



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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July 22, 2020

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Hawaii Dialysis Partners at Kuakini, LLC
c/o Ken Leidner
Chief Strategic Growth Officer
Satellite Healthcare
300 Santana Row, Suite 300
San Jose, CA 95128

Dear Mr. Leidner:

The State Health Planning and Development Agency (the "Agency") has evaluated Certificate of Need application #19-21A from Hawaii Dialysis Partners at Kuakini, LLC (the "applicant") for the establishment of chronic renal dialysis services at 347 North Kuakini Street, Honolulu, HI, at a capital cost of \$6,154,000 (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) (6), HAR, i.e.: "Any proposal which is determined by the agency not to have a significant impact on the health care system."
2. The applicant states that "Hawaii Dialysis Partners at Kuakini, LLC ("Hawaii Dialysis"), a joint venture between The Queen's Medical Center ("QMC"), Kuakini Support Services, Inc. ("KSS"), ISI JV Holding, LLC. ("ISI"), and Satellite Healthcare, Inc. ("Satellite"), is submitting this certificate of need ("CON") application to provide much needed differentiated outpatient dialysis services to end-stage renal disease ("ESRD") patients on Oahu, including patients with specific higher acuity services or care support needs."
3. The applicant states "QMC and other local hospitals have patients in need of specialized dialysis services; however, complex co-occurring medical conditions such as having a tracheostomy, requiring a medical ventilator, or needing intravenous antibiotics, are barriers to patients waiting to receive dialysis services once they are ready for discharge from an acute care setting. The proposed project will allow for greater capacity to care for higher acuity dialysis patients with co-occurring conditions and medically complex needs."
4. The applicant states "The proposed project meets the goals, general principles, and priorities of the State of Hawaii's Health Services and Facilities (HSFP) plan by:
 - Increasing access to necessary health care services through differentiated chronic renal dialysis services and ESRD care to meet the growing demand in the community.

- Promoting and supporting the long-term financial viability of the health care delivery system by creating cost-effective access to dialysis in outpatient settings and, as appropriate, in patients' homes.
 - Ensuring that the proposed project will increase overall access to quality health care at a reasonable cost by making the capital investment and transitioning traditional inpatient services to safe and clinically proven outpatient modalities.
 - Expanding capacity and ensuring access to the continuum of care by providing conventional dialysis services and specific dialysis services to ESRD patients with higher acuity needs."
5. The applicant states that "Satellite Healthcare is committed to putting patients' needs first and has been helping patients navigate their dialysis therapy treatment options and delivering patient-centered care by providing treatment solutions that support a continuance of living a full life while fitting dialysis into patients' lives and obtaining education on enhancing overall wellness. Such education includes nutritional health knowledge and helping patients understand how their diet impacts their dialysis treatment, which is in alignment with the Honolulu Subarea Planning priority to support efforts to develop healthy lifestyles for all in the community."
6. The applicant states that "Currently, the HSFP requires that for new units/services, the minimum annual utilization for each provider in the service area is 600 treatments per unit."
7. The applicant states "The threshold utilizations in the HSFP are a guide and provide the basis for the agency to determine need. Although this project does not meet minimum annual utilization (600 treatments per unit) for each provider in the service area, the project does meet the HSFP projected utilization threshold of the new unit/service and meets the criteria for suboptimum utilization."
8. The applicant states that "Utilization of the new unit/service is projected to meet the HSFP minimum utilization by the third year of operation."
9. The applicant states that "By establishing dialysis services for patients with higher acuity, the proposed project meets the criteria for *Addressing the documented needs of an actual population rather than basing care design on statistical generalizations*. The proposed project improves access to care for higher acuity patients by establishing a new dialysis center that will have the capacity to treat these patients. Since the proposed project is focused on optimizing efficiencies throughout the spectrum of dialysis services from inpatient to outpatient settings, and to home; the proposed project also meets the suboptimum utilization criteria by:
- Incorporating current and best clinical practices;
 - Allowing for the cost-effective transition and capital investment in moving traditional inpatient services to outpatient modalities.
 - Encouraging innovation in improving health care services that contribute to enhancing a community's health status"

