



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM ^{19 JAN 7 P 3 06}

Application Number: # 19-03A
To be assigned by Agency

Date of Receipt: ST HLTH PLNG & DEV. AGENCY

APPLICANT PROFILE

Project Title: Establishment of additional dialysis services in Waianae

Project Address: 86-080 Farrington Highway, Suite 101
Waianae, Hawaii 96792

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.

Jocelyn M. Saccamago
Signature

January 7, 2019
Date

Jocelyn Saccamago
Name (please type or print)

Regional Vice President
Title (please type or print)

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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: _____

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.)

Certification from the Centers for Medicare and Medicaid Services

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:

- Certificate of Formation – See Attachment 3.
- By-Laws – Not applicable.
- Operating Agreement – See Attachment 4.
- Tax Key Number (project's location) – 1-8-6-1-60

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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:
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1.	Land Acquisition	_____
2.	Construction Contract	ST HLTH PLNG & DEV. AGENCY _____
3.	Fixed Equipment	_____
4.	Movable Equipment	_____
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	<u>\$134,188.00</u>
7.	Other: Value of site lease	<u>\$1,016,514.00</u>

TOTAL PROJECT COST: \$1,150,702.00

B. Source of Funds

1.	Cash	_____
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: Fair market value of leased premises and equipment to be paid over the lease term	<u>\$1,150,702.00</u>

TOTAL SOURCE OF FUNDS: \$1,150,702.00

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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.

Establishment of 16 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:
September 9, 1994
- b) Dates by which other government approvals/permits will be applied for and received:
Upon approval of this CON application.
- c) Dates by which financing is assured for the project:
Not applicable.
- d) Date construction will commence:
Not applicable.
- e) Length of construction period:
Not applicable.
- f) Date of completion of the project:
Not applicable.
- g) Date of commencement of operation:
Upon receipt of CMS approval

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.

EXECUTIVE SUMMARY

Liberty Dialysis—Hawaii, LLC ("LDH") seeks approval to establish a 30-Station dialysis center at 86-080 Farrington Highway, Suite 101, Waianae, Hawaii 96792.

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The site is currently occupied by LDH's Waianae Dialysis facility. However, SHPDA authorized LDH to relocate that facility to a new location approximately 5 miles south of its current one. Liberty still has about 2 years left on its lease for the site and an option to renew for an additional 5 years. Accordingly, it is proposing to continue operations at the old site in light of the ongoing demand for dialysis services in West Oahu.

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.

The target service area is the Waianae Coast, Kapolei and Ewa ("West Oahu"). It has long been recognized that dialysis facilities in West Oahu are operating far in excess of this threshold. Utilization data compiled by LDH during the preparation of CON Application No.15-07A is shown in Table 1, below:

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
USRC West Oahu	24	10,450	435

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USRC West Oahu is the only location in Table 1 that was not in existence when CON Application No. 15-07A was prepared, so it has been added to provide an accurate representation of the dialysis facilities currently operating in West Oahu. As the newest location, USRC West Oahu has a suboptimum utilization rate, but is poised to meet the threshold by its third year of operation. Notwithstanding, utilization at every facility except USRC's West Oahu Dialysis Center exceeds the HSFP threshold. Furthermore, the utilization of all these facilities has increased since this data was compiled. Other dialysis facility operators are in agreement that the demand for dialysis services exceeds accessible capacity throughout West Oahu. See CON Application No. 18-11A at 10-11. USRC has an application to implement dialysis services in close proximity to the current Waianae Dialysis Facility and states that it expects to meet the threshold level within 3 years of opening its proposed new facility and does not anticipate the opening of the new facility to bring any of its existing facilities' utilization below the threshold of 600 treatments per patient per year. *Id.* In light of the high demand for dialysis services, LDH is also confident it will maintain utilization of 600 treatments per station annually at the site of the current Waianae Dialysis facility.

Moreover, 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 to miss treatment sessions.

While there may be some available capacity in Windward Oahu, this capacity is not effectively available to West Oahu residents, especially those who lack personal vehicles and must make the lengthy trip from West Oahu to Windward Oahu on public transportation for their three-times weekly treatments, which may last for 3 to 5 hours. These facts justify suboptimal utilization, even if the HSFP thresholds are not satisfied.

