



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

15 JUN 12 P2:47

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

& DEV. AGENCY

Application Number: # 15-07A Date of Receipt:
To be assigned by Agency

REPLACEMENT PAGE

APPLICANT PROFILE

Project Title: Establishment of 2-station chronic renal dialysis facility

Project Address: 500 Ala Moana Boulevard, Suite 7-302, Honolulu, Hawaii 96713

Applicant Facility/Organization: Liberty Dialysis—Hawaii, LLC

Name of CEO or equivalent: Steven Nottingham

Title: General Manager Western Group

Address: 1400 East Southern Avenue, Suite 615, Tempe, Arizona 85282

Phone Number: (480) 458-9722 Fax Number: (480) 458-9705

Contact Person for this Application: Jocelyn Saccamago

Title: Regional Vice President

Address: 2226 Liliha Street, Suite 226, Honolulu, Hawaii 96817

Phone Number: (808) 585-4600 Fax Number: (808) 585-4601

CERTIFICATION BY APPLICANT

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.

Signature

Date

Jocelyn Saccamago
Name (please type or print)

Regional Vice President
Title (please type or print)

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: _____

2. PROJECT LOCATION INFORMATION

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

Statewide: _____
O`ahu-wide: _____
Honolulu: _____ X _____
Windward O`ahu: _____
West O`ahu: _____
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 the 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

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

See Attachment 2.

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
- Partnership Agreements – See Attachment 4
- Tax Key Number (project's location): 210290010000

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 Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
TOTAL			

6. PROJECT COSTS AND SOURCES OF FUNDS

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A. List All Project Costs:

AMOUNT:

1.	Land Acquisition	*15 JUN -9 P2 52	_____
2.	Construction Contract		\$ 75,000.00
3.	Fixed Equipment	ST HILTI FERRIS & DEV. AGENCY	\$ _____
4.	Movable Equipment		\$ _____
5.	Financing Costs		_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc. (site lease) (equipment lease)		\$200,000.00 \$ 28,850.00
7.	Other: _____		_____

TOTAL PROJECT COST: \$303,850.00

B. Source of Funds

1.	Cash		\$ 75,000.00
2.	State Appropriations		_____
3.	Other Grants		_____
4.	Fund Drive		_____
5.	Debt		_____
6.	Other: <u>Fair market value of leased premises and Equipment to be paid over the term of the leases</u>		\$228,850.00

TOTAL SOURCE OF FUNDS: \$303,850.00

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.

Establishment of 2-station chronic renal dialysis service.

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: June 22, 2009
- b) Dates by which other government approvals/permits will be applied for and received:

Building Permit applied for: June 2015
Building Permit received: September 2015
- c) Dates by which financing is assured for the project: Not applicable
- d) Date construction will commence: October 2015
- e) Length of construction period: 60 days
- f) Date of completion of the project: December 2015
- g) Date of commencement of operation: January 2016

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.

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.

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- h) Relationship to the State of Hawai'i Health Services and Facilities Plan.
- i) Need and Accessibility
- j) Quality of Service/Care
- k) Cost and Finances (include revenue/cost projections for the first and third year of operation)
- l) Relationship to the existing health care system
- m) Availability of Resources

REPLACEMENT PAGE

EXECUTIVE SUMMARY

Liberty Dialysis—Hawaii, LLC (“LDH”) seeks approval to establish a 2-station dialysis center at 500 Ala Moana Boulevard, Suite 7-302, in Honolulu (the “Proposed Project”). A site map showing the proposed location is included in Attachment 5.

The site formerly housed a vascular access clinic. Approximately 2 years remain on the lease. Liberty proposes to operate a 2-station dialysis center for the remainder of the lease term to meet the needs of Hawaii visitors. At the end of the lease, Liberty will evaluate the success of the project to determine whether to extend the lease for an additional 5 years. The location is ideal for the provision of visitor services because of its proximity to Waikiki hotels.

- a) Relationship to the State of Hawai'i Health Services and Facilities Plan.

The State of Hawaii Health Services and Facilities Plan (“HSFP”) states that prior to the establishment of a new chronic renal dialysis service, the minimum annual utilization for each provider in the service area should be 600 treatments per unit, and the utilization of the new service should be projected to meet the minimum utilization rate by the third year of operation. The HSFP threshold has been established to guide the initial determination of need for a service area.

Current utilization of Oahu’s dialysis centers is shown in Table 1 below. The data for Liberty facilities reflects utilization for the calendar year 2014. The data for the DSI facilities is taken from information compiled by the Western Pacific Renal Network (“Network”) for the calendar year 2013, the most recent year for which Network data is available. Actual current utilization of the DSI facilities is likely to be higher at this time.

Utilization at every facility except DSI’s Koolau Dialysis Center exceeds the HSFP threshold. The Koolau Dialysis Center is in Kaneohe, at a considerable distance from Waikiki, where the tourists who are the target population are likely to be located. Moreover, the target population is likely to have limited access to transportation that would be necessary for it to travel to the Koolau Dialysis Center. Accordingly, it should not be considered when determining the need for dialysis facilities within the service area for the Proposed Project.

