

**REVIEW OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED ON  
BEHALF OF RENAL CARE GROUP OF THE NORTHWEST PROPOSING TO ADD  
NINE STATIONS TO THE EXISTING SIX-STATION KIDNEY DIALYSIS FACILITY  
KNOWN AS THE OMAK DIALYSIS FACILITY**

**PROJECT DESCRIPTION**

Fresenius Medical Care Holdings, Inc. (FMCH) is a New York corporation and a subsidiary of Fresenius Medical Care AG (FMCAG), a German corporation. FMCH operates approximately 2,100 dialysis clinics worldwide, of which 1,500 are located in North America. [FMCH website]

On May 31, 2006, Renal Care Group became a wholly-owned subsidiary of FMCH. FMCH operates one dialysis facility in Washington.<sup>1</sup> Renal Care Group Northwest, Inc. (RCGNW), a subsidiary of RCG, currently owns, operates and/or manages eleven kidney dialysis treatment facilities in Washington State - two in Clark County;<sup>2</sup> three in Spokane County<sup>3</sup>; and one facility in each of the counties of Thurston, Lewis, Mason, Grays Harbor, Grant and Okanogan.<sup>4</sup> [CN files]

One of the five subsidiaries of FMCH, National Medical Care, Inc. also conducts its operations through two subsidiaries: QCI Holdings, Inc. and QualiCenters, Inc. QualiCenters, Inc. and National Medical Care, Inc. (reporting a 10% or greater ownership) are the corporate parents of QualiCenters Inland Northwest LLC. QualiCenters Inland Northwest, LLC provides dialysis services in one Washington State facility<sup>5</sup>.

This application proposes to add nine dialysis stations to the existing six-station facility known as the Omak Dialysis Center (ODC), which is owned and operated by Inland Northwest Renal Care Group, LLC (IN-RCG). The Omak Dialysis Center is in Okanogan County. IN-RCG is jointly owned by RCGNW and Sacred Heart Medical Center.

The estimated capital expenditure for the expansion of the Omak facility is \$800,762. The applicant anticipates adding two stations immediately upon CN approval and completion of the remaining seven stations in the expanded facility by Fall of 2008.

<b>Item</b>	<b>Cost</b>	<b>% of Total</b>
Equipment costs	\$255,200	32%
Tenant Improvements	\$434,128	54%
Fees	\$60,649	8%
Sales Tax	\$50,785	6%
<b>Total Estimated Capital Costs</b>	<b>\$800,762</b>	100%

<sup>1</sup> Columbia Basin Dialysis Center

<sup>2</sup> Fresenius Salmon Creek and Fresenius Ft. Vancouver

<sup>3</sup> Fresenius Northpointe, Fresenius Spokane Kidney Center and Fresenius Valley

<sup>4</sup> Fresenius Lacey, Fresenius Chehalis, Fresenius Shelton, Fresenius Aberdeen, Fresenius Moses Lake, and Fresenius Omak, respectively.

<sup>5</sup> QualiCenters Walla Walla

## **APPLICABILITY OF CERTIFICATE OF NEED LAW**

This project is subject to Certificate of Need review as an increase in the number of dialysis stations at an existing dialysis center under the provisions of Revised Code of Washington (RCW) 70.38.105 (4)(h) and Washington Administrative Code (WAC) 246-310-020(1)(e).

## **CRITERIA EVALUATION**

To obtain Certificate of Need (CN) approval, IN-RCG 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).<sup>6</sup> Additionally, the applicant must demonstrate compliance of the project according to relevant sections of WAC 246-310-280 through 284.

## **APPLICATION CHRONOLOGY**

April 30, 2007	Letter of Intent Submitted
May 31, 2007	Application Submitted
June 1, 2007 through July 10, 2007	Screening Activities and Responses
July 11, 2007	Department Begins Review of Applications
August 15, 2007	End of Public Comment
October 15, 2007	Department's Anticipated Decision Date
August 31, 2007	Department's Decision Date

## **AFFECTED PARTIES**

There were no affected parties on this application.

