

EXECUTIVE SUMMARY

EVALUATION OF THE FOLLOWING TWO CERTIFICATE OF NEED APPLICATIONS PROPOSING TO ADD DIALYSIS STATIONS IN KING COUNTY PLANNING AREA #9:

- **NORTHWEST KIDNEY CENTERS PROPOSING TO ADD SIX STATIONS TO THE EXISTING TENTY TWO-STATION DIALYSIS CENTER LOCATED AT THE MOUNT RAINIER KIDNEY CENTER**
- **DAVITA, INC. PROPOSING ESTABLISH A TWENTY-STATION DIALYSIS CENTER IN THE CITY OF RENTON**

BRIEF PROJECT DESCRIPTIONS

Northwest Kidney Centers

Northwest Kidney Centers (NKC) currently operates a 22-station dialysis center, known as Mount Rainier Kidney Center, located at 4242 East Valley Road in the city of Renton within King County. This project proposes to add 6 stations for a facility total of 28 stations at the dialysis center.

The capital expenditure associated with the 6-station addition is \$162,892. If this project is approved, NKC anticipates commencement of the project immediately and all 6 stations would be available for patient use by the end of January 2008. Under this timeline, year 2009 would be the facility's first full calendar year of operation with 6 dialysis stations. [NKC Application, Executive Summary]

DaVita, Inc.

This application proposes to establish a 20-station facility in Renton to be located at 601 Rainier Avenue North in Renton. The new dialysis center would be known as the Skyway Dialysis Center would serve the residents of King County.

The capital expenditure associated with the establishment of the 20-station facility is \$1,815,208. If this project is approved, DaVita anticipates all 20 stations would become operational by the end of June 2008. Under this timeline, year 2009 would be the facility's first full calendar year of operation. [DaVita Application, p1 & 10; April 30, 2007, supplemental information, p1]

APPLICABILITY OF CERTIFICATE OF NEED LAW

Both projects are subject to Certificate of Need review. The NKC project is subject to review as an increase of dialysis station capacity in an existing dialysis center under RCW 70.38.105(4)(h) and WAC 246-310-020(1)(e).

The DaVita, Inc. project as the establishment of a new healthcare facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

CONCLUSIONS

Northwest Kidney Center

For the reasons stated in this evaluation, the application submitted on behalf of NKC proposing to add 6 dialysis stations to the existing 22 station facility known as Mount Rainier Kidney Center to become a twenty-eight station dialysis center in the city of Renton within King County planning area #9 is consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is approved.

The total approved costs associated with this project are \$157,492.

DaVita, Inc.

For the reasons stated in this evaluation, the application submitted on behalf of DaVita, Inc. proposing to establish a 20-station dialysis center in the city of Renton within King County planning area #9 is not consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is denied.

EVALUATION OF THE FOLLOWING TWO CERTIFICATE OF NEED APPLICATIONS PROPOSING TO ADD DIALYSIS STATIONS IN KING COUNTY PLANNING AREA #9:

- **NORTHWEST KIDNEY CENTERS PROPOSING TO ADD SIX STATIONS TO THE EXISTING TENTY TWO-STATION DIALYSIS CENTER LOCATED AT THE MOUNT RAINIER KIDNEY CENTER**
- **DAVITA, INC. PROPOSING ESTABLISH A TWENTY-STATION DIALYSIS CENTER IN THE CITY OF RENTON**

PROJECT DESCRIPTIONS

Northwest Kidney Centers

NKC is a private, not-for-profit corporation, incorporated in the State of Washington that provides dialysis services through its facilities. Established in 1962, NKC operates as a community based dialysis program working to meet the needs of dialysis patients and their physicians. [Application, p1]

NKC is governed by a volunteer Board of Trustees. The Board is comprised of medical, civic and business leaders from the community. An appointed Executive Committee of the Board oversees operating policies, performance and approves capital expenditures for all of its facilities.

In Washington State, NKC owns and operates a total of thirteen kidney dialysis facilities. Of these, twelve reside within King County. Below is a listing of the twelve NKC facilities in Washington. [Application, Appendix 1]

King County

- | | |
|-------------------------------|----------------------------|
| Auburn Kidney Center | Scribner Kidney Center |
| Elliot Bay Kidney Center | Seattle Kidney Center |
| Haviland Kidney Center | SeaTac Kidney Center |
| Lake City Kidney Center | Snoqualmie Kidney Center |
| Lake Washington Kidney Center | Totem Lake Kidney Center |
| Mount Rainier Kidney Center | West Seattle Kidney Center |

Clallam County

- Port Angeles Kidney Center

NKC currently operates an 22-station dialysis center, known as Mount Rainier Kidney Center, located at 4242 East Valley Road in the city of Renton within King County. This project proposes to add 6 stations for a facility total of 28 stations at the dialysis center.

The estimated capital expenditure for the expansion of the Mt. Rainier facility is \$162,892. The applicant anticipates commencement immediately upon CN approval and anticipates all 28 stations would become operational by the end of January 2008. Under this timeline, year 2009 would be the facility's first full calendar year of operation. [NKC Application, Executive Summary]

Breakdown Of NKC Costs	TOTAL	% OF TOTAL
Construction	\$ 44,620	27%
Fixed & Moveable Equipment	\$ 100,400	62%
Construction Reserve	\$ 5,400	3%
Taxes	\$ 12,472	8%
Total Estimated Capital Costs	\$ 162,892	100.00%

DaVita Inc.

DaVita Inc. (DaVita) is a for-profit corporation that provides dialysis services in over 1,300 outpatient centers located in 42 states and the District of Columbia. DaVita also provides acute inpatient dialysis services in over 850 hospitals throughout the country. [DaVita Application, p4]

In Washington State, DaVita owns or operates a total of fourteen kidney dialysis facilities in six separate counties - Clark, Franklin, King, Kittitas, Pierce, and Yakima. Below is a listing of the fourteen DaVita facilities located in Washington. [CN historical files; & Application, p4]

Clark

Vancouver Dialysis Center

Franklin

Mid-Columbia Kidney Center

Pierce

Lakewood Community Dialysis Center
Puyallup Community Dialysis Center
Tacoma Dialysis Center

Kittitas

Ellensburg Dialysis Center

Yakima

Mt. Adams Kidney Center
Union Gap Dialysis Center
Yakima Dialysis Center

King

Bellevue Dialysis Center
Federal Way Community Dialysis Center
Kent Community Dialysis Center
Olympic View Dialysis Center (Mgmt. only)
Westwood Dialysis Center

This application proposes to establish a dialysis facility in King County planning area #9. The new facility, to be known as the Skyway Dialysis Center (hereinafter referred to as "Skyway"), would have 20 stations and be located at 601 Rainier Avenue North and would serve the residents of King County. [DaVita Application, pp 1 & 10; April 30, 2007, supplemental information, p1]

The capital expenditure associated with the establishment of the 20-station facility is \$1,815,208, of which approximately 57% is related to leasehold improvements at the site; 37% is related to both fixed and moveable equipment; and the remaining 6% is related to architect, engineering, application, consulting, and legal fees. [Application, p6]

