



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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April 27, 2022

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Thomas L. Weinberg
Chairman and President
45 Alamo Management Partners, LLC
5851 Legacy Circle, Suite 900
Plano, Texas 75024

Dear Mr. Weinberg:

The State Health Planning and Development Agency (the "Agency") has evaluated Certificate of Need application #21-24A for administrative review from 45 Alamo Management Partners, LLC for the establishment of chronic renal dialysis services at 4-831 Kuhio Highway, Unit Nos. 400-412, Kapaa, HI, at a capital cost of \$7,212,404 (the "Proposal").

A. The Agency makes the following findings of fact with respect to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR). The Agency finds each of the following statements to be true and accurate.

1. The applicant states¹ that "45 Alamo Management Partners, LLC ("USRC Kapaa ") seeks approval to establish an additional location for its dialysis services, located in the Kapaa community at 4-831 Kuhio Highway, Unit Nos. 400-412, Kapa'a, Kauai... USRC Kapaa is a wholly owned subsidiary of 45 Alamo Management Partners Holdings, LLC ("Holdings"). Holdings is a wholly owned subsidiary of Dialysis Newco I, LLC, which 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. U.S. Renal Care, Inc., through Holdings, will be the owner of USRC Kapaa and will manage the clinic's day to day operations under a Management Agreement between U.S. Renal Care, Inc. and USRC Kapaa... All entities referred to in this paragraph shall collectively hereafter be referred to as "USRC"."
2. The applicant states that "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.

¹ For clarity, when the Agency quotes statements from the applicant or from witnesses in this section, it does so because the Agency finds such testimony to be persuasive and because the Agency has incorporated the referenced testimony as a finding of fact.

- 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.

This development of the Additional Location furthers those goals. Dialysis services are vitally necessary to the patients who require them and, in keeping with the goals of the HSFP, USRC will strive to maintain a high standard of quality care while also being focused on cost-effective measures. The services provided by the clinic will include health education, nutrition education and care education for patients and their families. 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, application will support the general principles of the Statewide Health Coordinating Council ("SHCC")."

3. The applicant states that "The application, including with respect to the home dialysis program, will advance the KAUAI COUNTY/KAUAI SUBAREA HEALTH PLANNING COUNCIL ("KSAC") priorities including of striving for a system of comprehensive care on Kauai, promoting island sustainability and local control of Kauai health services, increasing supply of in-home care options for seniors at all economic levels, improving accessibility to medical services as soon as feasible, supporting efforts to recruit/retain personnel in areas of health care experiencing shortages who will live on Kauai, and increasing community education and awareness of chronic diseases (i.e., Type I diabetes)."
4. The applicant states "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.
 - 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, the University of Hawaii, 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."
5. The HSFP states that "Capacity (utilization) thresholds...guide the initial determination of need for a service area."

6. The HSFP also states “Sub-optimum utilization may be proposed if the benefits clearly outweigh the costs to the community of duplicating or under-using services, facilities, or technologies. Benefits are defined as the form of improved access for the service area(s) population combined with significant improvements in quality of care and/or significant reduction in cost to the public. In addition, beyond regional factors, thresholds may be modified to:
 - Incorporate current and best clinical practices;
 - Allow for the cost-effective transition and capital investment in moving traditional inpatient services to outpatient modalities;
 - Allow for the cost-effective introduction of modern technology to replace existing technology;
 - Address the documented needs of an actual population rather than basing care design on statistical generalizations;
 - Create opportunities for price reduction through competition, without sacrificing quality or cost-effectiveness of care; and
 - Encourage innovation in improving health care services that contribute to enhancing a community’s health status.”

7. The applicant states that “In approving CON Application No. 15-07A (Liberty Dialysis – Hawaii, LLC for the establishment of a 2 station chronic renal dialysis facility at 500 Ala Moana Boulevard, Suite 7-302, Honolulu, Hawaii), SHPDA referenced testimony that ‘... *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.*” [Emphasis added]

8. In written testimony dated March 18, 2022, Marilyn Solatre, General Manager, Pono Kai Resort Kapaa, states “To get to Lihue where the closest dialysis center is at, can take up to 1 hour or more by car. If a patient lives in the north side, it could take 2 hours or more just to get to the center because of the traffic congestion in Kapaa area... With a Kapaa dialysis center, it could service patients from Kapaa to Hanalei, they don't need to drive to Lihue to get dialysis, this service will save a lot of time and money for the patient.”

9. The applicant states “When one adds in the scheduling and waiting issues related to any Kauai Bus (and its Paratransit/HandiVan) service, a Kapaa location would make a material difference in the life of a Kapaa and North Kauai area dialysis patients both clinically and emotionally.”