## **SOURCE INFORMATION REVIEWED**

- Omak Dialysis Center's Certificate of Need Application dated May 31, 2007.
- Omak Dialysis Center's supplemental information dated July 3, 2007
- Licensing and/or survey data provided by the Department of Health's Office of Health Care Survey
- Utilization data provided by the Northwest Renal Network
- Data obtained from Center for Medicare and Medicaid (CMS) "Dialysis Facility Compare" website (<http://www.medicare.gov/Dialysis/home.asp>).
- Data obtained from the Internet regarding Fresenius and its subsidiaries and facilities.
- Certificate of Need historical files

## **CONCLUSION**

For the reasons stated in this evaluation, IN-RCG's proposal for the addition of 9 in-center dialysis stations to the existing Omak Dialysis Center is consistent with the application criteria of the Certificate of Need Program and a Certificate of Need should be approved.

The capital cost approved for the project is \$800,762.

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<sup>6</sup> 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 246-310-240(3); WAC 246-310-286; WAC 246-310-287; and WAC 246-310-288.

**A. Need (WAC 246-310-210)**

Based on the source information reviewed the department determines that the applicant has met the need criteria in WAC 246-310-210(1) and (2) and WAC 246-310-284.

- (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 (NRN).<sup>7</sup>

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 5 annual change periods), the department 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. For this project, 3.2 will be used to determine the number of stations needed.

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

IN-RCG's Application of the Numeric Methodology

IN-RCG proposes to expand the Omak facility by nine stations. Based on the calculation of the annual growth rate in the planning area as described above, a linear regression was used to project need. Given that the facility would be located in Okanogan County, the number of

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<sup>7</sup> 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. [Northwest Renal Network website]

projected patients is divided by 3.2 to determine the number of stations needed in the planning area. Table 1 is a summary of IN-RCG's application of the numeric methodology. [Application, p15-18]

**Table 1**  
**Summary of IN-RCG's Numeric Methodology**

	<b>Year 2007</b>	<b>Year 2008</b>	<b>Year 2009</b>	<b>Year 2010</b>
Incenter Patients	34	38	42	46
Patient: Station Conversion Factor	3.2	3.2	3.2	3.2
Total Station Need (Div. by 3.2)	10.625	11.875	13.125	14.375
Total Station Need Rounded Up	11	12	14	15
Minus # of CN Approved Stations	6	6	6	6
<b>Net Station Need / (Surplus)</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>9</b>

As shown in Table 1 above, based upon the projected patients for 2010, IN-RCG projected a need for 9 dialysis stations.

Department's Application of the Numeric Methodology

Based on the calculation of the annual growth rate in the planning area as described above, the department also used linear regression to project need. Table 2 below is a summary of the department's application of the numeric methodology. [Appendix A]

**Table 2**  
**Summary of Department's Numeric Methodology**

	<b>Year 2007</b>	<b>Year 2008</b>	<b>Year 2009</b>	<b>Year 2010</b>
Resident Patients	33.9	37.8	41.7	45.6
Patient: Station Conversion Factor	3.2	3.2	3.2	3.2
Total Station Need	10.594	11.813	13.0313	14.250
Total Station Need Rounded Up	11	12	14	15
Minus # of CN Approved Stations	6	6	6	6
<b>Net Station Need / (Surplus)</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>9</b>

As shown in Table 2, the department also projects a need for 9 dialysis stations in year 2010. Based on the numeric methodology alone, additional stations are needed in the Okanogan County planning area.

WAC 246-310-284(5) requires all CN approved stations in the planning area be operating at 3.2 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 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 was May 1, 2007. [WAC 246-310-282] The quarterly modality report from NRN available at that time was March 31, 2007, which became available on April 30, 2007.

There are a total 6 CN approved stations in the Okanogan planning area, and all 6 stations are at one facility— IN-RCG’s Omak facility. Table 3 below shows the March 31, 2007, utilization of the Omak Dialysis Center and demonstrates that this capacity requirement is met.

**Table 3**  
**March 31, 2007-Facility Utilization Data**

Facility Name	# of Stations	# of Pts	Pts/Station
IN-RCG Omak	6	33	5.5

WAC 246-310-284(6) requires IN-RCG be operating at 3.2 in-center patients per approved station by the end of year three (2011). IN-RCG provided its projected utilization as a 15-station facility. A summary of IN-RCG’s projected utilization for year 2011 is shown in Table 4. IN-RCG projects to be operating above the 3.2 standard by the end of the third year of operation, or year 2011. [Application, p18] Based on the information below, this standard is met.

