

EXECUTIVE SUMMARY

EVALUATION OF THE FOLLOWING THREE CERTIFICATE OF NEED APPLICATIONS PROPOSING TO ADD DIALYSIS STATIONS IN KING COUNTY PLANNING AREA #10:

- **NORTHWEST KIDNEY CENTERS PROPOSING TO ESTABLISH A SEVENTEEN-STATION DIALYSIS CENTER LOCATED IN THE CITY OF KENT**
- **DAVITA, INC. PROPOSING ADD 7 STATIONS TO THE EXISTING TWELVE-STATION DIALYSIS CENTER LOCATED AT THE KENT COMMUNITY DIALYSIS CENTER**
- **DAVITA, INC. PROPOSING ESTABLISH A SEVENTEEN-STATION DIALYSIS CENTER IN KING COUNTY**

BRIEF PROJECT DESCRIPTIONS

Northwest Kidney Centers

Northwest Kidney Centers (NKC) proposes to establish a 17-station facility to be located at 25316 74th Avenue South, Suite 101 in Kent. The new dialysis center would be known as the Kent Kidney Center would serve the residents of King County planning area #10.

The capital expenditure associated with the establishment of the 17-station facility is \$1,343,330. If this project is approved, NKC anticipates commencement of the project in December of 2007 and all 17 stations would be available for patient use by March 2008. Under this timeline, year 2009 would be the facility's first full calendar year of operation with 17 dialysis stations. [NKC Application, Executive Summary]

DaVita, Inc.

The two projects submitted on behalf of DaVita, Inc. propose additional dialysis stations in King County planning area #10 - one in the expansion of the Kent Community Dialysis Center and one in the establishment of a new 17-station facility in the planning area. Hereinafter, the two projects will be referenced as DaVita - Kent and DaVita - Covington.

DaVita - Kent

DaVita, Inc. currently operates a 12-station dialysis center, known as the Kent Community Dialysis Center, located at 21501 84th Avenue South in the city of Kent within King County.

This project proposes to add 7 stations for a facility total of 19 stations at the dialysis center.

The capital expenditure associated with the expansion to a 19-station facility is \$122,347. If this project is approved, DaVita anticipates all 7 stations would become operational by the end of the month following CN approval. Under this timeline, year 2008 would be the facility's first full calendar year of operation. [DaVita Application, p1 & 11; May 10, 2007, supplemental information, p1]

DaVita - Covington

In this application, DaVita, Inc. proposes to establish a 17-station facility in King County planning area #10. The new dialysis center would be known as the Covington Dialysis Center would serve the residents of King County.

The capital expenditure associated with the establishment of the 17-station facility is \$1,638,440. If this project is approved, DaVita anticipates commencement of the project in the Spring of 2008 and all 17 stations would be available for patient use by September, 2008. Under this timeline, year 2009 would be the facility's first full calendar year of operation with 17 dialysis stations. [DaVita Application, p1 & 12; May 10, 2007, supplemental information, p1]

APPLICABILITY OF CERTIFICATE OF NEED LAW

All three projects are subject to Certificate of Need review.

The DaVita-Kent 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 NKC and DaVita-Covington projects in 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 establish a 17-station facility in Kent is consistent with applicable criteria of the Certificate of Need Program provided NKC agrees to the following term.

TERM

Prior to providing services, NKC must provide for review and approval an executed contract with the permanent medical director, which includes the relevant terms and compensation, as identified in the draft agreement prior to project completion.

Provided that NKC agrees to the term identified above, a Certificate of Need should be issued for the establishment of a 17-station dialysis center to be located in the city of Kent within King County planning area #10.

The total approved costs associated with this project are \$1,343,330.

DaVita, Inc.- Kent

For the reasons stated in this evaluation, the application submitted on behalf of DaVita, Inc. proposing to add 7 stations to the Kent Community Dialysis Center for a facility total of 19 stations is consistent with applicable criteria of the Certificate of Need Program, but a Certificate of Need is denied on the basis of the tie-breaker results.

DaVita, Inc.- Covington

For the reasons stated in this evaluation, the application submitted on behalf of DaVita, Inc. proposing to establish a 17-station facility, known as the Covington Dialysis Center, in King County planning area #10 is not consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is denied.

**EVALUATION OF THE FOLLOWING THREE CERTIFICATE OF NEED
APPLICATIONS PROPOSING TO ADD DIALYSIS STATIONS IN
KING COUNTY PLANNING AREA #10:**

- **NORTHWEST KIDNEY CENTERS PROPOSING TO ESTABLISH A SEVENTEEN-STATION DIALYSIS CENTER LOCATED IN THE CITY OF KENT**
- **DAVITA, INC. PROPOSING ADD 7 STATIONS TO THE EXISTING TWELVE-STATION DIALYSIS CENTER LOCATED AT THE KENT COMMUNITY DIALYSIS CENTER**
- **DAVITA, INC. PROPOSING ESTABLISH A SEVENTEEN-STATION DIALYSIS CENTER IN KING COUNTY**

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 ¹
Haviland Kidney Center	SeaTac Kidney Center
Lake City Kidney Center	Snoqualmie Kidney Center
Lake Washington Kidney Center	Totem Lake Kidney Center
Kent Kidney Center	West Seattle Kidney Center

Clallam County

Port Angeles Kidney Center

This application proposes to establish a 17-station facility to be located at 25316 74th Avenue South, Suite 101 in Kent. The new dialysis center would be known as the Kent Kidney Center would serve the residents of King County planning area #10.

¹ NKC's Seattle Kidney Center is not yet operational.

The capital expenditure associated with the establishment of the 17-station facility is \$1,343,330. If this project is approved, NKC anticipates commencement of the project in December of 2007 and all 17 stations would be available for patient use by March 2008. Under this timeline, year 2009 would be the facility's first full calendar year of operation with 17 dialysis stations. [NKC Application, Executive Summary]

Breakdown of NKC Costs	Total	% of Total
Construction	\$ 1,009,895	75%
Fixed & Moveable Equipment	\$ 223,650	17%
Taxes	\$ 109,785	8%
Total Estimated Capital Costs	\$ 1,343,330	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

King

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

Yakima

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

DaVita, Inc. has two individual applications under review.

DaVita - Kent

The DaVita-Kent application proposes to add 7 stations to the Kent Community Dialysis Center. DaVita, Inc. currently operates this facility as a 12-station dialysis center located at 21501 84th Avenue South in the city of Kent.