Breakdown Of DaVita Costs	TOTAL	% OF TOTAL
Leasehold Improvements	\$ 1,037,500	57%
Fixed & Moveable Equipment	\$ 663,299	37%
Professional Fees	\$ 98,000	5%
CN Fees	\$ 16,409	1%
Total Estimated Capital Costs	\$ 1,815,208	100.00%

If this project is approved, DaVita anticipates all 20 stations would become operational no later than the end of June 2008. Under this timeline, year 2009 would be the facility's first full calendar year of operation. [DaVita Application, p10]

APPLICABILITY OF CERTIFICATE OF NEED LAW

Both projects are subject to Certificate of Need review. The NKC project is subject to review as an increase of dialysis station capacity in an existing dialysis center under RCW 70.38.105(4)(h) and WAC 246-310-020(1)(e). The DaVita, Inc. project as the establishment of a new healthcare facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

CRITERIA EVALUATION

To obtain Certificate of Need approval, each applicant must demonstrate compliance with the applicable criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment). Additionally, each must demonstrate compliance with applicable kidney disease treatment center criteria outlined in WAC 246-310-280 through 288.¹

APPLICATION CHRONOLOGY

As directed under WAC 246-310-282(1) the department accepted these projects under the Kidney Disease Treatment Centers-Concurrent Review Cycle #1. A chronologic summary of the review is shown below.

Action	NKC	DaVita
Letter of Intent Submitted	January 31, 2007	January 31, 2007
Application Submitted	February 27, 2007	February 28, 2007
Department's pre-review Activities including screening and responses	March 30, 2007	March 30, 2007
Beginning of Review	May 16, 2007	
End of Public Comment	July 16, 2007	
Rebuttal Comments Received	August 16, 2007	
Department's Anticipated Decision Date	October 1, 2007	
Department's Actual Decision Date	October 1, 2007	

¹ Each criterion contains certain sub-criteria. The following sub-criteria are not discussed in this evaluation because they are not relevant to this project: WAC 246-310-210(3), (4), (5), and (6); WAC 246-310-286 and 287.

CONCURRENT REVIEW AND AFFECTED PERSONS

The concurrent review process promotes the expressed public policy goal of RCW 70.38 that the development or expansion of health care facilities is accomplished in a planned, orderly fashion and without unnecessary duplication. For dialysis projects, concurrent review allows the department to review dialysis applications proposing to serve the same planning area [as defined in WAC 246-310-280(9)] simultaneously to reach a decision that serves the best interests of the planning area's residents.

In the case of these projects submitted by NKC and DaVita, the department will issue one single evaluation regarding whether both, any or none of the projects should be issued a Certificate of Need.

For each application, the other applicant sought and received affected person status under WAC 246-310-010. No other entity sought or received affected person status related to these projects.

SOURCE INFORMATION REVIEWED

- DaVita, Inc.'s Certificate of Need application submitted February 28, 2007
- NKC's Certificate of Need application submitted February 27, 2007
- DaVita, Inc.'s supplemental information dated April 30, 2007
- NKC's supplemental information dated April 30, 2007
- DaVita, Inc.'s rebuttal comments received August 16, 2007
- NKC's rebuttal comments received August 16, 2007
- Years 2001 through 2006 historical kidney dialysis data obtained from the Northwest Renal Network
- Year 2006 Northwest Renal Network 4th Quarter Data
- Licensing and/or survey data provided by the Department of Health's Office of Health Care Survey
- Licensing and/or survey data provided by out of state health care survey programs
- Data obtained from DaVita, Inc.'s webpage (www.davita.com)
- Data obtained from NKC's webpage (www.nwkidney.org)
- Data obtained from the Washington Secretary of State offices and webpage
- Data obtained from the City of Renton Planning, Building and Public Works Department
- Certificate of Need historical files

CONCLUSIONS

Northwest Kidney Center

For the reasons stated in this evaluation, the application submitted on behalf of NKC proposing to add 6 dialysis stations to the existing 22 station facility known as Mount Rainier Kidney Center to become a twenty-eight station dialysis center in the city of Renton within King County planning area #9 is consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is approved. The total approved costs associated with this project are \$157,492.

DaVita, Inc.

For the reasons stated in this evaluation, the application submitted on behalf of DaVita, Inc. proposing to establish a 20-station dialysis center in the city of Renton within King County planning area #9 is not consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is denied.

A. Need (WAC 246-310-210)

Based on the source information reviewed, the department determines that both applicants have met the need criteria in WAC 246-310-210(1) and (2) and the kidney disease treatment facility methodology and standards in WAC 246-310-280.

- (1) The population served or to be served has need for the project and other services and facilities of the type proposed are not or will not be sufficiently available or accessible to meet that need.

WAC 246-310-284 contains the methodology for projecting numeric need for dialysis stations within a planning area. This methodology, adopted January 1, 2007, projects the need for kidney dialysis treatment stations through a regression analysis of the historical number of dialysis patients residing in the planning area using verified utilization information obtained from the Northwest Renal Network.²

The first step in the methodology calls for the determination of the type of regression analysis to be used to project resident in-center station need. [WAC 246-310-284(4)(a)] This is derived by calculating the annual growth rate in the planning area using the year-end number of resident in-center patients for each of the previous six consecutive years, concluding with the base year. In planning areas experiencing high rates of growth in the dialysis population (6% or greater growth in each of the last five annual change periods), the method uses exponential regression to project future need. In planning areas experiencing less than 6% growth in any of the last five annual change periods, linear regression is used to project need.

Once the type of regression is determined as described above, the next step in the methodology is to determine the projected number of resident in-center stations needed in the planning area based on the planning area's previous five consecutive years NRN data, again concluding with the base year. [WAC 246-310-284(4)(b) and (c)]

WAC 246-310-284(5) identifies that for all planning areas except Adams, Columbia, Douglas, Ferry, Garfield, Jefferson, Kittitas, Klickitat, Lincoln, Okanogan, Pacific, Pend Oreille, San Juan, Skamania, Stevens, and Wahkiakum counties, the number of projected patients is divided by 4.8 to determine the number of stations needed in the planning area. For the specific counties listed above, the number of projected patients is divided by 3.2 to determine needed stations. Additionally, the number of stations projected as needed in the target year is rounded up to the nearest whole number.

