



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

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Application Number: # 21-17A Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Acquisition of membership interests in U. S. Renal Care Oahu-wide and Hawaii County outpatient dialysis clinics

Project Address: 1520 Liliha Street, 1st Floor, Honolulu, HI 96817

226 N. Kuakini Street, 2nd Floor, Honolulu, HI 96817

750 Palani Avenue, Honolulu, HI, 96816

555 Farrington Highway, Kapolei, HI 96707

47-388 Hui Iwa Street, 2nd Floor, Kaneohe, HI 96744

98-1005 Moanalua Rd SPC 420, Aiea, HI 96701-4702

850 Kilani Avenue, Wahiawa, HI, 96786

45-480 Kaneohe Bay Dr., #D09, Kaneohe, HI 96744

1908 S. Beretania Street, Suite No. 1, Honolulu, HI 96826

94-862 Kahuailani Street, Waipahu, HI 96797-3341

889 Kamokila Blvd., Kapolei, HI 96707

91-919 Ft. Weaver Road, Suite Nos. 110, 111, & 116, Ewa Beach, HI 96706

86-120 Farrington Highway, Suite Nos. B211 & B212, Waianae, HI 96792

94-1042 Ka Uka Blvd., Suite Nos. 100-105 & 205, Waipahu, HI 96797

74-5586 Palani Road, Suite No. 29, Kailua-Kona, Hawaii 96740

111 E. Puainako Street, Suite No. 655, Hilo, Hawaii 96720

2055 N. King Street, Suite Nos. 100, 101, 201 and 203, Honolulu, Hawaii 96819

800 Manawai Street, Suite Nos. 100 and 201, Kapolei, Hawaii 96707

Applicant Facility/Organization: Dialysis Newco I, LLC

Name of CEO or equivalent: Thomas Weinberg

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Title: President

Address: 5851 Legacy Circle, Suite 900, Plano, Texas 75024

21 AUG -5 P3:51

Phone Number: 214-736-2700 Fax Number: 214-736-2701

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Contact Person for this Application: Thomas L. Weinberg

Title: Chairman and President

Address: 5851 Legacy Circle, Suite 900, Plano, Texas 75024

Phone Number: 214-736-2730 Fax Number: 214-736-2731

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.

DocuSigned by:
Thomas L. Weinberg
Signature

July 27, 2021
Date

Thomas L. Weinberg
Name (please type or print)

Chairman and President
Title (please type or print)

1. TYPE OF ORGANIZATION: (Please check all applicable)

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- Public _____
- Private X
- Non-profit _____
- For-profit X
- Individual _____
- Corporation _____
- Partnership _____
- Limited Liability Corporation (LLC) X
- Limited Liability Partnership (LLP) _____
- Other: _____

21 SEP -3 P2 :33

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2. PROJECT LOCATION INFORMATION

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

- Statewide: _____
- O`ahu-wide: X
- 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)

Attachment D is a Certificate dated as of September 3, 2021 by Dialysis Newco, LLC and Dialysis Newco I, LLC acknowledging the acquisition of membership interests in U. S. Renal Care Oahu-wide and Hawaii County outpatient dialysis clinics.

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.)

N/A.

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

Dialysis Newco I, LLC is a manager-managed limited liability company with one manager: Thomas L. Weinberg, 5851 Legacy Circle, Suite #900, Plano, Texas 75024, 214-736-2730

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21 AUG -5 P3 51

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Dialysis Newco I, LLC's officers include:

Thomas L. Weinberg, Chairman and President
5851 Legacy Circle, Suite #900
Plano, Texas 75024
214-736-2730

Mary Dittrich, Vice President
5851 Legacy Circle, Suite #900
Plano, Texas 75024
214-736-2700

James D. Shelton, Vice President and Treasurer
5851 Legacy Circle, Suite #900
Plano, Texas 75024
214-736-2740

Steve Nottingham, Secretary
5851 Legacy Circle, Suite #900
Plano, Texas 75024
214-736-2742

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 “Certificate of Formation” Attachment A
- By-Laws – See “Company Agreement” Attachment B
- Partnership Agreements – N/A
- Tax Key Number (project's location) See Below

Dialysis Newco, LLC d/b/a U.S. Renal Care Aloha Dialysis, 1520 Liliha Street, 1st Floor, Honolulu, HI 96817 TMK No. 1-1-7-033-005