The capital expenditure associated with the expansion to a 19-station facility is \$122,347. If this project is approved, DaVita anticipates all 7 stations would become operational by the end of the month following CN approval. Under this timeline, year 2008 would be the facility's first full calendar year of operation. [DaVita Application, p1 & 11; May 10, 2007, supplemental information, p1]

Breakdown Of DaVita-Kent Costs	Total	% of Total
Fixed & Moveable Equipment	\$ 105,938	87%
Fees	\$ 16,409	13%
Total Estimated Capital Costs	\$ 122,347	100.00%

DaVita - Covington

The DaVita-Covington application proposes to establish a 17-station facility in King County planning area #10. The proposed site for the new facility is identified as 16908 SE 269th Place in Covington. The new dialysis center would be known as the Covington Dialysis Center. [DaVita – Covington May 25 Screening Responses, p1; DaVita September Rebuttal Comments, p4; City of Covington]

The capital expenditure associated with the establishment of the 17-station facility is \$1,638,440. If this project is approved, DaVita anticipates commencement of the project in the spring of 2008 and all 17 stations would be available for patient use by September 2008. Under this timeline, year 2009 would be the facility's first full calendar year of operation with 17 dialysis stations. [DaVita Application, p1 & 12; May 10, 2007, supplemental information, p1]

Breakdown Of DaVita-Covington Costs	Total	% of Total
Construction	\$ 865,000	53%
Professional Service Fees	\$ 98,000	6%
Fixed & Moveable Equipment	\$ 659,031	40%
Fees	\$ 16,409	1%
Total Estimated Capital Costs	\$ 1,638,440	100.00%

APPLICABILITY OF CERTIFICATE OF NEED LAW

All three projects are subject to Certificate of Need review.

The DaVita-Kent 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 NKC and DaVita-Covington projects in 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 288.²

APPLICATION CHRONOLOGY

As directed under WAC 246-310-282(1) the department accepted these projects under the Kidney Disease Treatment Centers-Concurrent Review Cycle #2. A chronologic summary of the review is shown below.

Action	NKC	DaVita-Kent	DaVita-Covington
Letter of Intent Submitted	January 31, 2007	January 31, 2007	January 31, 2007
Application Submitted	February 27, 2007	February 28,2007	February 28,2007
Department's pre-review Activities including screenings and responses ³	March 1, 2007 through June 17, 2007		
Beginning of Review	June 18, 2007		
End of Public Comment	August 17, 2007		
Rebuttal Comments Received	September 17, 2007		
Department's Anticipated Decision Date	November 1, 2007		
Department's Actual Decision Date	November 1, 2007		

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 the 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 all three, any or none of the projects should be issued a Certificate of Need.

² 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.

³ Timeline extended due to amendment of applications during screening period

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 – Kent application submitted February 28, 2007
- DaVita, Inc.'s Certificate of Need – Covington application submitted February 28, 2007
- NKC's Certificate of Need application submitted February 27, 2007
- NKC's Certificate of Need amended application submitted March 30, 2007
- NKC's Certificate of Need amended application submitted April 16, 2007
- DaVita, Inc.'s Kent supplemental information dated May 25, 2007
- DaVita, Inc.'s Covington supplemental information dated May 25, 2007
- NKC' supplemental information dated May 31, 2007
- DaVita, Inc.'s (combined) rebuttal comments received September 17, 2007
- NKC' rebuttal comments received September 17, 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 Covington Community Development office
- Mapping services from Google Maps (<http://maps.google.com>)
- 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 establish a 17-station facility in Kent is consistent with applicable criteria of the Certificate of Need Program provided NKC agrees to the following term.

TERM

Prior to providing services, NKC must provide for review and approval an executed contract with the permanent medical director, which includes the relevant terms and compensation, as identified in the draft agreement prior to project completion.

Provided that NKC agrees to the term identified above, a Certificate of Need should be issued for the establishment of a 17-station dialysis center to be located in the city of Kent within King County planning area #10.

The total approved costs associated with this project are \$1,343,330.

DaVita, Inc.- Kent

For the reasons stated in this evaluation, the application submitted on behalf of DaVita, Inc. proposing to add 7 stations to the Kent Community Dialysis Center for a facility total of 19 stations is consistent with applicable criteria of the Certificate of Need Program, but a Certificate of Need is denied on the basis of the tie-breaker results.

DaVita, Inc.- Covington

For the reasons stated in this evaluation, the application submitted on behalf of DaVita, Inc. proposing to establish a 17-station facility, known as the Covington Dialysis Center, in King County planning area #10 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 all three applications 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.⁴

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

⁴ 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]

NKC proposes to establish a 17-station facility to be known as the Kent Kidney Center. The proposed facility would serve patients in King County planning area #10. 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 – Kent and Covington

Both of DaVita’s projects propose to serve patients in King County planning area #10. 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 facilities 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 Kent & Covington Applications, p17-18]

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 #10. 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 #10. Both NKC and DaVita 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 #10 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	29.00	12	17.00	17
DaVita-Kent	28.92	12	16.92	17
DaVita - Covington	28.92	12	16.92	17
DOH	28.83	12	16.83	17

When comparing the applicants’ and department’s results shown in Tables 1 above, it shows that the projections of both applicants match the department’s figures. Both applicants provided slightly different planning area patient counts than that used by the department for the calculation of the need for the planning area. NKC did not include the reported in-center trainings reported in 2003 and 2005 and added the 98064 zip code, which is not cited in rule. DaVita also included undefined zip codes (98035 and 98064) in the calculation of the patient counts in both applications. The results were slightly

different projections, but none of the differences led to alternate results. As a result, the net station need for King Planning Area #10 is determined to be seventeen (17).

As shown in Table 1 above, King County planning area #10 currently has 12 stations in operation. 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 12 stations are at one facility—DaVita’s Kent Community Dialysis Center. Table 2 below shows the December 31, 2006, utilization of the Kent Community Dialysis 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
DaVita Kent Community facility	12	88	7.33

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 NKC and DaVita propose dialysis stations to be located within King County planning area #10, as a result, both applicant’s must demonstrate compliance with this criterion using the 4.8 in-center patient per station. Further, the NKC and DaVita - Covington projects identify 2011 as the third full year of operation. Because the DaVita - Kent project is an expansion, the facility projects 2010 to be the third full year of operation. A summary of each facility’s projected utilization for the appropriate year is shown in Table 3 below. As shown, both NKC and DaVita’s projections meet this standard. [NKC April 16, 2007 Amended Application, p6; DaVita-Kent Application, Appendix 9; DaVita-Covington Application, Appendix 9]

Table 3
Year 2011 Projected Facility Utilization

Facility Name	Year 3	# of Stations	# of Pts	Pts/Station
NKC Kent Kidney Center	2011	17	82	4.82
DaVita - Kent Community	2010	19	111 ⁵	5.84
DaVita - Covington	2011	17	96 ⁶	5.65

⁵ DaVita cites a patient count of 115 for 2010 on p9 &16 of the application, but calculates the 2010 Pro Forma with an in-patient count of 111. The department used the figure cited in the financial calculations as the projected patient count in the third year of the Kent facility

⁶ DaVita cites a patient count of 100 for 2011 on p9 &16 of the application, but calculates the 2011 Pro Forma with an in-patient count of 96. The department used the figure cited in the financial calculations as the projected patient count in the third year of the Covington facility

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

Northwest Kidney Center

NKC proposes to establish a 17-station dialysis center in King County planning area #10. 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.