Finally, once station need has been calculated for the project years, the number of CN approved in-center stations are then subtracted from the total need, resulting in a net need for the planning area. [WAC 246-310-284(4)(d)]

Northwest Kidney Center's Application of the Numeric Methodology

NKC proposes to add 6 stations to its existing 22-station dialysis center located in Renton, known as the Mount Rainier Kidney Center. The proposed 6-stations would serve patients in

² Northwest Renal Network was established in 1978 and is a private, not-for-profit corporation independent of any dialysis company, dialysis unit, or transplant center. It is funded by Centers for Medicare and Medicaid Services, Department of Health and Human Services. Northwest Renal Network collects and analyzes data on patients enrolled in the Medicare ESRD programs, serves as an information resource, and monitors the quality of care given to dialysis and transplant patients in the Pacific Northwest. [source: Northwest Renal Network website]

King County planning area #9. Based on the calculation of the annual growth rate in the planning area as described above, linear regression was used to project need. Given that the facility would be located in King County, the number of projected patients was divided by 4.8 to determine the number of stations needed in the planning area. [NKC Application, Appendix 17c]

DaVita’s Application of the Numeric Methodology

DaVita proposes to establish a 20-station dialysis center in Renton to serve patients in King County planning area #9. Based on the calculation of the annual growth rate in the planning area as described above, linear regression was used to project need. Given that the facility would be located in King County, the number of projected patients was divided by 4.8 to determine the number of stations needed in the planning area. [DaVita Application, p15-17]

Department’s Application of the Numeric Methodology

Based on the calculation of the annual growth rate in the planning areas as described above, the department also used linear regression to project need for King County planning area #9. The department divided the projected number of patients by 4.8 to determine the number of stations needed as required under WAC 246-310-284(5) as required by rule.

Based on the numeric methodology, Tables 1 below depict a summary of the projected net need provided by each applicant and the department’s projected net need for King County planning area #9. Both DaVita and NKC divided the projected number of patients by 4.8 to determine the number of stations needed as required under WAC 246-310-284(5).

**Table 1
King County #9 Numeric Methodology Summary of Projected Net Station Need**

	4.8 in-center patients per station			
	2010 Projected # of stations	Minus Current # of stations	2010 Net Need	2010 Net Need (Rounded)
NKC	41.00	22	19.00	19
DaVita	41.04	22	19.04	20
DOH	41.04	22	19.04	20

When comparing the applicants’ and department’s results shown in Tables 1 above, it shows that DaVita’s projections match the department’s figures. NKC’s projection results are calculating one station less. The differences in NKC’s calculations are attributed to two differences in the historical data used. For its methodology, NKC counted patients in zip code 98057 which is not included in the King County planning area #9 zip codes identified in WAC 246-310-280(9)(b). In addition, NKC failed to include data regarding in-center training station use in the years reviewed. When these two actions are combined, NKC’s projected in-center population is slightly lower than that of DaVita and the department and does not achieve the value of 41.04 to allow for rounding up to the 20 station conclusion. As a result, the net station need for King Planning Area #9 is determined to be twenty (20). [NKC Application, Appendix 17a]

As shown in Table 1 above, currently King County planning area #9 has 22 stations operating within the planning area. WAC 246-310-284(5) requires all CN approved stations in the planning area be operating at 4.8 in-center patients per station before new stations can be added. The most recent quarterly modality report, or successor report, from the Northwest Renal Network (NRN) as of the first day of the application submission period is to be used to calculate this standard. The first day of the application submission period is February 1, 2007. [WAC 246-310-282] The quarterly modality report from NRN available at that time was December 31, 2006, which became available on January 20, 2007. All 22 stations are at one facility—NKC’s Mount Rainier Kidney Center located in Renton. Table 2 below shows the December 31, 2006, utilization of NKC’s Mount Rainier Kidney Center and demonstrates that this capacity requirement is met.

**Table 2
December 31, 2006-Facility Utilization Data**

Facility Name	# of Stations	# of Pts	Pts/Station
NKC’s Mount Rainier Kidney Center	22	124	5.64

WAC 246-310-284(6) requires new in-center dialysis stations be operating at a required number of in-center patients per approved station by the end of the third full year of operation. For King County, the requirement is 4.8 in-center patients per approved station. [WAC 246-310-284(6)(a)] Both DaVita and NKC propose dialysis stations to be located within King County planning area #9, as a result, both applicant’s must demonstrate compliance with this criterion using the 4.8 in-center patient per station. Further, both NKC’s and DaVita’s third full year of operation is year 2011. A summary of both applicants’ projected utilization for year 2011 is shown in Table 3 below.

**Table 3
Year 2011 Projected Facility Utilization**

Facility Name	Year 3	# of Stations	# of Pts	Pts/Station
NKC Mount Rainier Kidney Center	2011	28	154	5.5
DaVita Skyway Dialysis Center	2011	20	110 ³	5.5

As shown in Table 3 above, both DaVita’s and NKC’s projections meet this standard. [NKC application, p17; DaVita application, p15 & Appendix 9]

Based on the above information and standards, the department’s conclusion regarding this sub-criterion follows.

Northwest Kidney Center

NKC proposes to add 6 stations to the existing 22-station dialysis center in King County planning area #9. Based on the above standards and criteria, the project is consistent with applicable criteria of the Certificate of Need Program. This sub-criterion is met for NKC’s application.

³ DaVita cites a patient count of 118 for 2011 on p8 &15 of the application, but calculates the 2011 Pro Forma with a patient count of 110. The department used the figure cited in the financial calculations as the projected patient count in the third year of the Skyway facility

DaVita, Inc.

DaVita proposes to establish a 20-station dialysis center in King County planning area #9. Based on the above standards and criteria, the project is consistent with applicable criteria of the Certificate of Need Program. This sub-criterion is met for DaVita's application.

- (2) All residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly are likely to have adequate access to the proposed health service or services.

As previously stated, both applicants currently provide health care services to residents of the State of Washington including low-income, racial and ethnic minorities, handicapped and other underserved groups. To determine whether all residents of the service area would continue to have access to an applicant's proposed services, the department requires applicants to provide a copy of its current or proposed admission policy. The admission policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and any assurances regarding access to treatment.

To determine whether low income residents would have access to the proposed services, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination. To determine whether the elderly would have access or continue to have access to the proposed services, the department uses Medicare certification as the measure to make that determination.

A facility's charity care policy should confirm that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to healthcare services of the applicant. The policy should also include the process one must use to access charity care at the facility.

Northwest Kidney Center

To demonstrate compliance with this sub-criterion, NKC provided a copy of its current admission criteria, patient compliancy, and charity care policies that are currently utilized in the NKC facilities. [Application, Appendices 20, 21, 22]

The documents provided by NKC outline the process/criteria that the dialysis center uses to admit patients for treatment. It is intended to ensure that patients will receive appropriate care at the dialysis center. The Admission criteria states that any patient with end stage renal disease needing treatment will be accepted to NKC's facility without regard to race, color, religion, sex, national origin, or age. [NKC Application, Appendix 20]

NKC currently provides services to Medicare and Medicaid eligible patients at its existing twelve dialysis centers and intends to maintain this status. A review of the anticipated revenue indicates that the facility expects to continue to receive both Medicare and Medicaid reimbursements. Additionally, NKC demonstrated its intent to provide charity care to residents by including a 'charity care' line item as a deduction from revenue within the Pro Forma financial documents. [NKC Application, Appendix 10]

Based on the above information, the department concludes that all residents of the service area would continue to have adequate access to the health services at the Mount Rainier Kidney Center. This sub-criterion is met.

DaVita, Inc.

