such compliance will also help individuals avoid nursing home care and reduce the financial and social costs of ESRD for them, their families and the community.”
3. The applicant states that “Hawaii Revised Statute §323D-12 mandates that HSFP must include standards for utilization of health care facilities. Chapter 2 of 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.’”
 4. The applicant states that “Prior to the establishment of a new chronic renal dialysis unit/service, HSFP provides that the minimum utilization of each existing provider in the service area should be six hundred (600) treatments per facility and the utilization of the new chronic renal dialysis unit/service should be projected to meet the minimum utilization rate by the third year of operation.”
 5. The applicant states that “DSI projects a year 1 ending census at the Additional Location of thirty-eight (38) patients (translating into three hundred and fifty-six (356) treatments per station) and a year 3 ending census of no less than sixty-four (64) patients (translating into no less than six hundred (600) treatments per station, which would meet HSFP's minimum utilization threshold).”

6. The applicant states that “The Primary Service Area for the Additional Location is urban Honolulu with particularly ready access to residents of McCully, Moiliili, and Manoa. Currently there are only six (6) dialysis facilities servicing the wider Primary Service Area, DSI's Aloha (1520 Liliha Street, Honolulu, 96817), Honolulu (226 North Kuakini Street, Honolulu, 96817) and Kapahulu (750 Palani Avenue, Honolulu, 96816) facilities and Liberty Dialysis' Kaimuki (3625 Harding Avenue, Honolulu, 96816), Siemsen (2226 Liliha Street, Honolulu, 96817) and Sullivan (2230 Liliha Street, Honolulu, 96817) facilities. All of these facilities are providing treatments in excess of the utilization threshold established by HSFP. The current annualized treatments for DSI's Aloha, Honolulu and Kapahulu dialysis facilities are 885, 716 and 719 treatments/station, respectively.”
7. The applicant states that “Based on information provided by Liberty Dialysis in support of its CON Application No. 12-28A, Liberty Dialysis' Kaimuki facility is providing approximately eight hundred twenty-four (824) treatments per station and Liberty Dialysis' Siemsen/Sullivan facility is providing approximately six hundred forty-one (641) treatments per station.”
8. The applicant states that “The Additional Location will provide an additional dialysis option to patients residing in the Primary Service Area. This will result in a reduction in the high utilization of the existing facilities in the Primary Service Area. However, even if there may be Oahu dialysis facilities which are operating below the six hundred (600) treatments per station per year threshold, SHPDA has recognized that sub-optimum utilization is particularly appropriate with respect to dialysis facilities and services since the benefits of improved access, patient compliance with treatment regimen, quality of care, best clinical practice, hospital discharge to outpatient modalities and cost-reduction are so significant. As dialysis patients receive treatment three (3) times per week, having a close, updated and convenient dialysis facility is beneficial to the lives of these patients. Studies have shown that after only fifteen (15) minutes of travel time to receive dialysis services, morbidity and mortality rates increase, and health related quality of life and treatment adherence decrease.”
9. The applicant states that “Traffic in the metro Honolulu area often results in long drive times for patients to and from their dialysis facility. In addition, many patients rely on private services such as Handivan for their transportation. Patients utilizing these services must endure significantly longer treatment days because of the ride-share nature of these services with multiple pickup and delivery stops and because the patients are tied to the service's scheduled pickup times. The establishment of the Additional Location will alleviate many of the travel time issues faced by patients residing in the 96826 zip code and those patients who live closer to the proposed Additional Location than to their current facility. Reducing travel time for this not-insignificant pool of patients will avoid many of the adverse consequences associated with travel to and from dialysis.”

10. The applicant states that "Hawai'i's, and in particular Oahu's, population of individuals with ESRD is large and growing at alarming rates, fueling the need for additional dialysis facilities. Per the United States Renal Data System (USRDS), Hawai'i's incidence rate for ESRD is the sixth highest in the country and is significantly higher than the national rate..."
11. The applicant states that "Hawai'i's high ESRD incidence rate will be exacerbated by the projected population growth in the future (especially in the over sixty-five (65) population) and the prevalence of diabetes and kidney disease in Hawai'i'. As reflected by the 2010 U.S. Census and the Census Bureau's estimates since then, Urban Honolulu is the largest population center on Oahu, continues to grow, and is home to at least three hundred thirty-seven thousand two hundred fifty-six (337,256) (over a third) of the island's residents. The resident population of the City and County of Honolulu is projected to increase at an annual rate of 0.4% from 2010 to 2040. The aging of the population is one of the most prominent features of Hawai'i's population trend. The share of the population sixty-five (65) years of age and over increased from 8.0% in 1980 to 14.5% in 2010. This trend will continue in the future, increasing this share of the total population to 23.6% in 2040."
12. The applicant states that "DSI provides quality dialysis services to its patients and is in full compliance with all applicable federal and state regulations at all of its dialysis centers in Hawai'i. All DSI Hawai'i dialysis facilities are CMS certified, and observe the standards set by both the CDC and CMS in their operations. DSI's quality improvement program was developed in accordance with CMS and the National Kidney Foundation's Disease Outcomes Quality Initiative guidelines."
13. The applicant states that "All DSI nurses are licensed in Hawai'i and all patient care technicians are nationally certified as required by CMS."
14. The applicant projects that for the first full year of operations, revenue will be \$957,132 and net income will be (\$344,760). The applicant projects that for the third full year of operations, revenue will be \$3,785,578 and net income will be \$971,578.
15. The applicant states that "The total cost of developing the Additional Location will be approximately \$3,714,850. Of this amount, \$1,810,917 will be allocated to the site lease, \$414,661 for movable equipment, \$139,742 for fixed equipment and \$1,349,530 for leasehold improvements to the site. The Additional Location project will be financed with DSI's cash on hand."
16. The applicant states that "The proposed project will also have a positive impact on the capacity to discharge patients from area hospital facilities as well. DSI will collaborate with other providers, community groups and government organizations in the Primary Service Area to ensure quality care for our mutual patients and in support of our shared health goals."