Accessibility is especially important to senior citizens. End stage renal disease ("ESRD") is most prevalent in senior citizens over the age of 65. One of the priorities of the West Oahu Subarea Council ("SAC") is to improve and increase access to geriatric services that can help keep older adults in their homes and out of institutions. Inability to easily access dialysis services can lead to ESRD complications, which can force seniors into nursing homes. This proposal will advance the accessibility SAC priority and help seniors avoid nursing care by promoting access to needed dialysis care for seniors residing in the service area. Another SAC priority is to improve education and increase preventive medicine. The Proposal will provide LDH with another location at which to offer education and assistance to patients and families regarding management of their chronic disease.

Finally, by ensuring adequate access to dialysis services, this proposal will advance the Statewide Health Coordinating Council priorities to

- Promote and support the long-term viability of the health care delivery system;

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- Ensure that patients' access to dialysis services is maintained at a reasonable cost;
- Maintain equitable access to health care services; and
- Support the regional and statewide continuum of care.

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b) Need and Accessibility

As discussed in part (a), above, the dialysis centers in close proximity to the service are operating at utilization levels in excess of the HSFP thresholds. More importantly, however, the proposed service will provide additional capacity that will be needed to meet anticipated increasing demand for dialysis services.

In a 2013 report to the Hawaii Legislature, the National Kidney Foundation of Hawaii stated that the latest statistics showed that more than 162,000 people in Hawaii were fighting chronic kidney disease. One in every seven people is dealing with this illness, which is 30% higher than the national average. Asians and Pacific Islanders are 2 to four times more likely to develop end stage kidney disease. <http://www.bigislandvideonews.com/2013/03/14/new-statistics-show-rise-in-kidney-disease-in-hawaii/>

Moreover, the increased incidence of Diabetes Mellitus (DM) among both seniors and the younger population suggests that the incidence of ESRD likely to increase, because ESRD is a common complication of poorly controlled DM. In fact, DM is the most common cause of ESRD. The CDC has reported that from 1999 to 2009, the total number of adults in Hawaii diagnosed with DM nearly doubled from 48,000 to 80,000. Six thousand new cases of DM were reported in Hawaii every year from 2006 to 2009. The increased number of cases of DM is reflected in Hawaii's utilization of dialysis services. In 2005, Hawaii had the third highest incidence of ESRD in the nation, with over 2800 individuals receiving dialysis. The increasing prevalence of ESRD secondary to DM will cause Oahu's demand for dialysis services to rise for the foreseeable future. The Department of Health's Hawaii Diabetes Report 2010 stated that West Oahu has the highest rate of diabetes on the island. Hawaii Diabetes Report 2010 at 15.

While it is expected that the proposed facility will primarily meet the needs of residents of the target services area, 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.

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 \$1,150,702, which includes \$134,188 for the equipment lease and \$1,016,514 for the site lease, which will be paid over the life of the leases. A copy of the site lease is included with this application as Attachment 1. Because no construction will be necessary to make the site ready for operation, the costs of implementing service at this location will be minimal. 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:

	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
Total Operating Revenue	\$2,687,471	\$3,795,880
Operating Expenses		
Salaries and wages	(\$1,044,996)	(\$1,475,842)
Expenses	(\$1,970,767)	(\$2,230,331)
Depreciation	(\$69,846)	(\$33,887)
Total Expenses	(\$3,085,609)	(\$3,740,060)
Net Income (Loss) from Operations	(\$397,868)	\$55,821
Add Back: Depreciation	\$69,846	\$33,887
Excess (Deficit) Fund from Operations	(\$328,022)	\$89,707

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 near or above the threshold of 600 treatments/station/year, which providers expect to continue to be met in spite of

anticipated increases in capacity, no significant negative impact on the existing health care system is expected from this proposal.

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Establishment of an additional dialysis facility in West Oahu will have no negative impact on the existing health care system as it will provide more access to care for the residents of West Oahu and provide them more options for scheduling their dialysis treatments.

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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.

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.

10. 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.