Dialysis Newco, LLC d/b/a U.S. Renal Care Honolulu Dialysis, 226 N. Kuakini Street, 2nd Floor, Honolulu, HI 96817 TMK No. 1-1-7-014-042

Dialysis Newco, LLC d/b/a U.S. Renal Care Kapahulu Dialysis, 750 Palani Avenue, Honolulu, HI, 96816 TMK No. 1-2-7-034-022

Dialysis Newco, LLC d/b/a U.S. Renal Care Kapolei Dialysis, 555 Farrington Highway, Kapolei, HI 96707 TMK No. 1-9-106-002

Dialysis Newco, LLC d/b/a U.S. Renal Care Ko'olau Dialysis, 47-388 Hui Iwa Street, 2nd Floor, Kaneohe, HI 96744 TMK No. 1-4-7-004-025

Dialysis Newco, LLC d/b/a U.S. Renal Care Pearlridge Dialysis, 98-1005 Moanalua Rd SPC 420, Aiea, HI 96701-4702 TMK No. 1-9-08-016-049

Dialysis Newco, LLC d/b/a U.S. Renal Care Wahiawa Dialysis, 850 Kilani Avenue, Wahiawa, HI, 96786 TMK No. 1-7-4-005-001

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Dialysis Newco, LLC d/b/a U.S. Renal Care Windward Dialysis, 45-480 Kaneohe Bay Dr., #D09, Kaneohe, HI 96744 TMK No. 1-4-5-060-061

21 AUG -5 P3 51

USRC Beretania, LLC d/b/a U.S. Renal Care Beretania Dialysis, 1908 S. Beretania Street, Suite No. 1, Honolulu, HI 96826 TMK No. 1-2-8-10-0007

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DSI Waipahu, LLC d/b/a U.S. Renal Care Waipahu Dialysis, 94-862 Kahualani Street, Waipahu, HI 96797-3341 TMK No. 1-9-4-013-004

USRC West Oahu, LLC d/b/a U.S. Renal Care West Oahu Dialysis, 889 Kamokila Blvd., Kapolei, HI 96707 TMK No. 1-9-1-88-023

USRC Ewa Beach, LLC d/b/a U.S. Renal Care Ewa Beach Dialysis, 91-919 Ft. Weaver Road, Suite Nos. 110, 111, & 116, Ewa Beach, HI 96706 TMK No. 1-9-1-115-012 (portion of)

[USRC Waianae Holdings, LLC] USRC Waianae, LLC d/b/a U.S. Renal Care Waianae Dialysis, 86-120 Farrington Highway, Suite Nos. B211 & B212, Waianae, HI 96792 TMK No. 1-8-6-001-050

USRC Waipio, LLC d/b/a U.S. Renal Care Waipio Dialysis, 94-1042 Ka Uka Blvd., Suite Nos. 100-105 & 205, Waipahu, HI 96797 TMK No. 1-9-4-099-041

USRC Kona, LLC, 74-5586 Palani Road, Suite No. 29, Kailua-Kona, Hawaii 96740 TMK No. 3-7-4-015:001

USRC Hilo, LLC, 111 E. Puainako Street, Suite No. 655, Hilo, Hawaii 96720 TMK No. 3-2-2-047:001 and 006

USRC Kalihi, LLC d/b/a U.S. Renal Care Kalihi Dialysis, 2055 N. King Street, Suite Nos. 100, 101, 201 and 203, Honolulu, Hawaii 96819 TMK No. 1-1-2-011-092

USRC East Kapolei, LLC, 800 Manawai Street, Suite Nos. 100 and 201, Kapolei, Hawaii 96707 TMK No. 1-9-1-148-039

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.

21 AUG -5 P3:51

	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:

'21 SEP -3 P2 :33

1.	Land Acquisition	_____
2.	Construction Contract	_____
3.	Fixed Equipment	\$1,929,737
4.	Movable Equipment	\$3,069,098
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	\$11,376,126
7.	Other: _____	_____

TOTAL PROJECT COST: \$16,374,961

B. Source of Funds

1.	Cash	
2.	State Appropriations	
3.	Other Grants	
4.	Fund Drive	
5.	Debt	\$
6.	Other: Value of Interests Transferred Internally	\$16,374,961

TOTAL SOURCE OF FUNDS: \$16,374,961

With respect to USRC and the operating entities, this is a non-cash change in ownership - internal reorganization and no amount has been specifically allocated to the facilities described in this Application. The "Total Project Cost" is the value of USRC's assets in Hawaii (inclusive of its pro rata share of the value of any assets in entities in which it does not own 100% of the interests), and the "Total Source of Funds" is the value of the interests transferred by reason of the change in ownership - internal reorganization.

