



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM # 19-02

Application Number: #19-06A  
To be assigned by Agency

Date of Receipt:  
STATE HEALTH PLANNING & DEV. AGENCY

APPLICANT PROFILE

Project Title: Establishment of a 24-station dialysis facility in Hilo, Hawaii

Project Address: 85 Lanikaula and 85 West Lanikaula Street  
Hilo, Hawaii 96720

Applicant Facility/Organization: Liberty Dialysis-Hawaii LLC

Name of CEO or equivalent: Jocelyn Saccamago

Title: Regional Vice President

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

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

Contact Person for this Application: J. George Hetherington, Esq.

Title: Attorney

Address: 700 Bishop Street, 15th Floor, Honolulu, Hawaii 96813

Phone Number: (808) 523-6000 Fax Number: (808) 523-6001

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  
Jocelyn Saccamago  
Name (please type or print)

3/26/2019  
Date  
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: \_\_\_\_\_
- Windward O`ahu: \_\_\_\_\_
- West O`ahu: \_\_\_\_\_
- Maui County: \_\_\_\_\_
- Kaua`i County: \_\_\_\_\_
- Hawai`i County:   X

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 Hawaii County  
Certificate of Occupancy  
Certification from the Centers for Medicare and Medicaid Services ("CMS")

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 – Not applicable
- By-Laws – Not applicable
- Partnership Agreements – Not applicable
- Tax Key Number (project's location) – 3-2-2-025-024-0000 and 3-2-2-025-036-0000

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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
<b>TOTAL</b>			

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**6. PROJECT COSTS AND SOURCES OF FUNDS**

<b>A. List All Project Costs:</b>		<b>AMOUNT:</b>
1.	Land Acquisition	_____
2.	Construction Contract	<u>\$3,244,827.00</u>
3.	Fixed Equipment	<u>\$ 240,000.00</u>
4.	Movable Equipment	<u>\$ 275,329.00</u>
5.	Financing Costs	_____
6.	Fair Market Value of equipment acquired by lease, rent, donation, etc.	<u>\$441,622.00</u>
7.	Other: <u>Value of site lease</u>	<u>\$4,806,289.00</u>
<b>TOTAL PROJECT COST:</b>		<b><u>\$9,008,067.00</u></b>

**B. Source of Funds**

1.	Cash	<u>\$3,760,156.00</u>
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 lease term</u>	<u>\$5,247,911.00</u>
<b>TOTAL SOURCE OF FUNDS:</b>		<b><u>\$9,008,067.00</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.

Establishment of 24 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 the following items that are applicable to your project:

- a) Date of site control for the proposed project: February 28, 2019
- b) Dates by which other government approvals/permits will be applied for and received:
  - Building Permit from Hawaii County (application filed on 5/1/2019 and permit received by 12/1/2019)
  - Certificate of Occupancy (12/1/2021)
  - Certificate from CMS (3/1/2022)
- c) Dates by which financing is assured for the project: Not applicable
- d) Date building construction will commence: 10/1/2020
- e) Length of construction period: 12 months
- f) Date of completion of the project: 10/1/2021
- g) Date of commencement of operation: 1/1/2022

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.

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 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

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Liberty Dialysis-Hawaii LLC ("LDH") seeks approval to establish a 24-station dialysis center at 85 Lanikaula and 85 West Lanikaula, Hilo, Hawaii 96720 (the "Proposed Project") which will also offer at-home hemodialysis training ("Home Training").

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 of the Proposed Project is the City of Hilo and surrounding areas. LDH operates the only other dialysis center in the service area, which has 48 stations that serve a total population of about 300 patients (the "Hilo Dialysis Center"). Currently, the Hilo Dialysis Center operates at a high capacity, offering six shifts per day, or about 38,364 treatments per year. This equals more than 799 treatments per station annually, well above the utilization threshold established by the HSFP

The HSFP also establishes statewide and regional priorities that are to be considered when evaluating certificate of need applications. The Proposed Project will entail the dedication of a specific room at the facility to Home Training. Home Training will involve LDH educating and training patients and any care partner to empower patients to dialyze at home. In some cases, this would eliminate (or at least reduce) the need for patients to visit their local dialysis center for treatments, thereby improving the overall health care delivery system. For patients who have mobility or transportation difficulties, the ability to receive dialysis in the comfort of their own home could be life changing. Furthermore, the Proposed Project's Home Training component will also contribute positively to the fulfillment of the specific HSFP priorities detailed below.