To demonstrate compliance with this sub-criterion, DaVita provided a copy of its current admission and indigent care policies that would also be used at the new Skyway facility. The Admission policy outlines the process/criteria that Skyway will use to admit patients for treatment, and ensures that patients will receive appropriate care at the dialysis center. The Admission Policy also states that any patient with end stage renal disease needing chronic hemodialysis will be accepted for treatment at Skyway without regard to race, color, national origin, sex, age, religion, or disability. [DaVita Application, Appendix 14]

As previously stated DaVita currently provides services to Medicare and Medicaid eligible patients at its existing twelve dialysis centers and intends to maintain this status. A review of the Indigent Care Policy provided for Skyway identifies the proposed facility's financial resources as including both Medicare and Medicaid revenues.

Additionally, DaVita demonstrated its intent to provide charity care to residents by submitting its charity care policy that outlines the process a patient would use to access this service. Additionally, DaVita included a 'charity care' line item as a deduction from revenue within the Pro Forma financial documents.

Based on the above information, the department concludes that all residents of the service area would have adequate access to the health services at the proposed Skyway Dialysis Center. This sub-criterion is met.

B. Financial Feasibility (WAC 246-310-220)

Based on the source information reviewed, the department determines that:

- Northwest Kidney Center's project has met the financial feasibility criteria in WAC 246-310-220; and
- DaVita, Inc.'s project has not met the financial feasibility criteria in WAC 246-310-220;

(1) The immediate and long-range capital and operating costs of the project can be met.

Northwest Kidney Center

NKC anticipates commencement of services for this facility to be January 31, 2008. Based on this timeline and the projected release of this evaluation, year 2009 would be NKC's first full year of operation for the expanded Mount Rainier Kidney Center.

NKC reports its fiscal years beginning July, 1 of each calendar year. Therefore, the first fiscal year of operation will take place from July 1, 2009 to June 30, 2010. The following analysis will refer to each reporting year in relation to the relative fiscal year dates.

For financial review of applications, the department requests data for the first three full years following project completion. Using the financial information provided in the application, Table 4 below illustrates the projected revenue, expenses, and net income for fiscal years 2009-2011 for the Mount Rainier Kidney Center. [NKC Application, Executive Summary & p6]

Table 4
Proposed Expansion of the Mt. Rainier Dialysis Center
Projected Revenue and Expenses

	Year 1 - 2009	Year 2 - 2010	Year 3 - 2011
# of Stations	28	28	28
# of Treatments ^[1]	22,152	23,088	24,024
# of Patients ^[2]	142	148	154
Utilization Rate ^[2]	5.07	5.28	5.50
Net Revenue ^[1]	\$ 4,514,578	\$ 4,705,334	\$ 4,896,091
Total Expense ^[1,3]	\$ 4,324,060	\$ 4,494,515	\$ 4,664,969
Net Profit or (Loss) ^[1]	\$ 90,518	\$ 210,819	\$ 231,122
Net Patient Revenue/Treatment ^[1]	\$ 203.80	\$ 203.80	\$ 203.80
Total Operating Exp./Treatment ^[1]	\$ 195.20	\$ 194.67	\$ 194.18
Net Profit (Loss) per Treatment ^[1]	\$ 8.60	\$ 9.13	\$ 9.62

[1] includes both in-center and home dialysis patients; [2] in-center patients only;
[3] includes deductions for bad debt, charity care and allocated costs

As shown in Table 4, at the projected volumes identified in the application, the Mount Rainier Kidney Center would be operating at a profit as a 28-station facility throughout the three years following completion of the project.

The Mount Rainier facility is currently located on property purchased by NKC in 1993. NKC submitted copies of the executed Deed of Trust and a current business license issued by the City of Renton. In addition, line drawings for the expansion allow for the additional stations. [NKC Application, p10; Appendices 14 &16]

Based on the above information, the department concludes that NKC's project revenues are reasonable and this sub-criterion is met.

DaVita, Inc.

As stated in the project description portion of this evaluation, if this project is approved, DaVita anticipates commencement immediately and the twenty station facility would be operational no later than July 1, 2008. Based on this timeline, year 2009 would be Skyway's first full year of operation.

Using the financial information provided in the application, Table 5 below illustrates the projected revenue, expenses, and net income for fiscal years 2009-2011 for the Skyway Kidney Center. [DaVita Application, p10]

Table 5
Proposed Expansion of the Skyway Dialysis Center
Projected Revenue and Expenses

	Year 1 - 2009	Year 2 - 2010	Year 3 - 2011
# of Stations	20	20	20
# of Treatments ^[1]	11,844	15,892	17,697
# of Patients ^[2]	75	100	110
Utilization Rate ^[2]	3.75	5.00	5.50
Net Revenue ^[1]	\$ 3,651,156	\$ 5,193,234	\$ 6,316,223
Total Expense ^[1,3]	\$ 2,723,485	\$ 3,627,596	\$ 4,327,290
Net Profit or (Loss) ^[1]	\$ 927,671	\$ 1,565,638	\$ 1,988,933
Net Patient Revenue/Treatment ^[1]	\$ 308.27	\$ 326.78	\$ 356.91
Total Operating Exp./Treatment ^[1]	\$ 229.95	\$ 228.27	\$ 244.52
Net Profit (Loss) per Treatment ^[1]	\$ 78.32	\$ 98.52	\$ 112.39

[1] includes both in-center and home dialysis patients; [2] in-center patients only;

[3] includes deductions for bad debt, charity care and allocated costs

As shown in Table 5 above, at the projected volumes identified in the application, Skyway would be operating at a profit in the first three full years of operation as a 20-station facility.

Public comment was submitted by NKC disputing the validity of the location DaVita has identified for this new facility. NKC has asserted, in part, that the lack of complete and accurate site information regarding the address identified in the lease, 601 Rainier Avenue North, the inherent inaccuracy of application's floor plan for a non-existent site and inconsistencies in the Pro Forma, notably regarding the rent reflected in the draft lease are grounds for denial. On this point, NKC states, "Any one of the reasons identified above is sufficient to deny DaVita's application". [NKC July 13, 2007 Public Comment, p6]

In rebuttal, DaVita points out that the site address was provided as requested by the department and that, since there was no request for further legal descriptions of the site, they fully responded to screening questions. Further, DaVita states, "NKC offers extensive testimony and description about the site, thus confirming it was readily able to locate the site". [DaVita August 16, 2007 Rebuttal, p2]

In response to the comments addressing the line drawings of the floor plan, DaVita states, "DaVita is able to obtain a high degree of standardization for its floor plans in new buildings". DaVita continues by pointing out that unique attributes of a new facility may require minor modifications but that they do not anticipate any changes to the patient treatment area. [DaVita August 16, 2007 Rebuttal, p5]

DaVita continues, in relation to the Pro Forma rent differing from the lease calculations, by noting, "the effect of the difference is trivial and unworthy of attention". DaVita provided the following table in the rebuttal comparing the rent reported in both the Pro Forma and lease. [DaVita August 16, 2007 Rebuttal, p2]