DaVita - Kent

DaVita proposes to add 7 stations to the existing 12-station Kent Community facility in King County planning area #10. 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 Kent application.

DaVita - Covington

DaVita proposes to establish a 17-station dialysis center in King County planning area #10. 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 Covington 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. [NKC 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 thirteen dialysis centers and intends to maintain this status. A review of the anticipated revenue indicates that the facility expects 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 April 16, 2007 Amended Application, Appendix 10]

Based on the above information, the department concludes that all residents of the planning area could expect to have adequate access to the health services at the proposed Kent Kidney Center. This sub-criterion is met.

DaVita – Kent & Covington

To demonstrate compliance with this sub-criterion, DaVita provided copies of its current admission and indigent care policies that are currently used at the Kent Community facility and will later be used at the new Covington facility. The Admission policy outlines the process/criteria that DaVita uses 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 these DaVita facilities without regard to race, color, national origin, sex, age, religion, or disability. [DaVita-Kent & Covington Applications, 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 in each application 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. DaVita also 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 continue to have, or could expect to have, adequate access to the health

services at either the Kent Community facility or the proposed Covington 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’s Kent project has met the financial feasibility criteria in WAC 246-310-220
- DaVita’s Covington 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 March 1, 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 new Kent 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 amended application, Table 4 below illustrates the projected revenue, expenses, and net income for fiscal years 2009-2011 for the Kent Kidney Center. [NKC April 16, 2007 Amended Application, Executive Summary & p6]

**Table 4
Proposed Establishment of the Kent Kidney Center
Projected Revenue and Expenses**

	Year 1 - 2009	Year 2 - 2010	Year 3 - 2011
# of Stations	17	17	17
# of Treatments ^[1]	6,552	9,672	12,792
# of Patients	42	62	82
Utilization Rate	2.47	3.64	4.82
Net Revenue ^[1]	\$ 1,420,474	\$ 2,096,889	\$ 2,773,306
Total Expense ^[1,2]	\$ 1,147,291	\$ 1,516,787	\$ 1,886,384
Net Profit or (Loss)	\$ 273,183	\$ 580,102	\$ 886,922
Net Patient Revenue/Treatment	\$ 216.80	\$ 216.80	\$ 216.80
Total Operating Exp./Treatment	\$ 175.11	\$ 156.82	\$ 147.47
Net Profit (Loss) per Treatment	\$ 41.69	\$ 59.98	\$ 69.33

[1] includes total dialysis patients; [2] includes deductions for bad debt, charity care and contractual allowances

As shown in Table 4, at the projected volumes identified in the application, the Kent Kidney Center would be operating at a profit as a 17-station facility throughout the three years following completion of the project.

NKC has selected a site for the Kent Kidney Center that is located in a light industrial campus within the city of Kent. The signed lease provided in the application outlines the terms and the annual rent for the space through 2017. NKC also supplied confirmation from the planning department of the City of Kent that identifies the location as eligible for a conditional use permit allowing for expanded capacity for service, office and retail uses. [NKC application, p9, Supplement 4, Appendix 16]

Public comment was submitted by DaVita that disputes the validity of the capitol expenditure cited by NKC. The issues mentioned include the water filtration and telephone systems NKC lists in the material breakout of the projected costs for the new facility. DaVita has asserted, in part, that the use of these two items lends to a shorter useful life of the facility and any calculations made using the claimed capital costs are both inaccurate and unreliable. [DaVita August 16, 2007 Public Comment, p1 & 4]

In rebuttal, NKC points out that the water filtration equipment initially resided at the Cascade Kidney Center which is currently a wholly owned and depreciated asset of the organization. As an available asset that would meet a need for the new facility, NKC has chosen to reuse the equipment because of the inherent savings that come with not having to purchase a new system. Further, NKC states that, as a not-for-profit organization, there is an obligation to make efficient use of assets such as this. No rebuttal was received addressing the reuse of the telephone system. [NKC September 17, 2007 rebuttal, p1]

Department's Response

To address the claims presented in comment and addressed in rebuttal, the department reviewed WAC 246-310-280. The definition states, in part, "Long-lived assets represent property and equipment used in a company's operations that have an estimated useful life greater than one year. Acquired long-lived assets are recorded at acquisition cost and include all costs incurred necessary to bring the asset to working order". No information was submitted to cause the Department to expect the equipment proposed to have a useful life of less than a year and costs for installation appear to have been included in cost projections for the new facility. Further, upon review of the previously approved Cascade Kidney Center relocation documents, projected costs indicate that the Cascade center's water treatment system would not be installed in the new location indicating that it is an asset available to NKC for use at this time. And lastly, there is nothing to support DaVita's comment that this equipment was a donation to NKC as addressed in WAC 246-310-280(e). No rebuttal was provided by NKC regarding the comments contesting the reuse of a telephone system. [CN historical files]

As a provider of dialysis service in the State of Washington, NKC is expected to utilize equipment designed to allow for the safe and efficient delivery of medical care. As such, any possible failures in the water filtration or the phone system used in the facility,

whether new or reused, that would directly affect the care delivered to the patients at a NKC facility would be expected to be resolved quickly and according to applicable licensing standards.

In summary, based on the above information, the Department does not consider the reuse of this equipment to be contrary to CoN standards and appears to be in line with rule definitions. The reported capital costs appear to provide the information necessary to evaluate the costs of the project proposed. Therefore, the department concludes that NKC's project revenues are reasonable and this sub-criterion is met.