SHPDA has stated that utilization thresholds merely guide the initial determination of need for the service area and applications are neither approved nor disapproved solely on the basis of whether the utilization thresholds are met. The HSFP states that utilization thresholds may be modified to allow for suboptimum utilization if a proposal’s benefits clearly outweigh the

costs to the community of duplicating or under-using services, facilities, or technologies. The HSFP further states that benefits may include improved access for the service area combined with significant improvements in quality of care. Thresholds may also be modified to incorporate current and best clinical practices. Best practice requires minimizing the distance that a dialysis patient must travel for treatment in order to reduce the incentive for patient sessions. This is particular true for the visitor population which has an added incentive to skip dialysis when it requires lengthy travel through unfamiliar areas.

Location	Number of Stations	Total Treatments/ Year	Treatments/ Station/ Year
DSI Kapolei	24	20,250	844
DSI Pearlridge	48	51,000	1,063
LDH Waipahu	36	30,696	852
DSI Wahiawa	24	20,550	856
DSI Kapahulu	24	15,000	625
DSI Honolulu	48	41,550	866
DSI Aloha	24	16,950	706
DSI Windward	24	15,900	663
DSI Koolau	24	12,600	525
DSI Waipahu	24	16,224	676
LDH Waianae	20	16,505	825
LDH Leeward	24	20,596	858
LDH Siemsen (East)	48	40,764	849
LDH Kaimuki	24	21,477	894
LDH Kailua	12	9,471	789

Table 1.

Utilization at the majority of these facilities well exceeds the 600 treatments/station/year threshold level for new services established by the HSFP. Moreover, the locations of these facilities make them difficult to access for Hawaii visitors, who are unfamiliar with Oahu and typically must rely on taxis or other forms of public transportation.

As shown by in Table 2 below, the Proposed Project is expected to meet the threshold level during its first year of operation:

Year	Number of Treatments	Treatments/Station
1	1296	648
2	1728	864
3	1728	864

Table 2.

b) Need and Accessibility

As illustrated in Table 1, above, all dialysis centers on Oahu that are located in reasonable proximity to the Proposed Project are operating at utilization levels in excess of the HSFP thresholds for implementation of new dialysis services. More importantly, however, while the Proposed Project will be available to provide backup dialysis capacity to Oahu residents in

the event of an emergency, the primary target population for the Proposed Project is comprised of Hawaii visitors, who are primarily clustered near the Waikiki hotels. The single Oahu dialysis center that does not satisfy the HSFP threshold guidelines, located in Windward Oahu, is at such a distance from the target population as to render it inaccessible for all practical purposes.

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Liberty's research has shown that several hundred ESRD patients travel to Hawaii each year for stays that extend from a few weeks to months. Many are from foreign countries and must overcome a language barrier, as well as the transportation challenges that confront anyone new to a metropolitan area like Honolulu, in order to obtain needed dialysis care. Liberty has planned to tailor the services available at the Proposed Project to meet the unique needs of these visitors by, for example, providing translator and transportation that will help them overcome these obstacles to care.

As needed, LDH will make the Proposed Project's services available to all Oahu residents, including low-income individuals, racial and ethnic minorities, women, individuals with disabilities, other underserved groups, and the elderly. However, because the Proposed Project will serve primarily visitors, it will have minimal, if any, impact on the utilization of or demand for dialysis services at the fourteen Oahu dialysis centers that primarily provide services to island residents.

c) Quality of Service/Care

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. LDH will continue to provide the same high quality care to its patients at the relocated Sullivan Clinic.

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.

Staffing at the Proposed Project will meet the same standards for ratio of clinical staff to patients that LDH maintains at all of its facilities:

Charge Nurse (RN)	1.0 FTE per 12 patients
Patient Care Technicians	1.0 FTE per 4 patients

Accordingly, a registered nurse will be on duty at all times the facility is open and will be assisted by patient care technicians as patient volume requires.

All LDH nurses are licensed in Hawaii and all patient care technicians are nationally certified. 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.

d) Cost and Finances (include revenue/cost projections for the first and third year of operation)

The total cost of the project is estimated at approximately \$303,850, which includes \$75,000 for construction costs, as well as \$28,850 for the equipment lease and \$200,000 for the

site lease, which will be paid over the life of the leases. A copy of the equipment lease is included with this application as Attachment 6.² The project will be financed through a committed working capital line. The table below summarizes projected revenues and costs for the first and third years of operation:

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	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
Total Operating Revenue	\$842,400	\$1,123,200
Operating Expenses		
Salaries and wages	317,444	444,972
Expenses	244,652	287,416
Depreciation	0	0
Total Expenses	562,096	732,388
Net Income (Loss) from Operations	280,304	390,812
Add Back: Depreciation	0	0
Excess (Deficit) Fund from Operations	\$280,304	\$390,812

e) Relationship to the existing health care system

Although the facility will be available for use by Hawaii residents in the event of an emergency that creates unsatisfied demand for dialysis services, its primary target market is composed of visitors to Hawaii, who do not regularly seek care through the Hawaii health care system. Accordingly, it is not expected to have any significant impact on the existing health care system.

f) Availability of Resources

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.

LDH expects to assign staffing for the Proposed Project from its current pool of employees. Liberty seeks new employees on an ongoing basis 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. LDH has 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 and technicians in order to maintain a consistent supply of qualified personnel to provide patient care in its dialysis facilities.

² LDH will lease the equipment for the facility from Fresenius Medical Care over a standard 72-month term. If the Proposed Project does not generate sufficient business during the two years remaining on the site lease to warrant continuing it and extending the site lease, the equipment will be used as backup for Liberty's five existing dialysis centers on Oahu.

9. **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.