10. In written testimony dated June 25, 2020, Jason Chang, President of The Queen's Medical Center and Chief Operating Officer of The Queen's Health Systems states "The overall partnership of Hawaii Dialysis is based partially on the premise of making capital investments to create the opportunity to appropriately move certain inpatient services to outpatient modalities. Satellite is an industry leader in providing high-acuity, outpatient dialysis services. Years ago, Satellite established 6 outpatient high-acuity dialysis centers with its hospital and health system partners in Northern California-primarily the Northern California Kaiser Health System. These centers have been tremendously effective, providing the opportunity for High Acuity Dialysis Patients to be discharged back into their communities, even home, for a better quality of life while on dialysis. The Hawaii Dialysis partners desire to bring this model of care here to Hawaii with a trusted partner that has tremendous experience in providing outpatient high acuity dialysis services... Hawaii Dialysis' Proposed Center will transition inpatient dialysis services for patients with complex medical needs to the outpatient setting and fill a chronic gap in care for Hawaii's healthcare system."
11. The applicant states that "QMC Punchbowl estimates that in 2018 they provided care for 120 patients could have otherwise been discharged from an acute care setting to a more appropriate level of care such, as a Skilled Nursing Facility (SNF), if they had access to dialysis services that were able to accommodate their high acuity needs."
12. The applicant states that "Although QMC Punchbowl is likely the largest current provider of inpatient dialysis, other hospitals on Oahu have similar challenges discharging patients who require dialysis, particularly high acuity patients. This situation is extremely challenging for patients and their families and burdens the health care system with unneeded costs. The proposed project addresses this gap in the continuum of care by providing a new dialysis center on Oahu that can treat higher acuity patients."
13. In written testimony dated June 19, 2020, Kaiser Foundation Health Plan, Inc. states "Currently, the State of Hawaii has a limited number of existing dialysis facilities. These facilities do not specialize in patient management and placement. The more complicated ESRD patients require a specialized type of care that these existing facilities are unable to provide. Often times, due to the nature of their conditions, these complicated ESRD patients endure lengthy hospital stays due to the shortage of appropriate outpatient treatment centers. For Kaiser's Hawaii Region, the primary difficult subgroups are those dialysis patients requiring tracheostomies and vents, as well as those needing gurney dialysis because they are not strong enough to sit in an outpatient dialysis chair. Because Kaiser's Hawaii Region has no long term acute care facilities in which to send these patients, hospital stays are prolonged."
14. In its written testimony dated June 19, 2020, Kaiser Foundation Health Plan, Inc. states "A new facility with an emphasis on complex ESRD patients is necessary in the State of Hawaii. Moreover, because SHC specializes in the management and placement of complicated ESRD patients, which none of the other existing dialysis facilities in Hawaii performs, SHC's presence will not negatively impact these existing facilities."

15. In written testimony dated June 25, 2020, Art Gladstone, EVP, and Chief Strategy Officer for Hawai'i Pacific Health states "For providers, patient access issues to dialysis has resulted in extended length of stays for hospitals across this state and on occasion unnecessary readmissions. Therefore providing additional capacity to dialysis treatment will meet current and future ESRD patient needs including patients from HPH's affiliated hospital."
16. In written testimony dated June 25, 2020, Stefanie Park M.D., Assistant Vice President, Medical Management, HMSA states "...HMSA has analyzed data and estimated that there are over 12,000 individuals in Hawaii that have late stage CKD (CKD Stages 4 and 5). This is significant because individuals with late stage CKD are on average anywhere from 1 to 5 years away from ESRD. If these 12,000 individuals develop ESRD over the next 5 years, the demand for a renal replacement therapy, including dialysis, will reach a level that the current dialysis provider network will not be able to accommodate, reinforcing the need for the proposed dialysis center and future dialysis centers."
17. In her written testimony dated June 25, 2020, Stefanie Park M.D., states "There are about 229 dialysis stations in the vicinity of Kuakini Medical Center, including the US Renal dialysis center on Beretania Street and the newly approved Fresenius Kalihi Dialysis center. Using the current 2020 count of 229 dialysis stations in the metro-Honolulu area, the HSFP minimum utilization threshold equates to about 916 dialysis patients in the vicinity of the proposed center. Based on our analysis and data, there are over 1,300 dialysis patients in the areas surrounding Kuakini Medical Center, which means there is more than enough demand for dialysis for the newly approved Kalihi Dialysis center as well as Hawaii Dialysis' proposed center on the campus of Kuakini Medical Center."
18. In her written testimony dated June 25, 2020, Dr. Park further states "An additional dialysis facility in town that enables acute care facilities to safely discharge their patients with complex medical needs in addition to ESRD will fulfill an unmet need and improve capacity for the future."
19. The applicant states that "The new facility has been designed to optimize care for these patients with hospital bed options in addition to standard dialysis chairs and an increased number of private dialysis rooms. Patients with complex conditions often move up and down the continuum of care. By offering a range of dialysis services for patients from bed-bound higher acuity to standard chair dialysis to home dialysis training, Hawaii Dialysis will be able to accommodate patients' needs as they move through the continuum of care."
20. The applicant states that "An emphasis on service to the community was the priority when Kuakini Medical Center was chosen as Hawaii Dialysis's location. Kuakini Medical Center provides access to both acute care services and an emergency department on-site."