	2008	2009	2010	2011	2012
Pro Forma	\$ 195,500	\$ 201,365	\$ 207,406	\$ 213,628	\$ 220,037
Lease*	\$ 215,800	\$ 226,590	\$ 237,920	\$ 249,815	\$ 262,306
Difference	\$ 20,300	\$ 25,225	\$ 30,514	\$ 36,187	\$ 42,269
% Total Expenses	1.0%	1.0%	0.90%	0.90%	1.0%

* allows for 5% annual increase outlined in draft lease

DaVita states, “The table shows the annual difference in rent expense between the Pro Forma and the draft lease is no more than 1.0% of projected total expenses for each year”. DaVita continues, “Pro Formas by their nature are forward-looking documents and revenues and expenses will vary from the best estimates over time. At the time of the applications and screening responses are submitted, applicants may not have reached final agreement on lease terms and must estimate projected lease costs”. [DaVita August 16, 2007 Rebuttal, p3]

Department’s Evaluation of the Comments Provided

Application guidelines require that the applicant supply documentation regarding the use of the proposed site for dialysis services and that the applicant has sufficient interest in the proposed location. [ESRD Application, Questions O & P]

To address the claims presented in comment and addressed in rebuttal, the department initially worked to confirm the address cited in both the screening questions and the applicant’s draft lease submitted in response to screening questions. In responses to screening questions regarding the site, DaVita states that there is a possibility that the City of Renton will maintain the current address or reassign a new one. This presupposes that there would be record of a site location meeting this description. Through discussions with personnel at the City of Renton, the department was able to determine that 601 Rainier Avenue appears to be the operational address for the development described in the Heller Declaration included in the NKC comment. [NKC July 13, 2007 Public Comment, Exhibit A] City records indicate that the address was used on a previous demolition permit that has since expired. The City of Renton also confirmed that the current zoning would allow for a dialysis facility to be established. [City of Renton Planning, Building and Public Works Department]

Responses regarding the accuracy of the line drawings submitted for the Skyway facility appear to address concerns raised in comment. The department acknowledges that there may be difference in the final layout of the proposed facility, but that tenant improvements are often allowed in commercial buildings, and are economical for the contractor when done in the initial construction period. There are no indications that the drawings submitted would be rejected by the builder or that a layout allowing for 21 stations would not efficiently accommodate a 20 station facility.

Review of the financial analysis of the lease versus the Pro Forma submitted by DaVita was also reviewed by the department and reconstituted from DaVita’s rebuttal comments in Table 6 below.

**Table 6
Department comparison of Pro Forma and Draft Lease Rent**

	2008	2009	2010	2011	2012
Pro Forma	\$ 260,667	\$ 201,365	\$ 207,406	\$ 213,628	\$ 220,037
Lease*	\$ 215,800	\$ 226,590	\$ 237,920	\$ 249,815	\$ 262,306
Difference	\$ (44,867)	\$ 25,225	\$ 30,514	\$ 36,187	\$ 42,269
% Total Expenses	0.95%	0.93%	0.84%	0.84%	0.88%
% Lease differs from Pro Forma	-17%	13%	15%	17%	19%

* allows for 5% annual increase outlined in draft lease

The 2008 Pro Forma expenses have been increased to \$260,667 to correctly correspond to the costs submitted in Appendix 9 of the DaVita application and resubmitted in rebuttal. Table 6 also includes a calculation showing the percent change in the rent expenses, as a line item of the total expenses, in relation to the lease terms. The total costs over the five years, according to DaVita's Pro Forma, equals \$1,103,103. This understates the rent by \$89,328 when compared to what the lease indicates would be paid over the same 5 year period.

During the screening process, the department requested any necessary updates to the proposed facilities Pro Forma "that reflects all costs associated with the site for the project". [March 30, 2007 Screening Questions, #8] DaVita responded that no changes were necessary in the Pro Forma other than the correct calendar year headings previously requested in screening.

In review, though the site location has been confirmed and line drawings for the proposed facility appear to be feasible, the discrepancy in the costs related to the site are a problem. DaVita asserts that at the time requested information is submitted in accordance with application review timelines, applicants "may not have reached final agreement on lease terms" and must estimate the costs that will be associated with the site. This would indicate that the draft lease submitted in response to screening may continue to be inaccurate in many of terms being considered for the lease. The inaccuracies in the stated and projected rent are currently the only means to isolate one, of possible additional modifications such as Medical Director costs, that could affect the viability of this project. As a result, the proposed Skyway facility cannot be fully evaluated on its long-range capital and operating costs. Therefore, this sub criterion is not met.

- (2) The costs of the project, including any construction costs, will probably not result in an unreasonable impact on the costs and charges for health services.

Northwest Kidney Center

The capital expenditure associated with the expansion of the Mount Rainier Kidney Center is \$162,892 of which 27% is related to construction, 62% for both fixed and moveable equipment; and the remaining 11% is related taxes and construction reserves. The capital cost breakdown is reprinted below. [NKC Application, p5]

Breakdown of NKC Costs	Total	% of Total
Construction	\$ 44,620	27%
Fixed & Moveable Equipment	\$ 100,400	62%
Construction Reserve	\$ 5,400	3%
Taxes	\$ 12,472	8%
Total Estimated Capital Costs	\$ 162,892	100.00%

The department does not consider construction reserves as a part of a proposed project's capital costs. Therefore, the cost of this project will be reduced to \$157,492. The \$5,400 amounts to 3% of the revised total, well below the 12% or \$50,000 criteria referenced in WAC 246-310-570(e) that would require an amended certificate.

The department recognizes that the majority of reimbursements for dialysis services come through Medicare ESRD entitlements. To further demonstrate compliance with this sub-criterion, NKC also provided the sources of patient revenue shown in Table 6 below. [Application, p8]

Table 6
Anticipated Revenue Sources - NKC

Source of Revenue	% of Revenue
Medicare	74
State (Medicaid)	7
Blue Cross	2
Group Health	1
Other Insurance	15
Private Pay	1
Total	100 %

As shown above, the Medicare and State (Medicaid) entitlements are projected to equal 81% of the revenue at NKC's new facility. The department concludes that the majority of revenue is dependent upon entitlement sources that are not cost based reimbursement and are not expected to have an unreasonable impact on charges for services. Further, the cost per dialysis treatment for the proposed project was compared to those of recent kidney dialysis proposals, the average cost per dialysis is reasonable.

Based on the information provided, the department concludes that the costs of this project would probably not result in an unreasonable impact to the costs and charges for health care facilities. This sub-criterion is met.

DaVita, Inc.