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.

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21 AUG 5 P3 52

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This project is a change of ownership internal reorganization without impacting existing services. The project does not involve any expansion or the establishment of any new service or new location.

The applicant, Dialysis Newco I, LLC, is a wholly owned subsidiary of Dialysis Newco, LLC. Dialysis Newco, LLC is a wholly owned subsidiary of Dialysis HoldCo, LLC. Dialysis HoldCo, LLC is a wholly owned subsidiary of U.S. Renal Care, Inc. (all entities referred to in this paragraph shall collectively hereafter be referred to as "USRC").

USRC owns the following twelve outpatient dialysis clinics ("Twelve Clinics") that are described in this Application:

- U.S. Renal Care Aloha Dialysis
- U.S. Renal Care Honolulu Dialysis
- U.S. Renal Care Kapahulu Dialysis
- U.S. Renal Care Kapolei Dialysis
- U.S. Renal Care Ko'olau Dialysis
- U.S. Renal Care Pearlridge Dialysis
- U.S. Renal Care Wahiawa Dialysis
- U.S. Renal Care Windward Dialysis
- USRC East Kapolei, LLC – CON approved, facility not yet in operation
- USRC Kalihi, LLC d/b/a U.S. Renal Care Kalihi Dialysis – CON approved, facility not yet in operation
- USRC Hilo, LLC – CON approved, facility not yet in operation
- USRC Kona, LLC – CON approved, facility not yet in operation

In addition, USRC owns the majority or all of the ownership interests in the following six entities ("Six JV Clinics") that own outpatient dialysis facilities that are described in this Application or have recently received CON approval for the establishment of new dialysis facilities:

- USRC Beretania, LLC (63%) – U.S. Renal Care Beretania Dialysis
- DSI Waipahu, LLC (85.1%) – U.S. Renal Care Waipahu Dialysis
- USRC West Oahu, LLC (76.15%) – U.S. Renal Care West Oahu Dialysis
- USRC Waianae, LLC (80%) – USRC holds its ownership interest through its wholly owned subsidiary USRC Waianae Holdings, LLC
- USRC Ewa Beach, LLC (76.5%) – CON approved, facility not yet in operation
- USRC Waipio, LLC (76.5%) – CON approved, facility not yet in operation

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21 AUG -5 P 3:52

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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: The change of ownership will occur promptly following CON approval.
- b) Dates by which other government approvals/permits will be applied for and received:
 - 1. Building permits applied – N/A
 - 2. Building permits received – N/A
- c) Dates by which financing is assured for the project: N/A
- d) Date construction will commence: N/A
- e) Length of construction period: N/A
- f) Date of completion of the project: Promptly following CON approval.
- g) Date of commencement of operation: Promptly following CON 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.

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

This Application covers an internal restructuring of U.S. Renal Care, Inc.'s wholly owned subsidiaries to add a new intermediate subsidiary holding company for U.S. Renal Care, Inc.'s operations in Hawaii. The change in ownership - internal reorganization does not involve any change in U.S. Renal Care, Inc.'s indirect ownership in the underlying

facilities nor does it involve the introduction of any new ultimate equity owners. Promptly following the approval of this Application and the consummation of the proposed internal equity transfers, Dialysis Newco I, LLC, an indirect wholly owned subsidiary of U.S. Renal Care, Inc. and a wholly owned subsidiary of Dialysis Newco LLC (formerly Dialysis Newco, Inc.), will become the sole member (equity interest holder) of the Twelve Clinics (defined above) and will indirectly own a portion of the equity interests in the Six JV Clinics (defined above) that are now owned indirectly by U.S. Renal Care, Inc. The ownership interests of the remaining equity holders will be unaffected by the change in ownership - internal reorganization. The clinics will continue to provide the services they are currently providing. The change in ownership - internal reorganization will not change the scope and nature of the services provided to end-stage renal disease ("ESRD") patients. A schematic illustrating the structure of the companies before and after the internal reorganization is included as Attachment C.