21. The applicant states "Finally, a common challenge related to dialysis is the extremely high cost of care. This is exacerbated for this population due to the high cost and extended length of inpatient stays for the high acuity patients. Hawaii Dialysis, backed by four non-profit entities, will address this challenge providing benefits such as decreased costs, and increased accessibility to the healthcare system overall while ensuring its services are available to all residents and visitors in need of traditional, outpatient dialysis services, including low income persons, racial and ethnic minorities, women, people with disabilities, and other underserved groups including the elderly."
22. The applicant states "Satellite Healthcare was asked to partner as the dialysis provider of Hawaii Dialysis due to Satellite's record of high-quality dialysis services and care... Satellite operates 80 dialysis and home training centers around the country, including a clinic in northern California that focuses on care to higher acuity dialysis patients ("Satellite VIP"). The Satellite VIP (Vulnerable Important Patients) program accommodates ESRD patients with higher levels of acuity or requiring special care. Each VIP patient is treated by a team utilizing pre-determined criteria in a dialysis center setting. The ability to accommodate VIP needs provides a setting and an opportunity to treat those that may not be able to receive dialysis treatments without special accommodations and care. Patients can be discharged from the hospital and transitioned to outpatient care, thereby opening beds for others. Some severely ill patients can enter the VIP program allowing them to receive special accommodations for their acute conditions in a setting that is potentially closer to their home with clinicians that specialize in dialysis treatment. Prior to admission at the center, a physician from Satellite's Medical Clinical Team communicates with the patient's Case Manager and Physicians, to determine eligibility and to work with the center staff on the required logistics based on the patient's needs. The VIP program can accommodate patients who need a sitter, have behavioral issues, have a trach and/or need a gurney or bed for dialysis. Hawaii Dialysis will use the Satellite VIP program as a template to provide service to the higher acuity ESRD population."
23. The applicant states that "Satellite has also led the highest penetration of home dialysis in the nation and has earned 5-star quality ratings from CMS for its dialysis centers, patient satisfaction results, and physician experience."
24. The applicant states that "Beyond CMS requirements, Satellite has a Quality Assurance and Improvement team of Clinical Improvement Managers that support the field in overseeing additional quality metrics beyond CMS 5-star quality rating system."
25. The applicant states that "Satellite's comprehensive Integrated Quality Model leverages the company's national expertise in strategy, analytics, monitoring, and quality assurance. The structure uses an interdisciplinary team, including Medical Directors, with a singular focus on delivering the highest standards of clinical care. Staffing of Hawaii Dialysis will be consistent with standard dialysis industry ratios, however, these may be adjusted to meet the care needs of the higher acuity ESRD population."