The capital expenditure associated with the establishment of the twenty-station Skyway facility is \$1,815,208, and of that amount, 57% is related to leasehold improvements at the site; 37% is related to both fixed and moveable equipment; and the remaining 6% is related to architect, engineering, application, consulting, and legal fees. The capital cost breakdown is reprinted below. [DaVita Application, p6]

Breakdown Of DaVita Costs	Total	% of Total
Leasehold Improvements	\$ 1,037,500	57%
Fixed & Moveable Equipment	\$ 663,299	37%
Professional Fees	\$ 98,000	5%
CN Fees	\$ 16,409	1%
Total Estimated Capital Costs	\$ 1,815,208	100.00%

The department recognizes that the majority of reimbursements for dialysis services is through Medicare ESRD entitlements. To further demonstrate compliance with this sub-criterion, DaVita also provided the sources of patient revenue shown in Table 7 below. [DaVita Application, p8]

Table 7
Anticipated Revenue Sources - DaVita

Source of Revenue	% of Revenue
Medicare	72
State (Medicaid)	8
Other Insurance	20
Total	100 %

As shown above, the Medicare and State (Medicaid) entitlements are projected to equal 80% of the revenue at the Skyway facility. The department concludes that the majority of revenue is dependent upon entitlement sources that are not cost based reimbursement and are not expected to have an unreasonable impact on charges for services. The costs and charges per dialysis for the proposed facility cannot be compared to recent kidney dialysis proposals submitted to the department. The department is not able to calculate the average cost per dialysis with any certainty due to in-consistent pro-forma data. This includes lease and medical director costs. The department is unable to conclude the average cost per dialysis is reasonable.

Based on the information provided, the department cannot conclude that the costs of this project would probably not result in an unreasonable impact to the costs and charges for health care facilities. This sub-criterion is not met.

(3) *The project can be appropriately financed.*

Northwest Kidney Center

As previously stated, the capital expenditure associated with the establishment of NKC's 20-station facility is \$157,492, of which approximately 28% is related to leasehold improvements at the site; 64% is related to both fixed and moveable equipment; and the remaining 8% is related to taxes. [Application, p6] NKC proposes that funding will be provided from current NKC Board reserves. The financial health of the organization indicates that there would be sufficient resources to support the proposed project. Review of the financial position of NKC shows the funds necessary to finance the project is available. [NKC Application, p15 & Appendix 27]

Based on the information provided, the department concludes the expansion of the Mount Rainier facility would not adversely affect the financial stability of NKC as a whole. This sub-criterion is met

DaVita, Inc.

As previously stated, the capital expenditure associated with the establishment of DaVita’s 20-station facility is \$1,815,208, of which approximately 57% is related to leasehold improvements at the site; 37% is related to both fixed and moveable equipment; and the remaining 6% is related to architect, engineering, application, consulting, and legal fees. [Application, p6] DaVita states that the project will be funded from DaVita’s capitol expenditure budget. A review of DaVita’s consolidated financial statements shows the funds necessary to finance the project are available. [Application, Appendix 10]

Based on the information provided, the department concludes the establishment of the Skyway facility would not adversely affect the financial stability of DaVita as a whole. This sub-criterion is met

C. Structure and Process (Quality) of Care (WAC 246-310-230)

Based on the source information reviewed, the department determines that:

- Northwest Kidney Center’s project has met the structure and process (quality) of care criteria in WAC 246-310-230; and
- DaVita, Inc.’s project has not met the structure and process (quality) of care criteria in WAC 246-310-230;

(1) A sufficient supply of qualified staff for the project, including both health personnel and management personnel, are available or can be recruited.

Northwest Kidney Center

To staff its 28-station facility, NKC proposes to recruit 1.5 additional FTEs in year one (2008). By the end of year three (2010) a total of 4.5 FTEs would have been added for a total to 34.5 FTEs. A breakdown of the proposed FTEs is shown in Table 9 below. [NKC April 30, 2007 Screening Responses, p1]

**Table 9
Mt. Rainier Dialysis Center Projected FTEs**

FTEs	Current	Project Year 1	Project Year 2	Project Year 3	Total Increase
Medical Director	Contracted Position				
RNs	10.50	11.00	11.50	12.00	1.50
LPN	4.00	4.00	4.00	4.00	0.00
Dialysis Tech	12.50	13.50	14.50	15.50	3.00
Clerical	1.00	1.00	1.00	1.00	0.00
Social Wk	1.00	1.00	1.00	1.00	0.00
Dietician	0.50	0.50	0.50	0.50	0.00
Diet Tech	0.50	0.50	0.50	0.50	0.00
FTE Total	30.00	31.50	33.00	34.50	4.50

As shown above, the additional FTEs are targeted to add registered nurses and dialysis technicians. NKC provided information regarding their current staffing levels and vacancy rates for these positions. NKC believes that due to the metropolitan location of this active facility will allow for the necessary applicant pool to fill these positions. [NKC Application, p20]

NKC has identified Dr. Vilma Quijada as the current Medical Director for the facility. The applicant supplied a current contract that indicates Dr. Quijada’s continued service in this capacity. The agreement outlines the roles and responsibilities of both entities and identifies the annual compensation limits for the medical director responsibilities. [NKC Application, Supplement 1]

Based on this information, the department concludes that adequate staffing for the expansion of the facility is available or can be recruited. This sub-criterion is met.

DaVita, Inc.

To staff its 20-station facility, DaVita proposes to recruit 8.8 FTEs in partial year one (2008), which would increase to a total of 21.1 FTEs by the end of year three (2011). A breakdown of the proposed FTEs is shown in Table 10 below. [DaVita Application, p23]

**Table 10
Skyway Dialysis Center Projected FTEs**

FTEs	2008	2009	2010	2011	2012	Total
Medical Director	Contracted Position					
Administrator	1.00	0.00	0.00	0.00	0.00	1.00
RNs	2.10	0.90	0.80	0.60	0.10	4.50
Patient Care Tech	4.00	2.00	2.50	1.50	1.00	11.00
Biomedical Tech	0.40	0.00	0.00	0.00	0.00	0.40
Re-Use Tech	0.50	0.50	0.50	0.30	0.20	2.00
Administration	0.20	0.80	0.20	0.60	0.20	2.00
Social Worker	0.30	0.20	0.20	0.10	0.20	1.00
Dietitian	0.30	0.30	0.20	0.10	0.10	1.00
LVN	0.00	0.00	0.00	0.00	0.00	0.00
FTE Total	8.80	4.70	4.40	3.20	1.80	22.90

As shown in Table 10 above, after the initial recruitment of FTEs, DaVita expects a steady increase in FTEs for Skyway through year 2011. The applicant continued the forecast through 2012, but 92% of the necessary staff are expected to be hired by the third year of operation. DaVita states it expects no difficulty in recruiting staff for Skyway because of its competitive wage and benefit package offered to employees. Further, DaVita posts staff openings nationally both internally and external to DaVita. In addition, DaVita states that several employees have already expressed interest in working at its proposed Skyway facility. [DaVita Application, p24]

DaVita has identified Dr. Catherine Richardson as the contracted Medical Director for the Skyway facility. The applicant supplied a draft contract that indicates Dr. Richardson’s service in this capacity. The agreement outlines the roles and responsibilities of both entities. Though the draft agreement allows for automatic renewal of the term of the agreement, [Appendix 3, section 2.2] without the costs associated with this position identified in the draft

and accounted for in the pro forma, the department cannot determine whether adequate personnel will be available. [DaVita Application, p5 & Appendices 3 & 9]

Based on this information, the department concludes that adequate staffing for the Skyway facility may not be available. This sub criterion is not met.