DaVita - Kent

As stated in the project description portion of this evaluation, if this project is approved, DaVita anticipates commencement immediately and the 19 station facility would be operational within a month after CN approval. Based on the department's decision timeline, year 2008 would be Kent Community's first full year of operation. [DaVita-Kent May 25, 2007 Screening Responses, p1]

Using the financial information provided in the application, Table 5 below illustrates the projected revenue, expenses, and net income for fiscal years 2008-2010 for the Kent Community Kidney Center. [DaVita-Kent Application, Appendix 9]

**Table 5
Proposed Expansion of the Kent Community Dialysis Center
Projected Revenue and Expenses**

	Year 1 - 2008	Year 2 - 2009	Year 3 - 2010
# of Stations	19	19	19
# of Treatments [1]	15,413	16,006	16,450
# of Patients [2]	104	108	111
Utilization Rate [2]	5.47	5.68	5.84
Net Revenue [1]	\$ 6,104,552	\$ 6,535,128	\$ 6,886,503
Total Expense [1,3]	\$ 3,489,058	\$ 3,741,228	\$ 3,965,150
Net Profit or (Loss) [1]	\$ 2,615,494	\$ 2,793,900	\$ 2,921,353
Net Patient Revenue/Treatment [1]	\$ 390.09	\$ 398.60	\$ 405.30
Total Operating Exp./Treatment [1]	\$ 222.96	\$ 228.19	\$ 233.37
Net Profit (Loss) per Treatment [1]	\$ 167.13	\$ 170.41	\$ 171.94

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

[3] includes deductions for charity care and allocated costs

As shown in Table 5 above, at the projected volumes identified in the application, Kent Community would continue to operate at a profit through the first three full years of operation as a 19-station facility.

The Kent Community facility is currently located in space leased at 21501 84th Avenue South in the city of Kent. The signed lease provided in the application outlines the terms

and the annual rent for the space through 2009. Lease terms include the extension options of two 5-year periods that would allow continued use of the space through 2019. [DaVita-Kent Application, p12; Appendix 15]

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

DaVita - Covington

As stated in the project description portion of this evaluation, if this project is approved, DaVita anticipates commencement immediately and the 17 station facility would be operational no later than September 1, 2008. Based on this timeline, year 2009 would be Covington’s first full year of operation.

Using the financial information provided in the application, Table 6 below illustrates the projected revenue, expenses, and net income for fiscal years 2009-2011 for the Covington Dialysis Center. [DaVita-Covington Application, p12]

**Table 6
Proposed Establishment of the Covington Dialysis Center
Projected Revenue and Expenses**

	Year 1 - 2009	Year 2 - 2010	Year 3 - 2011
# of Stations	17	17	17
# of Treatments [1]	9,135	12,879	14,377
# of Patients [2]	61	86	96
Utilization Rate [2]	3.58	5.05	5.64
Net Revenue [1]	\$ 2,936,141	\$ 4,483,982	\$ 5,590,571
Total Expense [1,3]	\$ 2,091,257	\$ 2,915,776	\$ 3,526,101
Net Profit or (Loss) [1]	\$ 844,884	\$ 1,568,206	\$ 2,064,470
Net Patient Revenue/Treatment [1]	\$ 311.00	\$ 336.18	\$ 372.98
Total Operating Exp./Treatment [1]	\$ 221.51	\$ 218.61	\$ 235.25
Net Profit (Loss) per Treatment [1]	\$ 89.49	\$ 117.57	\$ 137.73

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

As shown in Table 6 above, at the projected volumes identified in the application, the Covington facility would be operating at a profit through the first three full years of operation as a 17 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, 16098 Southeast 269th Place, the inherent inaccuracy of application’s floor plan for a non existent site, deficiencies in the lease and site suitability, 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 August 16, 2007 Public Comment, p1]

In rebuttal, DaVita points out that the site address provided by the Lessor, Covington Commercial II, LLC., contained a typographical error that incorrectly stated the site address used in the Binding Letter of Intent, and the subsequent DaVita-Covington application. Further, DaVita states in their response, “Attached is a letter from the landowner explaining the error. The error does not affect any other aspect of the project”. [DaVita September 17, 2007 Rebuttal, p1]

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 September 17, 2007 Rebuttal, p2]

In response to comment regarding lease requirements and suitability, DaVita refers to the Lessors warranty stated in the draft agreement that the site may be used for the proposed project. DaVita asserts, “The program has consistently accepted such warranties in past successful applications. Significantly, NKC offers no reason to doubt the warranty in this case.” [DaVita-Covington May 25, 2007 Screening Responses, p2; DaVita September 17, 2007 Rebuttal, p2]

DaVita continues, in relation to the Pro Forma rent differing from the lease calculations, by noting, “The difference NKC notes is insignificant and the complaint is unworthy of attention”. DaVita provided the following table in the rebuttal comparing the rent reported in both the Pro Forma and lease. [DaVita September 17, 2007 Rebuttal, p2 & 3]

	2008	2009	2010	2011	2012
Pro Forma ^[1]	\$ 154,000	\$ 158,620	\$ 163,379	\$ 168,280	\$ 173,328
Lease ^[2]	\$ 179,400	\$ 182,988	\$ 186,648	\$ 190,381	\$ 194,188
Difference	\$ 25,400	\$ 24,368	\$ 23,269	\$ 22,101	\$ 20,860
% Total Expenses	1.8%	1.3%	0.90%	0.70%	0.60%

[1] allows for 3% annual increase in pro forma; [2] allows for 2% 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 1.8% of projected total expenses for each year”. DaVita continues, “Pro Forms 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 September 17, 2007 Rebuttal, p2]

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. Through discussions with personnel at the City of Covington, the department was able to determine that the original address, which contained the incorrect numeric address, indicate that the address was in fact non-existent and would most closely be attributed to a residential area within the city. Further discussion with city planners also identified that a transposition of numbers in the address to coincide with the Covington Center cited in DaVita’s screening responses did identify a suitable location for a dialysis facility. Later rebuttal comments provided by DaVita confirmed the error that was detected. [City of Covington Community & Development office]

Responses regarding the accuracy of the line drawings submitted for the Covington 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 17 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 7 below.