USRC will continue to operate as it does today and will continue to provide the same excellent care to patients as it does every day. USRC's responsibilities to its patients will not change. USRC will continue to support its physician partners and medical directors in the care they provide to patients every day. The change in ownership - internal reorganization is not intended to change the scope of services provided or change the staff employed at the facilities. The current medical directors of the facilities will continue in their existing capacities following the merger.

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

Specific goals of the Health Services and Facilities Plan ("HSFP") reflect current issues facing Hawaii's health care environment, and include:

- Focus on increasing cost-effective access to necessary health care services. Access is distinguished from convenience.
- Promote the financial viability of the health care delivery system.
- Encourage optimization of services and expensive technology by ensuring that supply meets the need and costs are reasonable.
- Promote regionalization of services where appropriate.¹

This Application furthers these goals. Dialysis services are vitally necessary to the patients who require them and, in keeping with the goals of the HSFP, following the change in ownership - internal reorganization USRC will continue to strive constantly to maintain a high standard of quality care while also being focused on cost-effective access as shown in the Cost and Finances section of this Application. By maintaining the operation of existing dialysis facilities, this Application continues and supports the long-term viability of the healthcare system on Oahu and in Hawaii County.

The HSFP includes Statewide Health Coordinating Council ("SHCC") Priorities and General Principles. For ease of reference they are listed here:

¹ HSFP at page 15 (<http://health.hawaii.gov/shpda/files/2013/07/shhsfp09.pdf>).

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General Principles

- 21 AUG -5 2009
1. Promote and support the long-term viability for the health care delivery system
 2. Expand and retain the health care workforce to enable access to the appropriate level of care in a timely manner
 3. Ensure that any proposed service will at least maintain overall access to quality health care at a reasonable cost
 4. Strive for equitable access to health care services (i.e., remove financial barriers, increase availability of physicians)
 5. Ensure all projects are appropriate for the regional and statewide continuum of care
 6. Encourage and support health education, promotion, and prevention initiatives
 7. Expand awareness of available human, financial, programmatic resources

Specific Health Areas of Concern

1. Ensure capacity and access to a continuum of long-term care services
2. Establish a statewide emergency and trauma system
3. Ensure capacity and access to primary care services
4. Increase and improve access to mental health programs, services, and education
5. Increase and improve access to substance abuse programs, services, and education

This Application addresses all general principles of the SHCC. By maintaining an existing family of dialysis facilities, this Application continues and supports the long-term viability of the healthcare system. USRC anticipates retaining the existing workforce currently providing services for the facilities and will provide ongoing training for them.

The dialysis facilities, which are the subject of this Application, were approved by SHPDA previously and will continue to abide by the requirements of those CONs by maintaining access to care and appropriate quality assurance policies. Further, the services provided by the facilities will include health education, nutrition education and care education for patients and their families.

None of SHCC's specific health areas of concern directly address dialysis facilities. Oahu has three Subarea Councils (SACs)—Honolulu (HONSAC), West Oahu SAC, and Windward SAC. Hawaii County has one SAC—Hawaii County/Hawaii Subarea Planning Council (HSAC). For ease of reference their priorities are listed below:

HONOLULU (HONSAC) PRIORITIES

1. Increase the availability of long-term care services and other supportive services.

- Long-term care services include nursing homes, assisted living facilities, skilled nursing facilities, home and community-based services and hospice services.
 - Supportive services help maintain the quality of life and include housing, transportation, nutrition, and social support for independent living.
2. Support efforts to promote scientifically-based nutritional health knowledge within the community for the development of healthy living lifestyles for all.
 3. Identify and address workforce shortages in the health care industry with particular emphasis on senior care services.
 4. Control escalating costs in the senior care industry and other needed services. For example, reduce the need for institutionalized care.