**Table 4**  
**Year 2011 Projected Facility Utilization**

Facility Name	# of Stations	# of Pts	Pts/Station
IN-RCG Omak	15	50	3.3

Based on the above information, the application submitted by IN-RCG proposing to add 9 stations at the Omak Dialysis Center is consistent with this criterion. This sub-criterion is met.

- (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.

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.

To demonstrate compliance with this sub-criterion, the applicant asserts, “All individuals identified as being in need of dialysis services will have access to this unit. IN-RCG’s admission policies prohibit discrimination on the basis of race, income, ethnicity, sex or handicap.” [Application, p19] The policy provided as Exhibit 9 prohibits discrimination “...on the basis of

race, color, religion, sex national origin, age, disability, or any other characteristic protected by law.”

The applicant also provided a copy of IN-RCG’s indigence policy in Exhibit 10 of the application. That policy clearly states the process to allow a patient to apply for a waiver of their balance, as well as the objective criteria used by FMG to determine eligibility.

IN-RCG currently provides services to Medicare and Medicaid eligible patients at the Omak facility and intends to maintain this status. A review of the anticipated revenue indicates that the facility expects to continue to receive both Medicare and Medicaid reimbursements. Additionally, IN-RCG 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 as well as in the audited financial statements of Fresenius. [Application, Exhibit 9; Appendix 2]

Based on this information, the department concludes that all residents of the service area could reasonably be expected to continue to have reasonable access to the health services at the Omak Dialysis Center. This sub-criterion is met.

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

Based on the source information reviewed, the department determines that the applicant has 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.*

As stated in the project description portion of this evaluation, if approved, the applicant anticipates bringing two additional stations on-line immediately upon CN approval and completion of the proposed expansion by the Fall of 2008. [Application, p8-9] As a result, the first full year of operation would be 2009.

For financial review of applications, the department requests data for the first three full years following project completion. Using the financial information provided by IN-RCG, Table 5 illustrates the projected revenue, expenses, and net income for the first three years of operation for Omak as a 15-station facility [Application, Exhibit 12]:

**Table 5  
Omak Dialysis Center  
Projected Revenue and Expenses 2009 – 2011**

	<b>Year 1 - 2009</b>	<b>Year 2 - 2010</b>	<b>Year 3 - 2011</b>
# of stations	15	15	15
# of Treatments <sup>[1]</sup>	8,268	8,736	9,204
# of Patients <sup>[1]</sup>	42	46	50
Utilization Rate <sup>[2]</sup>	2.80	3.07	3.33
Net Patient Revenue <sup>[1, 3]</sup>	\$3,398,644	\$3,591,020	\$3,639,962
Total Operating Expense <sup>[1]</sup>	\$1,571,222	\$1,658,134	\$1,745,088
Net Profit or (Loss) <sup>[1, 4]</sup>	\$1,827,422	\$1,932,886	\$1,894,874
Net Patient Revenue/Treatment <sup>[1]</sup>	\$411.06	\$411.06	\$395.48
Total Operating Exp./Treatment <sup>[1]</sup>	\$190.04	\$189.80	\$189.60
Net Profit per Treatment <sup>[1]</sup>	\$221.02	\$221.26	\$205.88

[1] includes both in-center and home dialysis patients; [2] in-center patients only; [3] includes bad debt & charity care; [4] Includes depreciation expense

As shown in Table 3, at the projected volumes identified in the application, IN-RCG would be operating the 15-station dialysis facility at a profit for the first three full years of operation.