**Table 7
Department comparison of Pro Forma and Draft Lease Rent**

	2008	2009	2010	2011	2012
Pro Forma	\$ 205,333	\$ 158,620	\$ 163,379	\$ 168,280	\$ 173,280
Lease ^[1]	\$ 179,400	\$ 182,988	\$ 186,648	\$ 190,381	\$ 194,188
Difference	\$ (25,933)	\$ 24,368	\$ 23,269	\$ 22,101	\$ 20,908
% Total Expenses	1.19%	0.89%	0.64%	0.51%	0.43%
% Lease differs from Pro Forma	-17%	13%	15%	17%	19%

[1] allows for 2% annual increase outlined in draft lease

The 2008 Pro Forma expenses have been increased to \$205,333 to correctly correspond to the costs submitted in Appendix 9 of the DaVita-Covington application and reaffirmed in rebuttal. Table 7 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 \$868,892. This

understates the rent by \$64,713 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”. [April 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 is 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. [DaVita September 17, 2007 Rebuttal, p3] This would indicate that the draft lease submitted in response to screening may continue to be inaccurate in many of the 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, that could affect the viability of this project. As a result, the proposed Covington facility cannot be fully evaluated on its long-range capitol 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 establishment of the Kent Kidney Center is \$1,343,330 of which 75% is related to construction, 17% for both fixed and moveable equipment, and the remaining 8% is related taxes. The capital cost breakdown is reprinted in Table 8 below. [NKC April 16, 2007 Amended Application, p4]

**Table 8
NKC Estimated Capital Costs**

Breakdown of NKC Costs	Total	% of Total
Construction	\$ 1,009,895	75%
Fixed & Moveable Equipment	\$ 223,650	17%
Taxes	\$ 109,785	8%
Total Estimated Capital Costs	\$ 1,343,330	100.00%

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 projected sources of patient revenue shown in Table 9 below. [Application, p7]

**Table 9
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 - Kent

The capital expenditure associated with the expansion of the twelve-station Kent Community facility is \$122,347, and of that amount, 87% is related to both fixed and moveable equipment; and the remaining 13% is related to application fees. The capital cost breakdown is represented in Table 10 below. [DaVita – Kent Application, p7]

**Table 10
NKC Estimated Capital Costs**

Breakdown Of DaVita - Kent Costs	Total	% of Total
Fixed & Moveable Equipment	\$ 105,938	87%
CN Fees	\$ 16,409	13%
Total Estimated Capital Costs	\$ 122,347	100.00%

The department recognizes that the majority of reimbursements for dialysis services come through Medicare ESRD entitlements. To further demonstrate compliance with this sub-criterion, DaVita also provided the sources of patient revenue for the Kent Community facility shown in Table 11 below. [DaVita Application, p9]

Table 11
Anticipated Revenue Sources / DaVita -Kent

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 currently to equal 80% of the revenue at the Kent Community 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 expansion 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 - Covington

The capital expenditure associated with the establishment of the seventeen-station Covington facility is \$1,638,440, and of that amount, 53% is related to leasehold improvements at the site; 40% is related to both fixed and moveable equipment; and the remaining 7% is related to architect, engineering, application, consulting, and legal fees. The capital cost breakdown is reprinted in table 12 below. [DaVita - Covington Application, p7]

Table 12
NKC Estimated Capital Costs

Breakdown Of DaVita - Covington Costs	Total	% of Total
Construction	\$ 865,000	53%
Professional Service Fees	\$ 98,000	6%
Fixed & Moveable Equipment	\$ 659,031	40%
Fees	\$ 16,409	1%
Total Estimated Capital Costs	\$ 1,638,440	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 projected sources of patient revenue shown in Table 13 below. [DaVita Application, p9]

Table 13
Anticipated Revenue Sources / DaVita - Covington

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 Covington 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 remaining 20% will be derived through other or private insurance reimbursements. 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 and the reported lease costs. The department is unable to conclude the average cost per dialysis is reasonable or accurate.

Based on the information provided, the department is unable to 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 17-station facility is \$1,343,330, of which approximately 75% is related to construction of the site; 17% is related to both fixed and moveable equipment; and the remaining 8% is related to taxes. [NKC April 16, 2007 Amended Application, p4] 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 establishment of the Kent facility would not adversely affect the financial stability of NKC as a whole. This sub-criterion is met

DaVita - Kent

As previously stated, the capital expenditure associated with the expansion of DaVita's Kent Community facility is \$122,347, of which approximately 87% is related to both fixed and moveable equipment; and the remaining 13% is related to a fees. DaVita states that the project will be funded from DaVita's capital expenditure budget. A review of DaVita's consolidated financial statements shows the funds necessary to finance the project are available. [DaVita-Kent Application, p 7 & Appendix 6 & 10]

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

DaVita - Covington

As previously stated, the capital expenditure associated with the establishment of DaVita's 17 station Covington facility is \$1,638,440, of which approximately 53% is related to construction of the site; 40% is related to both fixed and moveable equipment; and the remaining 7% is related to taxes. DaVita states that the project will be funded from DaVita's capital expenditure budget. A review of DaVita's consolidated financial statements shows the funds necessary to finance the project are available. [DaVita-Covington Application, p 7 & Appendix 6 & 10]

Based on the information provided, the department concludes the expansion of the Covington facility would not adversely affect the financial stability of DaVita, Inc. 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's Kent project has met the structure and process (quality) of care criteria in WAC 246-310-230
- DaVita's Covington 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 new 17 station facility, NKC proposes to initially recruit 6.5 FTEs in 2008. By the end of year two (2009) a total of 11 FTEs would have been hired. A breakdown of the proposed FTEs is shown in Table 14 below. [NKC May 31, 2007 Screening Responses, p4]

**Table 14
Mt. Rainier Dialysis Center Projected FTEs**

	Partial Year - 2008	Full Year 2009	Full Year 2010	Full Year 2011	TOTAL
FTEs					
Medical Director	Contract Position				
Administrator	0.00	0.00	0.00	0.00	0.00
RNs	2.00	1.50	1.65	1.65	6.80
LPN	0.00	0.00	0.00	0.00	0.00
Dialysis Tech	4.00	3.00	3.30	3.30	13.60
Clerical	0.00	0.50	0.50	0.00	1.00
Social Wk	0.25	0.25	0.25	0.25	1.00
Dietician	0.25	0.25	0.25	0.25	1.00
Diet Tech	0.00	0.00	0.00	0.00	0.00
FTE Total	6.50	5.50	5.95	5.45	23.40

As shown above, the FTEs are weighted to add dialysis technicians at a greater rate than other positions to account for the projected volume. The applicant has forecasted through 2011, but 51% of the necessary staff are expected to be hired before the end of 2009. NKC provided information regarding their current staffing levels and vacancy rates for these positions in existing facilities. NKC believes that due to the metropolitan location of this facility will allow for the necessary applicant pool to fill these positions. [NKC Application, p17 & 18]

NKC has identified Dr. John C. Stivelman, currently NKC's Chief Medical Officer, as the acting Medical Director for the facility. A permanent Medical Director will be contracted upon CN approval. The applicant supplied a draft contract that outlines the roles and responsibilities of both NKC and the medical director and identifies the annual compensation limits for the medical director responsibilities. If approved, the Department would include a term that NKC must provide for review and approval an executed contract with the permanent medical director which includes the relevant terms and compensation as identified in the draft agreement prior to project completion. [NKC May 31, 2007 Screening Responses, p1, Appendix 10]

Based on this information, and with completion of the term cited above, the department concludes that adequate staffing for the establishment of the Kent Dialysis facility is available or can be recruited. This sub-criterion is met.