- (2) The proposed service(s) will have an appropriate relationship, including organizational relationship, to ancillary and support services, and ancillary and support services will be sufficient to support any health services included in the proposed project.

Northwest Kidney Center

Documentation provided in the application confirms that NKC maintains appropriate relationships with ancillary and support services for its existing thirteen dialysis centers. For this project, NKC provided documentation to confirm that its Mount Rainier Kidney Center currently has appropriate relationships with ancillary and support services. Ancillary and support services, such as social services, nutrition services, pharmacy, patient and staff education, financial counseling, human resources, material management, plant operations, and administration and technical services are provided either through NKC's Haviland facility in the central Seattle area or its Lake City facility located in north Seattle area. [Application, p18] Further, NKC has an umbrella hospitalization transfer agreement with Swedish Medical Center in Seattle that incorporates all NKC patients and programs by specific reference. [NKC April 30, 2007 Screening Responses, Exhibit 3]

Based on this information, the department concludes that both NKC, and specifically its Mount Rainier facility, currently have appropriate relationships with ancillary and support services and approval of six additional stations would not negatively affect those relationships. This sub-criterion is met.

DaVita, Inc.

Documentation provided in the application confirms that DaVita maintains appropriate relationships with ancillary and support services for its existing fourteen dialysis centers. For a new facility in King County planning area #9, ancillary and support services, such as social services, nutrition services, pharmacy, patient and staff education, financial counseling, human resources, material management, administration, and technical services would be provided on site. Additional services would be coordinated through DaVita's corporate offices in El Segundo, California and support offices in Tacoma, Washington; Denver, Colorado; Nashville, Tennessee; Berwyn, Pennsylvania; and Deland, Florida. [DaVita Application, p24]

DaVita acknowledges that since this would be a new facility in King County, transfer agreements would have to be established. To further demonstrate compliance with this sub-criterion, DaVita provided examples of draft transfer agreements. [DaVita Application, p24 and Appendix 12]

Based on this information, the department concludes that DaVita currently has appropriate relationships with ancillary and support services. If this project is approved, the department would include a term requiring DaVita to provide a copy of the executed transfer agreement with a local hospital in King County. Provided that DaVita would agree to the term, this sub-criterion would be met.

- (3) There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or Medicare program, with the applicable conditions of participation related to those programs.

Northwest Kidney Center

As stated earlier, NKC is currently a provider of dialysis services in Washington State. NKC will continue to provide Medicare and Medicaid services to the residents of its planning areas throughout the current kidney dialysis treatment centers in operation.

For Washington State, since January 2000, the Department of Health's Office of Health Care Survey (OHCS) has completed more than 45 compliance surveys for the NKC facilities in operation.⁴ The compliance surveys revealed minor non-compliance issues related to the care and management at the NKC facilities. These non-compliance issues were typical of a dialysis facility and NKC submitted and implemented acceptable plans of correction. [Office of Health Care Survey Historical Record]

As stated above, Vilma Quijada, MD is the current Medical Director and will continue to provide services at the proposed dialysis center. A review of the compliance history of Dr. Quijada has shown that his credentials are up to date and reveal no recorded sanctions. [Compliance history provided by Medical Quality Assurance Commission]

Given the compliance history of NKC and the existing medical director, the department concludes that there is reasonable assurance that the dialysis center would continue to operate in conformance with state and federal regulation. This sub-criterion is met.

DaVita, Inc.

As stated earlier, DaVita, Inc. is a provider of dialysis services in over 1,300 outpatient centers located in 42 states (including Washington State) and the District of Columbia. [DaVita Webpage] Prior to the October 1, 2005, acquisition of the dialysis operations of Gambro Healthcare US, DaVita operated 665 centers in 37 states and the District of Columbia. Currently within Washington State, DaVita owns and operates fourteen kidney dialysis treatment centers. As part of its review, the department must conclude that the proposed services would be provided in a manner that ensures safe and adequate care to the public⁵. To accomplish this task, in January 2007 the department requested quality of care compliance history from the state licensing and/or surveying entities responsible for the 42 states and the District of Columbia where DaVita, Inc. or any subsidiaries of the parent company has health care facilities. Of the 43 entities, the department received responses from 28 states or 66% of the 42 states.⁶ The compliance history of the remaining 13 states and the District of Columbia is unknown.⁷

⁴ NKC's Seattle Kidney Center is not yet operational.

⁵ WAC 246-310-230(5).

⁶ Alabama, Arizona, Connecticut, Delaware, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New York, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, and Wisconsin.

⁷ Arkansas, California, Colorado, Georgia, Louisiana, Massachusetts, Nebraska, New Mexico, North Carolina, Ohio, Oklahoma, and South Carolina.

Ten of the 28 states responding to the survey indicated that significant non-compliance deficiencies had been cited at DaVita facilities in the past three years. Of those states, with the exception of one facility in Delaware, one in New York and one in Texas, none of the deficiencies were reported to have resulted in fines or enforcement action. All other facilities were reported as currently in compliance with applicable regulations. The Delaware facility had been scheduled for decertification in 2006 due to several condition-level citations, but was operating in compliance at the time of survey. The New York facility was cited with condition-level deficiencies. This facility was voluntarily de-certified and closed by DaVita. In Texas, DaVita's Houston Dialysis was fined \$16,500 for non-compliance issues in 2005. No further fines were identified for this facility.

As stated earlier, DaVita owns or manages 1,300 facilities. While the department did not receive responses from all the states that DaVita operates, it did have a 66% return rate. The noted non-responsive locations equate to 0.23% of DaVita's total facilities. Therefore, the department concludes the out-of-state compliance surveys are acceptable.

For Washington State, since January 2000, the Department of Health's Office of Health Care Survey (OHCS) has completed more than 32 compliance surveys for the operational facilities that DaVita either owns or manages.⁸ Of the compliance surveys completed, all revealed minor non-compliance issues related to the care and management at the DaVita facilities. These non-compliance issues were typical of a dialysis facility and DaVita submitted and implemented acceptable plans of correction. [Facility survey data provided by the Office of Health Care Survey]

Catherine Richardson, MD has agreed to provide medical director services at the proposed dialysis center. DaVita provided a copy of the draft medical director agreement between itself and Dr. Richardson. The agreement outlines the roles and responsibilities of both entities and the automatic renewal of the term. A review of the compliance history of Dr. Richardson has shown that her credentials are up to date and reveal no recorded sanctions. [Medical Quality Assurance Commission compliance data]

Based on DaVita's compliance history and the compliance history of the proposed medical director, the department concludes that there is reasonable assurance that the new dialysis center would be operated in conformance with state and federal regulations. This sub-criterion is met.

- (4) *The proposed project will promote continuity in the provision of health care, not result in an unwarranted fragmentation of services, and have an appropriate relationship to the service area's existing health care system.*

Northwest Kidney Center

In response to this criterion, NKC states, "The NKC-Mount Rainier Kidney Center has been providing outpatient dialysis services to the communities of King County Planning Area 9 since 1986. The additional capacity will allow that commitment to the community to continue and will help prevent the situation in which served persons must leave their community to seek care elsewhere." [Application, p18]

⁸ DaVita's Ellensburg Dialysis Center and Tacoma Dialysis Center are not yet operational. Olympic View Dialysis Center is owned by Group Health and managed by DaVita.