WEST OAHU SAC PRIORITIES

1. IMPROVE AND INCREASE ACCESS

- Acute care
- Critical care
- Specialty care
- Emergency care options
- Routine outpatient diagnostic services (i.e., blood pressure, urinalysis)
- Geriatric services (home and community based) to keep older adults out of institutions
- Nursing home beds
- Mental health services
- Substance abuse services
- Services for uninsured and underinsured
- Telemedicine

2. INCREASE COMMUNITY ENGAGEMENT

- Raise dialog of health issues in the community (neighborhood boards, businesses, providers, schools)
- Develop partnerships between various organizations in the community to support health care activities (University of Hawaii-West Oahu / Leeward, neighborhood boards, community associations, focal points) and increase utilization

3. IMPROVE EDUCATION AND INCREASE PREVENTIVE MEDICINE

- Health education for chronic disease (i.e., hypertension, diabetes, asthma) to ensure cost savings
- Community preventive health campaigns (obesity/chronic disease, screenings, nutrition)

- Establish preventive care programs at John A. Burns School of Medicine and other institutions that can be taken out into community (i.e., kidney screenings, diabetic screenings)

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21 AUG -5 P3 52

WINDWARD SAC PRIORITIES

1. **IMPROVE BED AVAILABILITY:** Improve the hospital bed availability through timely transfer of ready patients to appropriate levels of care.
 - Examples include the transfer of an acute care patient to a long term care facility or for specialized continued treatment.
2. **HAVE ADEQUATE ACCESS:** Have adequate access to and from the facilities of care or to medical information using emerging technologies.
 - Examples of emerging technologies include telemedicine, remote monitoring, online medical information or similar technology solutions.
3. **EDUCATION AND PREVENTION:** Through collaborative partnerships, improve health with easily accessible education and prevention.
 - Example of disease areas should include obesity, diabetes, cancer, dental and mental health.Examples of easily accessible education include partnering to provide the end user with an easy navigation of the health care system. The end user includes the patient, advocates, facilities or physicians.

HAWAII COUNTY/HAWAII SUBAREA PLANNING COUNCIL (HSAC) PRIORITIES

1. **PROVIDER (WORKFORCE) SHORTAGE:** Increase the number of and retention of the health care workforce. This includes but is not limited to:
 - Primary care providers
 - Specialty care providers
 - Dentists
 - Long term care workers
 - Nurses
 - Allied health professionals
2. **FACILITIES SHORTAGE:** Increase the number of and improve the access to and the quality of health care facilities.
3. **LONG-TERM CARE SHORTAGE:** Expand the capacity of and improve the access to long term care facilities and home and community-based services.
4. **PREVENTION:** Address high risk health indicators through education, prevention, and treatment strategies.

By maintaining and 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, this Application will support the pertinent priorities of the Oahu and Hawaii County SACs. Additionally, complications from ESRD frequently make it difficult for seniors to continue to live in their homes and necessitate costly nursing home care. By ensuring continued access to a dialysis center, the proposed reorganization will preserve assisting 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.

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21 AUG -5 P3:52

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USRC 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 USRC's nutrition guidelines and support to patients are all based on industry standards and scientifically-based knowledge.
- By continuing the operation of existing facilities, USRC maintains access to dialysis specialty care on Oahu.
- USRC aims 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 and the National Renal Administrators Association. A vital part of USRC's 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.

b) Need and Accessibility

The need for these services is evidenced and established in the already approved Certificates of Need ("CONs") for these dialysis facilities. Access to dialysis services in the current service areas will be maintained following the consummation of the change in ownership - internal reorganization. The change in ownership - internal reorganization does not involve the transfer or acquisition of any of the assets of USRC or the dialysis facilities referenced in this Application, but rather only involves the ownership interests in USRC's parent entities.

The facilities will continue to provide services for all of their approximately 1,600 ESRD patients on Oahu, who would die without dialysis or a successful kidney transplant. The facilities will continue their charity care policies currently in effect.

The current payor mix at USRC's Hawaii dialysis facilities is approximately as follows:

Medicare	74%
Medicaid	10%
Commercial	13%
VA	3%
Self-Pay	0%

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21 AUG -5 P3 52

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USRC believes that the facilities' payer mix is representative of the overall population of ESRD patients in the communities that the facilities serve. No material change in the payor mix is expected after the change in ownership - internal reorganization.

The facilities will continue to serve all Hawai'i residents including low income persons, racial and ethnic minorities, women, persons with disabilities and other underserved groups and the elderly.

For patients, the change of ownership will be invisible as timely processing of this Application will result in seamless continuity of care and patients will continue to enjoy services from the caregivers they have grown to know and trust.

c) Quality of Service/Care

USRC is a leading dialysis provider in the United States. USRC is the third largest for profit dialysis provider and owns and operates over 300 dialysis facilities in 33 states and the U.S. Territory of Guam. USRC also provides dialysis services to over 24,000 individuals with End Stage Renal Disease. USRC's standards of patient care are established through medical protocol guidelines developed and monitored by USRC's Medical Advisory Board. These protocols are established using the best practices across USRC's network of affiliated nephrologists. USRC is committed to quality care, benefitting patients' quality of life and longevity which results in higher survival rates and reduced hospital stays.