DaVita - Kent

To staff its 19 station facility, DaVita proposes to recruit 1.3 FTEs in year one (2008), which would increase to a total of 4.2 new FTEs by the end of 2012. A breakdown of the proposed FTEs is shown in Table 15 below. [DaVita-Kent Application, p26]

Table 15
Kent Community Dialysis Center Projected FTEs

	Current	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012	Total
Medical Director	Contract Position						
Administrator	1.00	0.00	0.00		0.00		1.00
RNs	4.00	0.20	0.00	0.10	0.20	0.10	4.60
Patient Care Tech	7.50	0.50	0.50	0.50	0.30	0.20	9.50
BioMed Tech	0.50	0.10	0.00	0.00	0.00	0.00	0.60
Re-Use Tech	1.00	0.20	0.20	0.00	0.20	0.20	1.80
Admin Assist	0.80	0.10	0.10	0.00	0.00	0.00	1.00
Social Wk	0.60	0.10	0.10	0.10	0.00	0.00	0.90
Dietician	0.80	0.10	0.10	0.00	0.00	0.00	1.00
LVN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FTE Total	16.20	1.30	1.00	0.70	0.70	0.50	20.40

As shown in Table 15 above, after the initial recruitment of 1.3 FTEs in 2008, DaVita expects a steady increase in FTEs. The applicant continued the forecast through 2012, showing steady increases to support the projected growth within this existing facility. DaVita states it expects no difficulty in recruiting staff for Kent Community 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 expanded Kent Community facility. [DaVita-Kent Application, p25 & 26]

DaVita has stated that Dr. Zheng Ge will remain the contracted Medical Director for the Kent Community facility. The applicant supplied a copy of a signed contract that indicates Dr. Ge's service in this capacity. The agreement outlines the roles and responsibilities of both entities. The agreement allows for automatic renewal of the term of the agreement after the initial ten year term which ends in 2013 and includes the costs associated with this position as accounted for in the pro forma. [DaVita-Kent Application, p5 & Appendices 3 & 9]

Based on this information, the department concludes that adequate staffing for the Kent Community facility is available or may be recruited. This sub criterion is met.

DaVita - Covington

To staff its new 17 station facility, DaVita proposes to initially recruit 5.2 FTEs in 2008, which would increase to a total of 18.3 FTEs by the end of year three (2011). A breakdown of the proposed FTEs is shown in Table 16 below. [DaVita-Covington Application, p25]

Table 16
DaVita Covington Dialysis Center Projected FTEs

	Partial Year 2008	Year 1 2009	Year 2 2010	Year 3 2011	Total
FTEs					
Medical Director	Contracted Position				
Administrator	0.80	0.20	0.00	0.00	1.00
RNs	1.40	1.10	1.30	0.60	4.50
Patient Care Tech	2.40	2.10	2.20	1.80	9.50
BioMed Tech	0.40	0.00	0.00	0.00	0.40
Re-Use Tech	0.40	0.20	0.20	0.20	1.50
Admin Assist	0.00	0.90	0.10	0.20	1.20
Social Wk	0.30	0.30	0.20	0.10	1.00
Dietician	0.30	0.30	0.20	0.10	1.00
LVN	0.00	0.00	0.00	0.00	0.00
FTE Total	6.00	5.10	4.20	3.00	20.10

As shown in Table 16 above, after the initial recruitment of 6.0 FTEs in 2008, DaVita expects a steady increase in the initial FTE staffing through 2011. The applicant continued the forecast through 2012, but 91% of the necessary staff are expected to be hired before the end of 2011. DaVita states it expects no difficulty in recruiting staff for Kent Community 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 Covington facility. [DaVita-Covington Application, p25 & 26]

DaVita has identified Dr. Catherine Richardson as the contracted Medical Director for the proposed Covington facility. The applicant supplied a draft contract that outlines the roles and responsibilities of both entities and identifies the annual compensation limits for the medical director responsibilities. If approved, the Department would include a term that DaVita provide for review and approval an executed contract with Dr. Richardson which includes the relevant terms and compensation as identified in the draft agreement before completion of the project. [DaVita-Covington Application, p5 & Appendices 3 & 9]

Based on this information, and with completion of the term cited above, the department concludes that adequate staffing for the establishment of the Covington facility is available or can be recruited. This sub-criterion is 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. 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 May 31, 2007 Screening Responses, Exhibit 4]

Therefore, based on this information and NKC's current operating practices, the department concludes that NKC will have an appropriate relationship with ancillary and support services to support the proposed facility. This sub-criterion is met.

DaVita – Kent

Documentation provided in the application confirms that DaVita maintains appropriate relationships with ancillary and support services for its existing fourteen dialysis centers. The Kent Community facility will continue to provide 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 continue to 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. Further, DaVita included a draft transfer agreement with Valley Medical Center and the Kent Community facility. [DaVita-Kent Application, p24 and Appendix 12]

Therefore, based on this information, and DaVita's current operating practices, the department concludes that the Kent Community facility will continue to have the appropriate relationship with ancillary and support services to support the proposed facility. This sub-criterion is met.

DaVita - Covington

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 #10, 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-Covington Application, p24 and Appendix 12]

DaVita acknowledges that since this would be a new facility in King County planning area #10, transfer agreements would have to be established. To further demonstrate compliance with this sub-criterion, DaVita provided examples of draft transfer agreements. [DaVita-Kent 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 prior to completion of the project. 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.⁷ 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, John C. Stivelman, MD is the current Chief Medical Officer for Northwest Kidney Centers and will be the acting Medical Director at the proposed Kent Kidney Center prior to the hiring of a contracted individual. A review of the compliance history of Dr. Stivelman 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 that of the acting medical director and with the term stated earlier in this analysis, the department concludes that there is reasonable assurance that the dialysis center would be operated in conformance with state and federal regulation. Pending satisfactory completion of the term cited in the prior section, this sub-criterion would be met.

DaVita, Inc. - Washington

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 public⁸. To accomplish this task, in January 2007 the department requested

⁷ NKC's Seattle Kidney Center is not yet operational.

⁸ WAC 246-310-230(5).