10. In written testimony dated March 30, 2022, J. George Hetherington/Jennifer L.Z. Ontai state “A common complaint among Liberty’s patients and staff is Kauai’s failing infrastructure. Because patients must travel to the clinic to receive their treatment several times a week, the increasingly poor condition of Kauai’s roads and the heavy traffic that develops (at least in part because of it) has made it more difficult for some

patients to receive treatment. Over time, Liberty has observed these obstacles turn into real hardships for some, which has severely affected the quality of life for these individuals. Liberty's second Lihue clinic will help to alleviate some of the issues caused by these external factors, but Liberty recognizes that the fastest way to elevate the level of patient care for Kauai's dialysis patients is opening a clinic on Kauai's east shore."

11. In their written testimony dated March 30, 2022, J. George Hetherington/Jennifer L.Z. Ontai further state "In conclusion, although Liberty is wary of the potential issues that could arise by the establishment of a fourth clinic on Kauai, it is cognizant of the fact that the Kapaa Clinic will improve the overall dialysis experience for a number of Kauai residents. The problematic landscape on Kauai is such that an optimal level of dialysis care can only occur with the opening of a clinic in Kapaa..."
12. The applicant states that "...upon commencement of operations, patient access to dialysis services in the Primary Service Area will be improved. The clinic will provide crucial services for ESRD patients who would die without dialysis or successful kidney transplants."
13. The applicant states that "Patient counts and prevalence rates for ESRD are highest among those individuals age 65 and older. The costs associated with dialysis are minimal compared with the costs of emergency medical care and/or hospitalizations due to complications from ESRD that can result from noncompliance with prescribed dialysis treatment regimens. 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 continuing access to a dialysis center, the proposed project will assist 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."
14. The applicant states that "Although the Additional Location primarily is intended to serve the dialysis needs of residents residing in Kapaa and its adjacent communities, USRC will make its services available to all individuals with ESRD Kauai County-wide, including low-income persons, racial and ethnic minorities, women, persons with disabilities, and the elderly."
15. The applicant states that "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."

16. The applicant states that "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."
17. The applicant states that "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."
18. The applicant projects Net Revenue of \$901,315 and Total Facility Expenses of \$1,273,414 for Year 1 of the Proposal, Net Revenue of \$1,923,449 and Total Facility Expenses of \$1,756,321 for Year 2 of the Proposal, and Net Revenue of \$2,806,220 and Total Facility Expenses of \$2,263,699 for Year 3 of the Proposal.
19. The applicant states that "USRC will fund the Additional Location with cash on hand."
20. The applicant states that "The addition by USRC of new dialysis facilities in Hawaii (including the Additional Location) will not detrimentally impact the existing health care system and workforce in any Hawaii service area as well as the quality of service/care delivered to patients of approved facilities."
21. The applicant states that "The Additional Location will only require no more than two nurses and three patient care technicians to launch; once fully ramped up, the Additional Location will require no more than three nurses and seven patient care technicians to operate. The required staff is small relative to the total supply of nurses and patient care technicians from which to draw."
22. The applicant states that "As USRC already operates dialysis facilities in Hawaii, USRC anticipates filling a portion of the staffing positions for the Additional Location from its existing labor force, and the remainder through recruiting efforts in Hawaii through job fairs, advertising and open houses. If necessary, USRC has access to Hawaii-based and national recruiting firms that will help identify and/or supply nurses, patient care technicians and other personnel for the facility."
23. The applicant states "The demand for nurses in Hawaii is expected to grow 2.6 percent from 2014 to 2030 (a growth of about 5,600 nursing positions)... At the same time, the supply of nurses in Hawaii are expected to increase at a faster rate of about 3.8 percent... This pipeline of nurses into Hawaii will cause an expected surplus of about 20 percent more nurses (about 3,000 nursing positions) than required to meet patient demand."

24. The applicant states "There is currently a surplus of 7 patient care technicians in Kauai County relative to the national average (13 identifiable PCTs which represent an available pool of almost twice the national average)."
- B. Pursuant to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR), the Agency finds that this proposal is eligible for administrative review as it meets the criterion in HAR Subsection 11-186-99.1(b) (5), i.e.: "An additional location of an existing service or facility".

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, 45 Alamo Management Partners, 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 45 Alamo Management Partners, LLC for the Proposal described in Certificate of Need Application #21-24A. The maximum capital expenditure allowed under this approval is \$7,212,404.


Darryl D. Shutter
Acting Administrator