Mary Dittrich, MD, USRC Chief Medical Officer, is actively involved in the training and protocol development of USRC's dialysis facilities. The involvement of Dr. Dittrich and other nephrology members of the USRC Medical Advisory Board has been a significant factor in: (1) attracting new medical directors and (2) maintaining strong relationships with existing physicians. USRC's physician leadership also allows it to achieve physician consensus among the facilities, which enhances the ability to achieve a high level of standardization among USRC's facilities. USRC measures clinical outcomes using industry standards developed by the National Kidney Foundation and the ESRD Network.

USRC provides training for all members of its clinical care team, and nurses and patient care technicians must be licensed or certified, as applicable. USRC maintains a robust education department which offers continual educational and training opportunities for

employees. USRC maintains patient/staff ratios consistent with those in the dialysis industry in general.

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21 SEP -3 P2 :33

Registered Nurses	1 per 12 patients
Patient Care Technicians	1 per 4 patients
Dieticians	1 per 100 patients
Social Workers	1 per 100 patients

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USRC 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 Hawaii. All USRC Hawaii dialysis facilities are CMS certified, and observe the standards set by both the CDC and CMS in their operations. USRC's quality improvement program was developed in accordance with CMS and the National Kidney Foundation's Disease Outcomes Quality Initiative guidelines.

All USRC nurses are licensed in Hawaii and all patient care technicians are nationally certified as required by CMS.

d) Cost and Finances

USRC does not anticipate that the proposed change in ownership - internal reorganization will have a significant impact on the overall costs of health care services to the community. The rates for renal dialysis services are largely set by third-party payors, primarily Medicare and Medicaid, and USRC does not anticipate changing any of these rates by reason of the change in ownership - internal reorganization.

The proposed change in ownership - internal reorganization is financially feasible, both immediately and in the longer term. The change in ownership - internal reorganization will be a non-cash change in ownership - internal reorganization with respect to USRC. Based on the balance sheets of the facilities, the change in ownership - internal reorganization would represent a value of \$16,374,961. Of this amount, \$1,929,737 would be attributable to fixed equipment, \$3,069,098 would be attributable to movable equipment and \$11,376,126 would be attributable to the fair market value of the leased premises in which the facilities applicable to this Application are located.

The estimated revenue and cost projections for USRC facilities for the first and third full years of operation following the change in ownership - internal reorganization are shown below.

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21 AUG -5 P 3:52

	Projected 1st Full Year of Operations	Projected 3rd Full Year of Operations
Revenue	119,278,468	154,276,073
Bad Debt	1,396,002	2,266,955
Net Revenue	117,882,466	152,009,118
Labor Expense	42,466,619	52,357,679
Medical Supplies / Medication	15,196,658	20,825,402
Other Expenses	28,381,617	33,670,325
Total Facility Expenses	86,044,894	106,853,406
Facility EBITDAM	31,837,572	45,155,712

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e) Relationship to the Existing Health Care System

The facilities covered by this Application will continue to provide chronic outpatient dialysis services as they are currently provided. Because the facilities will continue an existing service, with no anticipated change in scope of service or staffing, the change in ownership - internal reorganization is not expected to have any significant effect on the existing health care system on Oahu, in Hawaii County, or on other providers or patients. USRC will continue to collaborate with other providers, community groups and government organizations to ensure quality care for our mutual patients and health goals.

USRC will continue to collaborate with other providers, community groups and government organizations in the Primary Service Areas to ensure quality care for our mutual patients and support for our shared health goals.

f) Availability of Resources

The change in ownership - internal reorganization is a non-cash transaction with respect to USRC. Because the change in ownership - internal reorganization is not intended to result in any change of staff currently providing services at the facilities, no additional employees will be required to continue serving the existing patient base.

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10. **Eligibility to file for Administrative Review.** This project is eligible to file for Administrative review because: (Check all applicable)

21 AUG -5 P3:53

ST. HEALTH PLANNING
& DEV. AGENCY

_____ 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.

 X 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.

 X The applicant believes it will not have a significant impact on the health care system.