17. The applicant states that "As DSI already operates or owns a majority interest in nine (9) dialysis facilities on Oahu, DSI anticipates filling a portion of the staffing positions for the Additional Location from its existing labor force, and the remainder through recruiting efforts in Hawai'i through job fairs, advertising and open houses. In addition, DSI maintains relationships with several national recruiting firms who help identify and/or supply nurses, patient care technicians and other personnel for DSI's other outpatient dialysis facilities throughout the country."
18. The applicant states that "Although the Additional Location primarily is intended to serve the dialysis needs of residents residing in the Primary Service Area, DSI will make its services available to all individuals with ESRD Oahu-wide, including low-income individuals, racial and ethnic minorities, women, individuals with disabilities, other underserved groups and the elderly. DSI has a commitment to providing care to individuals, regardless of their ability to pay."
19. In written testimony dated November 13, 2014, Jocelyn Saccamago, Regional Vice President for the Hawaii Region of Liberty Dialysis, states "One of my primary concerns in any dialysis operation is ensuring accessibility for patients who often have difficulty with mobility... Adequate handicapped parking is also a required to make a dialysis facility accessible. The proposed site has 21 parking stalls underground, for which the primary means of access is these stairs... grade level parking currently includes one handicap stall and three regular stalls that could be converted to two handicapped stalls, giving a total of three accessible stalls at grade level. While there are two additional outdoor stalls, these are located in the area of the driveway that slopes down into the underground parking area. The driveway slope appears too steep to allow these two stalls to be effectively used for handicapped accessible parking. Liberty questions whether only three handicapped parking stalls at grade level provides adequate accessibility for the patients to be served by the proposed dialysis center."

Conclusions

The Agency finds that the Proposal meets the certificate of need criteria in Hawaii Administrative Rules (HAR) 11-186-15(a) (3) - (12) inclusive. The criteria in HAR 11-186-15(a)(2) are not applicable to this proposal.

The Agency finds that the Proposal meets the need criterion in HAR 11-186-15(a)(1), namely, "The need that the population served or to be served has for the services proposed to be offered or expanded..."

The Agency finds that the applicant has not proven by a preponderance of the evidence that the Proposal meets accessibility criteria in HAR 11-186-15(a)(1), namely, "...the extent to which ... handicapped persons... and the elderly, are likely to have access to those services."

The Agency finds that the Proposal, if modified in accordance with the condition below, would meet all the criteria in HAR 11-186-15(a)(1).

Order and Conditional Certification

The State Health Planning and Development Agency hereby APPROVES and ISSUES a CONDITIONAL Certificate of Need to Dialysis Newco, Inc. d/b/a DSI Renal for the Proposal described in Certificate of Need application #14-14A. The condition is that on or before Noon, December 31, 2014, the applicant shall submit to the Agency, for Agency approval:

- A written plan setting forth how it will ensure that the accessibility criteria for handicapped persons and the elderly in HAR 11-186-15(a)(1) for its proposed project will be met.

This modification is required for the application to successfully meet the criteria for the issuance of a certificate of need as established in HAR 11-186-15(a).

As provided under Section 323D-46, HRS and Section 11-186-77 HAR, the Agency establishes Noon, December 5, 2014 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.

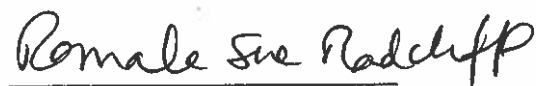
The Agency has determined that the Proposal is eligible for administrative review as it meets one or more of the criteria in HAR 11-186-99.1(b) and that there is no compelling public interest which will be served by requiring the application to go through the standard review process.

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

1. There will be a public need for this proposal; and
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 \$3,714,850.

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