26. The applicant states that "Hawaii Dialysis will also pursue required certifications. The Office of Health Care Assurance (OHCA) preforms [sic] the Medicare certification survey after a facility has been accepted as a Medicare provider. Hawaii Dialysis will enroll to be a Medicare certified ESRD and is ready to meet the provider requirements and all the required operational functionalities for the facility. OHCA will be contacted for required credentialing and certification of Hawaii Dialysis."
27. The applicant projects Total Net Revenue of \$2,780,123 and Total Operating Expense of \$3,189,837 for the First FY of Operations and Total Net Revenue of \$8,103,375 and Total Operating Expense of \$7,492,000 for the Third FY of Operations.
28. The applicant states that "Hawaii Dialysis will improve the lives of patients and strength our system of care by providing dialysis care to higher acuity ESRD patients, allowing them to transition out of the hospital to outpatient care, in addition to providing traditional outpatient hemodialysis and home dialysis training. This model allows patients to work with a single outpatient dialysis provider as their medical needs change over time, all while reducing costs to the health care system by decreasing inpatient length of stay."
29. The applicant states that "This project will increase capacity for dialysis services and strengthen the existing health care system by providing dialysis care to higher acuity ESRD patients, allowing them to transition out of the hospital to outpatient care, in addition to providing traditional outpatient hemodialysis and home dialysis training. Hawaii Dialysis will collaborate and engage with other providers in the community to ensure access to care, especially for higher acuity dialysis patients, with co-occurring conditions and medically complex needs."
30. The applicant states that "Hawaii Dialysis will be funded through cash reserves. Staffing for Hawaii Dialysis will require 16 - 17 FTE in the first year of operations and will consist of a multidisciplinary team made up of the following:
 - Center Manager
 - Certified Clinical Hemodialysis Technicians
 - Registered Nurses
 - Territory Technical Manager
 - Biomedical Technician
 - Dietitian
 - Social Worker
 - Respiratory Therapist (Satellite will either staff directly or contract)
 - Administrative support

As operations increase, an Assistant Center Manager will also be added to ensure the necessary supports and services are delivered to patients. Satellite will work collaboratively with KSS to ensure staffing meets all required regulatory and licensing requirements. Hawaii Dialysis has the resources to recruit, staff and retain the workforce of this center."

31. In written testimony dated June 25, 2020, Rudy Marilla, President, Integrated Services Incorporated, Vice President, Provider Services, HMSA states "All of the partners in Hawaii Dialysis have made significant investments in workforce development here in Hawaii, including Queen's and HMSA. Queen's has developed countless partnerships with schools and educational institutions, such as the John A. Burns School of Medicine, to ensure an adequate healthcare workforce of not only physicians, but of medical technicians, aides, nurses, etc. HMSA, similarly, has done the same. This partnership and the proposed center will continue these investments, particularly in developing the non-physician healthcare professional workforce (technicians and nurses)."
32. In written testimony dated June 25, 2020, Jason Chang, President of The Queen's Medical Center and Chief Operating Officer of The Queen's Health Systems states that "Hawaii Dialysis intends to capitalize on the extensive local resources and connections that QMC, Kuakini and ISI have developed coupled with Satellite's extensive recruitment and training program to ensure that the Proposed Center is staffed locally with high-quality and well-trained employees that reside in Hawaii and contribute to the local economy. In addition, the partners in Hawaii Dialysis intend that the workforce development investments that the joint venture intends to make benefit the entire healthcare industry, including other hospitals, health systems as well as the current dialysis providers in Hawaii."
33. In his testimony dated June 25, 2020, Mr. Chang states "It should be noted that while Hawaii Dialysis' first choice would be to recruit and hire locally, 286 Satellite employees that are currently based on the mainland have expressed interest in working at the Proposed Center in some capacity, with 83 employees expressing interest in long-term assignment and 203 expressing interest in a short-term assignment. Satellite will likely utilize these employees that have expressed an interest to mentor, train and provide support to the local, Hawaii-based employees that operate the Proposed Center."

Conclusions and Order

Pursuant to Title 11, Chapter 186, HAR, the Agency has determined that:


- (a) The Proposal is eligible for administrative review as it meets one or more of the criteria in HAR 11-186-99.1(b).
- (b) The applicant, Hawaii Dialysis Partners at Kuakini, LLC, has proven by a preponderance of the evidence that the Proposal meets the Certificate of Need criteria in HAR 11-186-15 (a).
- (c) There is no compelling public interest which will be served by requiring the application to go through the standard review process.

As required under Subsection 323D-43(b), Hawaii Revised Statutes, the Agency has determined that:

1. There is a public need for the Proposal.
2. The cost of the Proposal 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 Hawaii Dialysis Partners at Kuakini, LLC for the Proposal described in Certificate of Need Application #19-21A. The maximum capital expenditure allowed under this approval is \$6,154,000.

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.



Serafin Colmenares, Jr.
Administrator