The Proposed Project supports the Hawaii Subarea Planning Council's ("HSAC") priorities of increasing the number of, improving access to, and bettering the quality of health care facilities. It also encourages the HSAC priority of expanding community-based services for seniors. In determining its priorities, HSAC noted that, during the period from 1980 to 2000, Hawaii County had the highest growth rate for its senior population (those aged 60 and older) in the state.

Accessibility is especially important to senior citizens. End stage renal disease ("ESRD") is most prevalent among senior citizens. Improving and increasing access to dialysis services can help keep older adults in their homes and out of institutions. Inability to easily access dialysis services can lead to ESRD complications, which force seniors into nursing homes. The Proposed Project will help avoid that outcome by ensuring that seniors residing in the service area have easy access to needed dialysis care.

Finally, by ensuring adequate access to dialysis services, the Proposed Project will advance the Statewide Health Coordinating Council priorities by:

- Promoting and supporting the long-term viability of the health care delivery system;
- Ensuring that patients' access to dialysis services is maintained at a reasonable

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cost;

- Maintaining equitable access to health care services; and
- Supporting the regional and statewide continuum of care.

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b) Need and Accessibility

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As discussed in part (a), above, the only dialysis center in the service area is operating at a utilization level well in excess of the HSFP threshold. The Proposed Project will provide additional capacity that is needed to meet both current dialysis demand and increased demand expected for dialysis services in the future.

In a 2013 report to the Hawaii Legislature, the National Kidney Foundation of Hawaii highlighted statistics showing 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 two 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 is 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 DM cases is reflected in Hawaii's high utilization of dialysis services. In 2005, Hawaii had the third highest incidence of ESRD in the nation, with over 2,800 individuals receiving dialysis. The increasing prevalence of ESRD secondary to DM will cause every island's demand for dialysis services to rise for the foreseeable future, including the Big Island's.

While it is expected that the Proposed Project will primarily meet the needs of residents residing within the target service area, LDH will make the Proposed Project's services available to all Hawaii County residents and visitors, 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 its dialysis centers in Hawaii. LDH will continue to provide the same high-quality care to its patients that it provides at the Hilo Dialysis Center it currently operates.

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 Kidney 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 its facilities:

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

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Accordingly, a registered nurse will always be on duty while the facility is open and that registered nurse 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 level of competency.

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

As summarized on page 4 of this application, the total cost of the Proposed Project is estimated at approximately \$9,008,067, which includes \$3,244,827 for construction costs and \$515,329 for the costs of fixed and movable equipment. The Proposed Project will be financed through a committed working capital line. Additionally, dialysis equipment valued at \$441,622 will be leased, with costs to be paid over the term of the lease. The site lease, valued of \$4,806,289, will be paid over the ten-year initial term of the lease and a one-year extension to be used for construction. Copies of the site lease letters of intent are included with this application as Attachment 1.

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
<b>Total Operating Revenue</b>	\$363,126	\$4,039,780
<b>Operating Expenses</b>		
Salaries and wages	\$174,634	\$1,497,800
Expenses	\$1,395,428	2,131,640
Depreciation	\$363,446	\$313,124
<b>Total Expenses</b>	\$1,933,507	\$3,942,563
<b>Net Income (Loss) from Operations</b>	(\$1,570,381)	\$97,217
<b>Add Back: Depreciation</b>	\$363,446	\$313,124
<b>Excess (Deficit) Fund from Operations</b>	(\$1,206,935)	\$410,341

e) Relationship to the existing health care system

The new capacity added by the Proposed Project will meet a well-established need, evidenced in part by the fact that Hilo's only existing dialysis services provider (the Hilo Dialysis Center) is operating well above the utilization threshold of 600 treatments/station/year. LDH expects the Hilo Dialysis Center to continue to operate at or above this utilization threshold in spite of the increased capacity provided by the Proposed Project. Accordingly, LDH does not anticipate any significant negative impact on the existing health care system from the Proposed Project.

Instead, the establishment of an additional dialysis facility in Hilo will have a positive impact on the existing health care system as it will increase access to care for Hilo residents by providing them with more options for scheduling their dialysis treatments.



f) Availability of Resources

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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. Payments for the leased site and equipment will be made from revenues generated by the Proposed 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.