However, a closer look at the financials is necessary. IN-RCG is leasing the site for the facility from Okanogan County Public Hospital Dist.3, dba Mid-Valley Hospital. The applicant provided the lease for the existing site as Exhibit 6 of the application. The applicant also provided an amendment to the lease that allows the expansion required to build out the additional stations requested. The additional costs associated with the amended lease were not included in the Pro Forma used to prepare Table 5, above. Therefore, the department recalculated the projected revenues based on the cited monthly rent of \$7,714. The results are shown in Table 6. [Application, Exhibit 7]

**Table 6**  
**Omak Dialysis Center**  
**Projected Revenue and Expenses 2009 – 2011 – With expansion rent increase**

	Year 1 - 2009	Year 2 - 2010	Year 3 - 2011
# of stations	15	15	15
# of Treatments <sup>[1]</sup>	8,268	8,736	9,204
# of Patients <sup>[1]</sup>	42	46	50
Utilization Rate <sup>[2]</sup>	2.80	3.07	3.33
Net Patient Revenue <sup>[1, 3]</sup>	\$3,398,644	\$3,591,020	\$3,639,962
Total Operating Expense <sup>[1]</sup>	\$1,616,384	\$1,701,873	\$1,787,363
Net Profit or (Loss) <sup>[1, 4]</sup>	\$1,782,260	\$1,889,147	\$1,852,599
Net Patient Revenue/Treatment <sup>[1]</sup>	\$411.06	\$411.06	\$395.48
Total Operating Exp./Treatment <sup>[1]</sup>	\$195.50	\$194.81	\$194.19
Net Profit per Treatment <sup>[1]</sup>	\$215.56	\$216.25	\$201.28

[1] includes both in-center and home dialysis patients; [2] in-center patients only; [3] includes bad debt & charity care; [4] Includes depreciation expense

As shown in Table 6, at the projected volumes identified in the application and the additional rent, IN-RCG would continue to operate the 15-station dialysis facility at a profit for the first three full years of operation.

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

To demonstrate compliance with this sub-criterion, IN-RCG provided the following statements: “This project has no impact on either charges or payment, as reimbursement for kidney dialysis services is based on a prospective composite per diem rate”. [Application, p25]

The capital expenditure associated with the expansion of the Omak Dialysis Center is \$800,762, of which 54% is related to construction, 32% for both fixed and moveable equipment; and the

remaining 14% is related to fees and taxes. The capital cost breakdown is shown below. [Application, p25]

<b>Item</b>	<b>Cost</b>	<b>% of Total</b>
Equipment costs	\$255,200	32%
Construction	\$434,128	54%
Fees	\$60,649	8%
Sales Tax	\$50,785	6%
<b>Total Estimated Capital Costs</b>	<b>\$800,762</b>	<b>100%</b>

The department recognizes that the majority of reimbursements for dialysis services are through Medicare ESRD entitlements. To further demonstrate compliance with this sub-criterion, IN-RCG also provided the sources of patient revenue shown in the chart shown on the following page. [Application, p26]

<b>Source of Revenue</b>	<b>Percentage of Revenue</b>
Medicare	43%
State (Medicaid)	17%
Insurance/HMO	39%
<b>Total</b>	<b>100%</b>

As shown above, the Medicare and State (Medicaid) entitlements are projected to equal approximately 60% of the revenue at the Omak 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 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 not result in an unreasonable impact to the costs and charges for health care facilities. This sub-criterion is met.

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

As previously stated, the source of financing for this facility is IN-RCG’s cash reserves.

To further assure the department of appropriate financing, the applicant provided a letter from IN-RCG’s Controller for the Western Business Unit, stating “...the funds necessary for the Omak Dialysis Center’s expansion will come from Inland Northwest Renal Care Group, LLC’s cash reserves, not from any new or existing debt sources. As the balance sheets included ... demonstrate, current reserves are more than adequate to fund the project.” A similar letter from the Vice President of Sacred Heart Medical Center, as a minority owner of the facility, reaffirms the Controller’s statement. [Application, Exhibit 11] A review of IN-RCG’s historical financial statements of years 2003 through 2005, demonstrates the funds necessary to finance the project are available. [Application, Appendix 2]

Based on the information provided, the department concludes that the applicant has demonstrated that expansion of the Omak Dialysis Center will not adversely affect their financial stability. 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 the applicant has 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.*

To implement this project IN-RCG proposes to hire the equivalent of 3.30 new employees to the dialysis center through the first three full years of operation based on the projected number of patients in those years. The proposed changes for the first three years of operation are shown in Table 7, below:

**Table 7  
Omak Dialysis Center  
FTE Increases**

	<b>2007</b>	<b>Partial 2008</b>	<b>Year 1 2009</b>	<b>Year 2 2010</b>	<b>Year 3 2011</b>	<b>Total FTE's</b>
	Current	Increase	Increase	Increase	Increase	-
Medical Director	Professional Services Contract					
Nurse Manager	0.40	-0.20	0.00	0.00	0.00	0.20
Charge Nurse	0.00	0.40	0.10	0.10	0.15	0.75
Outpatient RN	2.50	-0.50	0.00	0.00	0.00	2.00
Patient Care Tech.	3.30	0.70	0.50	0.50	0.50	5.50
Operation Specialist	0.40	0.10	0.00	0.10	0.00	0.60
Social Worker	0.40	0.00	0.00	0.05	0.05	0.50
Dietitian	0.40	0.00	0.00	0.05	0.05	0.50
Secretary	0.00	0.00	0.25	0.15	0.10	0.50
Biomed	0.25	0.00	0.15	0.00	0.00	0.40
<b>Nursing Total</b>	<b>7.65</b>	<b>0.50</b>	<b>1.00</b>	<b>0.95</b>	<b>0.85</b>	<b>10.95</b>

A review of Table 7 illustrates the staffing changes, including the increase of Patient Care Technicians, who will nearly double in number, from 3.3 to 5.5 FTEs. IN-RCG notes that, under the news rules, expansion of the number of patients on a single shift (as opposed to adding additional shifts) does not require the additional nursing staff otherwise correlated with an expansion of this degree. The additional stations will lower the staffing to 12 shifts rather than the 18 currently required. The table also represents an increase in the position of Charge Nurse to offset the decreases in the Nurse Manager and Outpatient RN positions previously utilized.

No management positions will be added. IN-RCG notes that sharing administrative staff and regional level support staff, throughout IN-RCG's five Eastern Washington facilities, will provide the necessary support and will allow for temporary relocation of staff if unanticipated problems arise. [Application, p28]

The department concludes that the applicant has proposed a staffing plan that can reasonably be expected to be accomplished and that adequate staffing for dialysis center is either readily 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.

In response to this sub-criterion, IN-RCG noted that “As this project proposes the expansion of an existing unit, no change in the provision of health care services is planned. All existing formal and informal relationships will continue.” [Application, p29]

The applicant did not identify vendors for such services as hazardous waste disposal or laundry, but costs for these contracted services were identified in the applicant’s pro forma statements and appear to be consistent with similar applications reviewed by the department. The applicant also states that IN-RCG intends to continue the transfer agreement with Sacred Heart Medical Center for hospital care and support services. [Application, Exhibit 14]

The department concludes that the applicant currently has appropriate relationships with ancillary and support services and approval is not expected to affect those relationships negatively. This sub-criterion is 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.

As stated earlier, FMCH operates approximately 2,100 dialysis clinics worldwide, of which 1,500 are located in North America. Currently within Washington State, Fresenius or it’s subsidiaries, owns and operates thirteen 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 public<sup>8</sup>.

To accomplish this task, the department reviewed Washington State compliance surveys, in the most recent 6 years (since January 2001), recorded in the Department of Health’s Office of Health Care Survey (OHCS). As stated in the project description portion of this evaluation, Fresenius, through its subsidiaries RCGNW and QualiCenters, owns and/or operates the following thirteen kidney dialysis treatment facilities in Washington State:

<b>Facility Name</b>	<b>City/County Location</b>	<b># of stations</b>
Fresenius - Aberdeen	Aberdeen, Grays Harbor County	16
Fresenius - Chehalis	Chehalis, Lewis County	12
Fresenius - Ft. Vancouver	Vancouver, Clark County	24
Fresenius - Lacey	Lacey, Thurston County	25
Fresenius - Moses Lake	Moses Lake, Grant County	20
Fresenius - Northpointe	Spokane, Spokane County	24
Fresenius - Omak	Omak, Okanogan County	6
Fresenius - Salmon Creek	Vancouver, Clark County	16
Fresenius - Shelton	Shelton, Mason County	6
Fresenius - Spokane	Spokane, Spokane County	27
Fresenius - Valley	Spokane Valley, Spokane County	20
Columbia Basin Dialysis	Kennewick, Benton County	13
QualiCenters Walla Walla	Walla Walla, Walla Walla County	12