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.⁹ The compliance history of the remaining 13 states and the District of Columbia is unknown.¹⁰

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 decertified 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.¹¹ 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]

DaVita – Kent

As stated above, Zheng Ge, MD has agreed to continue to provide medical director services at the Kent Community Dialysis Center. DaVita provided a copy of the executed medical director agreement between itself and Dr. Ge. The agreement outlines the roles and responsibilities of both entities and the automatic renewal of the term after the initial ten year commitment. A review of the compliance history of Dr. Ge has shown that his credentials are up to date and reveal no recorded sanctions. [Medical Quality Assurance Commission compliance data]

⁹ 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.

¹⁰ Arkansas, California, Colorado, Georgia, Louisiana, Massachusetts, Nebraska, New Mexico, North Carolina, Ohio, Oklahoma, and South Carolina.

¹¹ 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.

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 Kent Community facility would continue to be operated in conformance with state and federal regulations. This sub-criterion is met.

DaVita –Covington

As stated previously, Catherine Richardson, MD has agreed to provide medical director services at the proposed Covington Dialysis Center. DaVita provided a copy of the draft medical director agreement to be used in the contracting of Dr. Richardson. The agreement outlines the roles and responsibilities of both DaVita and Dr. Richardson 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. Pending satisfactory completion of the term cited in the prior section, this sub-criterion would be 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 proposed NKC-Kent Kidney Center will help to ensure that the residents of the planning area are given the opportunity to receive all of their health care in or near their own communities.” The applicant continues, “This [project] should improve convenience and efficiencies for both residents and their providers, thus decreasing the possibility of fragmentation, deferred or lost care.” [NKC Application, p18]

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 17 additional dialysis stations in the King County planning area #10.

Therefore, the department concludes that approval of 17 additional dialysis stations in King County planning area #10 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. - Washington

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-Kent & Covington Applications, p26, 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]

DaVita – Kent

In evaluating the DaVita-Kent application, 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 17 additional dialysis stations in King County planning area #10. DaVita proposed to serve the planning area by expanding the Kent Community facility with 7 additional dialysis stations.

Therefore, the department concludes that approval of 7 additional dialysis stations at the Kent Community facility in King County planning area #10 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 - Covington

In evaluating the DaVita-Covington application, the department again 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 17 additional dialysis stations in King County planning area #10. DaVita proposed to serve the planning area by establishing a 17 station facility in Covington. 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 this 17 station dialysis center in King County planning area #10 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 each of the projects under review, 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; and
- DaVita's Kent project has met the cost containment criteria in WAC 246-310-240
- DaVita's Covington 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 7 stations to the Kent Kidney Center in King County planning area #10, NKC considered and rejected the following six alternatives to this project. [NKC 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 the only other facility in the planning area is the DaVita Kent Community facility that is already operating at 122% of capacity. Therefore, this option was rejected by the applicant.

DaVita - Kent

Within the Kent Community application, DaVita provided discussion regarding the following two alternatives to this project. [DaVita-Kent Application, p28]

- Add no new stations

DaVita states that doing nothing would not address the existing need in King County planning area #10. DaVita acknowledges a net need of 17 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 17-station facility in King County planning area #10

DaVita reviewed available data at the time of application and during the amendment period and determined this was a viable option, but did not eliminate the proposed project. DaVita has a second CN application submitted with this alternative proposed

Based on DaVita's discussion of the two options above, the first option was rejected before submitting this project and a second application was made to address the second alternative.

DaVita - Covington

Within the Covington application, DaVita provided discussion regarding the following two alternatives to this project. [DaVita-Covington Application, p28]

- Add no new stations

DaVita states that doing nothing would not address the existing need in King County planning area #10. DaVita acknowledges a net need of 17 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 based upon the possible approval of the 7 station expansion of the Kent Community facility. Though there would be an expectation by DaVita that a 10 station facility would need to be expanded after 2010 to meet potential need, this was seen to be viable only in combination with the approval of the expansion of the Kent Community facility. But, this option was rejected when DaVita considered possible results from the application of tie-breaker criteria outlined in WAC 246-310-288.

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 it's findings on the other applicable review criteria. The NKC and DaVita-Kent projects met all other

review criteria. The DaVita-Covington 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 and the DaVita-Kent applications are the best available alternatives to address the need within the planning area.

(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- Kent

No construction necessary

DaVita - Covington

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- Kent

No construction necessary

DaVita – Covington

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 whether this criterion applies to the three applications under review, the department considered its findings on the other review criteria. Upon completion of the review above, the Department has concluded that two of the applications, NKC and DaVita-Kent, have meet the applicable standards outlined in WAC 246-310-210 through 240 and that tie-breakers are necessary.

The department will approve the application accumulating the largest number of points. If sufficient additional stations remain after approval of the first application, the department will approve the application accumulating the next largest number of points, not to exceed the total number of stations projected for a planning area. If the applications remain tied after applying all the tie-breakers, the department will award stations as equally as possible among those applications, without exceeding the total number of stations projected for a planning area.

(1) The department will award one point per tie-breaker to any applicant that meets a tie-breaker criteria in this subsection.

(a) Training services (1 point):

(i) The applicant is an existing provider in the planning area and either offers training services at the facility proposed to be expanded or offers training services in any of its existing facilities within a thirty-five mile radius of the existing facility; or

(ii) The applicant is an existing provider in the planning area that offers training services in any of its existing facilities within thirty-five miles of the proposed new facility and either intends to offer training services at the new facility or through those existing facilities; or

(iii) The applicant, not currently located in the planning area, proposes to establish a new facility with training services and demonstrates a historical and current provision of training services at its other facilities; and

(iv) Northwest Renal Network's most recent year-end facility survey must document the provision of these training services by the applicant.

Northwest Kidney Centers

NKC intends to provide training and support to home hemodialysis and peritoneal treatments as part of the services available through the Kent Kidney Center. NRN data for 2006 show that this is currently the practice of area NKC facilities and that there is reason to believe this new facility would continue the practice as stated. A point is awarded. [NKC April 16, 2007 Amended Application, p6]

DaVita - Kent

DaVita intends to continue to provide training and support for home hemodialysis and peritoneal treatments as part of the services available through the Kent Community

Dialysis Center. NRN data for 2006 show that this is currently the practice of area the Kent Community facility and that there is reason to believe this would continue the practice as stated. A point is awarded. [DaVita-Kent Application, p8]

	Tie-Breaker Point Distribution	
	NKC	DaVita – Kent
1(a) – Training Svc.	1	1
Cumulative Total	1	1

(b) Private room(s) for isolating patients needing dialysis (1 point).

Northwest Kidney Centers

NKC intends to provide services to patients requiring isolation in a private room at the Kent Kidney Center. This is supported through the identification of a isolation room in the proposed site’s line drawings. A point is awarded. [NKC Application, p6 & Appendix 13]

DaVita – Kent

No information provided to determine the award of a tie-break point. No point is awarded.