The department also considered NKC's history of providing care to residents in Washington State. The department concludes that the applicant has been providing dialysis services to the residents of Washington State for many years and has been appropriately participating in relationships with community facilities, such as the Swedish Medical Center, to provide a variety of medical services. Nothing in the materials reviewed by staff suggests that approval of this project would change these relationships. [Office of Health Care Survey Historical Record]

Additionally, the department considered the results of the kidney disease treatment center numeric methodology and standards outlined in WAC 246-310-284. Application of the numeric methodology shows a need for 20 additional dialysis stations in the King County planning area #9.

Therefore, the department concludes that approval of 6 additional dialysis stations in King County planning area #9 is consistent with the need methodology and would not have the potential of fragmentation of dialysis services within the service area. This sub-criterion is met.

DaVita, Inc

In response to this criterion, DaVita provided a summary of its quality and continuity of care indicators used in its quality improvement program. The quality of care program incorporates all areas of the dialysis program, and monitors and evaluates all activities related to clinical outcomes, operations management, and process flow. Further, continuing education for both employees and patients are integral factors in the quality of care program. DaVita also provided examples of its quality index data and its physician, community, and patient services education offered through its quality of care program. [DaVita Application, p24, Appendix 18]

The department also considered DaVita's history of providing care to residents in Washington State. The department concludes that the applicant has been providing dialysis services to the residents of Washington State for several years and has been appropriately participating in relationships with community facilities to provide a variety of medical services. Nothing in the materials reviewed by staff suggests that approval of this project would change these relationships. [CN historical files]

As above, the department considered the results of the kidney disease treatment center numeric methodology and standards outlined in WAC 246-310-284. Application of the numeric methodology shows a need for 20 additional dialysis stations in the King County planning area #9. DaVita proposed to serve the planning area by establishing a 20-station center in Renton within King County planning area #9. However, as stated in the financial feasibility portion of this evaluation, inconsistencies prevent an accurate evaluation of the proposed facility's lease costs and forecasted viability. In the long-term, this may lead to the unnecessary opening and closing of a facility, leading to a loss of service.

Therefore, the department concludes that approval of an additional dialysis center in King County planning area #9 would have the potential of future fragmentation of dialysis services within the service area, and this sub-criterion is not met.

- (5) There is reasonable assurance that the services to be provided through the proposed project will be provided in a manner that ensures safe and adequate care to the public to be served and in accord with applicable federal and state laws, rules, and regulations.

For both projects, this sub-criterion is addressed in sub-section (3) above and is considered met.

D. Cost Containment (WAC 246-310-240)

Based on the source information reviewed, the department determines that:

- Northwest Kidney Center's project has met the cost containment criteria in WAC 246-310-240 with a reduction in the number of approved stations; and
- DaVita, Inc.'s project has not met the cost containment criteria in WAC 246-310-240;

- (1) Superior alternatives, in terms of cost, efficiency, or effectiveness, are not available or practicable.

Northwest Kidney Center

Before submitting its application to add 6 stations to the Mount Rainier Kidney Center in King County planning area #9, NKC considered and rejected the following six alternatives to this project. [Application, p19-20]

- Postponement
NKC states that this option would require patients to travel outside their community to access care, which would not be in alignment with NKC's goals to continuously see opportunities to improve convenience and access to care. This option was rejected.
- Nighttime Services
Since outpatient dialysis involves 3-5 hours of treatment, 3 times weekly, industry standard is typically 3 patient shifts in a dialysis center. Adding a 4th shift would require patients to dialyze between the hours of 11:00 p.m. to 7:00 a.m. These hours have little appeal to patients, nephrologists, and facility staff. This option was rejected.
- Shortened Treatment Times
It is NKC's intent to continue to provide quality, patient care with favorable outcomes. There is a body of medical evidence suggesting that longer dialysis times, not shorter, result in better overall care and outcomes. This option was rejected.
- Home Dialysis
NKC offers this dialysis modality, however, this has not yet appealed to a larger number of patients. This option was rejected.
- Kidney Transplantation
NKC advocates for kidney transplants for ESRD patients for whom it is not contraindicated and who demonstrate interest. Currently, over 40% of NKC patients are on the waiting list at one or more of the three transplant centers in Seattle. However, the supply of available donor organs has not kept pace with demand.
- Shared/Contract Services Arrangements
NKC states that there are no other dialysis facilities in Clallam County, and no facility at all in Jefferson County. Therefore, this option was rejected by the applicant.

DaVita, Inc.

Within the application, DaVita provided discussion regarding the following two alternatives to this project. [Application, p26]

- Do not establish a center in Skyway and add no new stations

DaVita states that doing nothing would not address the existing need in King County planning area #9. DaVita acknowledges a net need of 20 stations is calculated for the planning area and that the current facility located within the planning area is currently operating above 4.8 patients per station. Based on this rationale, DaVita rejected this option.

- Establish a 10-station Skyway center

DaVita considered a smaller facility for the planning area. Pointing to WAC 246-310-288, which directs applicants to move towards improving access and providing patient choice, and since the existing facility contains 22 stations, this alternative was rejected.

Based on DaVita's discussion of the two options above, both options were rejected before submitting this project.

In determining the best available alternative the department considered its findings on the other applicable review criteria. The NKC project met all other review criteria. The DaVita project, however, failed to meet the review criteria of Financial Feasibility and Structure and Process of Care. Based on these factors, the department concludes the NKC application is the best available alternative.

(2) In the case of a project involving construction:

a) The costs, scope, and methods of construction and energy conservation are reasonable;

Northwest Kidney Center

This project involves construction. This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). Based on that evaluation, the department concludes that this sub-criterion is met.

DaVita, Inc.

As stated in the project description portion of this evaluation, this project involves construction. This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). Based on that evaluation, the department concludes that this sub-criterion is not met.

b) The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.

Northwest Kidney Center

This project involves construction. This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). Based on that evaluation, the department concludes that this sub-criterion is met.

DaVita, Inc.

As stated in the project description portion of this evaluation, this project involves construction. This sub-criterion is evaluated within the financial feasibility criterion under

WAC 246-310-220(2). Based on that evaluation, the department concludes that this sub-criterion is not met.

E. Tie-breakers (WAC 246-310-288)

This criterion is applied if two or more applications meet all applicable review criteria and there is not enough station need projected for all applications to be approved. Once the department evaluates the applications for compliance with the other applicable review criterion, only then can it determine if this criterion is to be applied.

To determine this criterion applies to the two applications under review, the department considered its findings on the other review criteria. The department previously concluded that the NKC application met all the applicable review criteria. Further, the department previously concluded that the DaVita application failed to meet Financial Feasibility, structure and process of care and cost containment. Because DaVita's application failed to meet three of the four required universal review criteria, this criterion is not applicable.

Appendix A