<sup>8</sup> WAC 246-310-230(5)

The Fresenius-owned or operated facilities in Washington have collectively been surveyed 25<sup>9</sup> times in the last six years. Ten of those surveys revealed no deficiencies. The Omak facility was surveyed in 2007 and revealed three patient care issues that were corrected. A previous survey of Ft. Vancouver also revealed potentially hazardous conditions that were promptly corrected by the applicant. The remaining 13 revealed minor non-compliance issues and the facilities submitted plans of corrections for the non-compliance issues within the allowable response time. [Compliance survey data provided by Office of Health Care Survey (OHCS)]

The Omak Dialysis Center has identified Curtis Wickre, MD, as its medical director under a contract provided in the application. A review of Dr. Wickre's compliance history with the Department of Health's Medical Quality Assurance Commission reveals no recorded sanctions. [Compliance history provided by Medical Quality Assurance Commission]

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

- (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.*

As cited above, the applicant noted that "As this project proposes the expansion of an existing facility, no change in the provision of health care services is planned. All existing formal and informal relationships will continue". The applicant continues, "With the expansion of our facility, we will continue to maintain all existing working relationships with other providers in our area, including; Mid-Valley Hospital in Omak, Valley Care Center in Okanogan and Trancare". [Application, p29]

The department also considered IN-RCG'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 Sacred Heart, 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 considers 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 9 additional dialysis stations in the Okanogan planning area. Within the application, IN-RCG demonstrated it met the standards to receive approval to add the needed stations.

Based on this information, the department concludes that approval of this project would promote continuity in the provision of health care for the planning area, and would not result in an

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<sup>9</sup> Omak, 2007 (three issues out of compliance – all met with acceptable corrective actions), 2004, 2001; Ft. Vancouver, 2006 (condition-level deficiency regarding water quality testing – acceptable plan of corrections submitted. Follow-up surveys indicate facility in substantial compliance) 2003, no def; QualiCenters Walla Walla, 2006, 2003, no def; Aberdeen, 2006 no def; Lacey 2001, 2000, 2004; Shelton, 2006 no def; Moses Lake, 2006 no def; Salmon Creek 2006, 2003, no def; Spokane Kidney Center 2005, 2004, 2002; Spokane Valley 2005, 2002, 2001; Northpointe 2005, 2002 no def; Chehalis 2002, 2005

unwarranted fragmentation of services. Further, IN-RCG demonstrated it has, and will continue to have, appropriate relationships to the service area's existing health care system within the planning area. This sub-criterion is 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.*

This subsection is addressed in sub section (3) of this evaluation. The department concludes that there is reasonable assurance that the services to be provided will ensure safe and adequate care to the public and in accord with applicable federal and state laws, rules and regulations. This sub-criterion is met.

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

Based on the source information reviewed, the department determines that the applicant has 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.*

In its application, IN-RCG notes that it considered and rejected two alternatives to the proposed project: Do nothing or undertake the project contained in this proposal.

The applicant discarded the first option as it would not result in any improvement in access to dialysis services for end stage renal disease patients residing in Okanogan County.

The second option was considered the most appropriate option by IN-RCG. It was determined that it was supported by the need methodology and would ensure station capacity to operate at 3.2 patients per shift. [Application, p30]

When applied, the result of the numeric methodology shows a need for 9 stations for year 2011. On that basis, the department concludes adding station capacity to the planning area is the best option at this time.

Further, Table 3 on page 5 of this evaluation shows that the only existing provider in the planning area was operating at 5.5 patients per station at March 31, 2007. This patient per station utilization is greater than the utilization standard of 3.2 patients per station, which also demonstrates that do nothing does not improve access.

Therefore, based on the information above, the department concurs with the applicant that adding stations to the planning area is the best available option for the community. This sub-criterion is met.

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

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

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 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.*

This sub-criterion is also 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.

# APPENDIX A