	Tie-Breaker Point Distribution	
	NKC	DaVita – Kent
1(b) – Private Room	1	0
Cumulative Total	2	1

(c) Permanent bed stations at the facility (1 point).

Northwest Kidney Centers

NKC intends to provide services to patients who’s medical condition requires treatment in a bed at the Kent Kidney Center. This is supported through the identification of a bedded isolation and training rooms in the proposed site’s line drawings. A point is awarded. [NKC Application, p6 & Appendix 13]

DaVita – Kent

No information provided to determine the award of a tie-break point. No point is awarded.

	Tie-Breaker Point Distribution	
	NKC	DaVita – Kent
1(c) – Permanent Bed	1	0
Cumulative Total	3	1

(d) Evening shift (1 point): The applicant currently offers, or as part of its application proposes to offer at the facility a dialysis shift that begins after 5:00 p.m.

Northwest Kidney Centers

NKC intends to provide services to patients requiring treatments to begin after 5:00 p.m. in the evening. A point is awarded. [NKC April 16, 2007 Amended Application, p6]

DaVita – Kent

DaVita intends to continue to provide services to hemodialysis patients requiring shifts starting after 5:00 p.m. at the Kent Community Dialysis Center. A point is awarded. [DaVita-Kent Application, p8]

	Tie-Breaker Point Distribution	
	NKC	DaVita – Kent
1(d) – Training Svc.	1	1
Cumulative Total	4	2

(e) Meeting the projected need (1 point): Each application that proposes the number of stations that most closely approximates the projected need.

Northwest Kidney Centers

NKC’s need projections concurred with the Department’s calculations for a need for 17 additional stations by the year 2010. This project proposes to add 17 stations to the planning area. A point is awarded.

DaVita – Kent

DaVita’s need projections also concurred with the Department’s calculations for a need for 17 additional stations by the year 2010. This project proposes to add only 7 stations to the planning area. No point is awarded.

	Tie-Breaker Point Distribution	
	NKC	DaVita – Kent
1(e) – Meets Need	1	0
Cumulative Total	5	2

(2) Only one applicant may be awarded a point for each of the following four tie-breaker criteria:

(a) Economies of scale (1 point): Compared to the other applications, an applicant demonstrates its proposal has the lowest capital expenditure per new station.

Northwest Kidney Centers

NKC proposes to establish a 17 station facility for a total cost of \$1,343,330. This calculates out to be a cost of \$79,019.41. No point is awarded.

DaVita – Kent

DaVita proposes to add 7 stations to the existing Kent Community facility for a total cost of \$122,347. This calculates out to be a cost of \$17,478.14. A point is awarded.

	Tie-Breaker Point Distribution	
	NKC	DaVita – Kent
2(a) – Economy of Scale	0	1
Cumulative Total	5	3

(b) *Historical provider (1 point):*

- (i) The applicant was the first to establish a facility within a planning area; and
- (ii) The application to expand the existing facility is being submitted within five years of the opening of its facility; or
- (iii) The application is to build an additional new facility within five years of the opening of its first facility.

Northwest Kidney Centers

NKC’s proposal is for a new facility in a planning area currently served by an existing facility. No point is available.

DaVita – Kent

DaVita’s Kent Community facility began providing dialysis services in February of 2000. This facility’s expansion does not meet the 5 year window of time. No point is awarded. [CN Historical files]

	Tie-Breaker Point Distribution	
	NKC	DaVita – Kent
2(b) – Historical Provider	0	0
Cumulative Total	5	3

(c) *Patient geographical access (1 point): The application proposing to establish a new facility within a planning area that will result in services being offered closer to people in need of them. The department will award the point for the facility located farthest away from existing facilities within the planning area provided:*

- (i) The facility is at least three miles away from the next closest existing facility in planning areas that qualify for 4.8 patients per station; or
- (ii) The facility is at least eight miles from the next closest existing facility in planning areas that qualify for 3.2 patients per station.

Northwest Kidney Centers

The proposed site address for the new NKC facility is 25316 74th Avenue South in Kent, Washington. When the new site is mapped to the existing Kent Community facility, the result is no greater than 2.9 miles. No point is awarded. [Google Maps]

DaVita – Kent

The expansion proposed is for the existing Kent Community Dialysis Center. No point is available.

	Tie-Breaker Point Distribution	
	NKC	DaVita – Kent
2(c) – Geographical Access	0	0
Cumulative Total	5	3

(d) Provider choice (1 point):

- (i) The applicant does not currently have a facility located within the planning area;
- (ii) The department will consider a planning area as having one provider when a single provider has multiple facilities in the same planning area;
- (iii) If there are already two unrelated providers located in the same planning area, no point will be awarded.

Northwest Kidney Centers

NKC proposal for the establishment of a new facility in King County planning area #10 is currently served by one other provider, DaVita, Inc. This would be NKC’s first facility in the planning area. A point is awarded

DaVita – Kent

The expansion proposed is for the existing Kent Community Dialysis Center currently serving King County planning area #10. No point is available.

	Tie-Breaker Point Distribution	
	NKC	DaVita – Kent
2(d) – Provider Choice	1	0
Cumulative Total	6	3

At the completion of the tie-breaker point allocations, NKC has accumulated a total of six (6) points, while the DaVita-Kent proposal was awarded a total of three (3) points. Due to the results outlined in this section, the Department has determined that the NKC project is the application accumulating the largest number of points and is the first application to be considered in the allocation of station to meet the projected need. Since the proposed NKC project accounts for all 17 of the stations projected for the planning area, there are no stations remaining to award to DaVita as the application earning the next highest point total.

Table 17
WAC 246-310-288 – Tie-Breaker Summary Table

	Tie-Breaker Point Distribution	
	NKC	DaVita – Kent
1(a) – Training Svc.	1	1
1(b) – Private Room	1	0
1(c) – Permanent Bed	1	0
1(d) – Training Svc.	1	1
1(e) – Meets Need	1	0
2(a) – Economy of Scale	0	1
2(b) – Historical Provider	0	0
2(c) – Geographical Access	0	0
2(d) – Provider Choice	1	0
Cumulative Total	6	3

Based upon this information, the Department approves the proposal from Northwest Kidney Centers, pending acceptance of the terms outlined previously in this evaluation, to establish a 17 station dialysis facility named the Kent Kidney Center in the city of Kent to serve the residents of King County planning area #10. The approved cost of the project is \$1,343,330.

APPENDIX A