State of Washington
Department of Health

March 11, 2016

Certified Mail 7009 0960 0000 5565 0208

Richard Petrich, Vice President
Planning and Business Development
Franciscan Health System
1142 Broadway Suite 300
Tacoma, Washington 98402

CN15-29A

Dear Mr. Petrich:

We have completed the review of the Certificate of Need application submitted by CHI Franciscan Health System proposing to establish a three station dialysis facility in Federal Way within King County ESRD planning area #5. Enclosed is a written evaluation of the application.

For the reasons stated in this evaluation, the department has concluded that the project is not consistent with the Certificate of Need review criteria identified below, and a Certificate of Need is denied.

Need	WAC 246-310-210(2)
Financial Feasibility	WAC[1] 246-310-220
Cost Containment	WAC 246-310-240

This decision may be appealed. The two appeal options are listed below.

Appeal Option 1:
You or any interested or affected person may request a public hearing to reconsider this decision. The request must state the specific reasons for reconsideration in accordance with Washington

[1] Washington Administrative Code

Administrative Code 246-310-560. A reconsideration request must be received within 28 calendar days from the date of the decision at one of the following addresses:

Mailing Address:	Physical Address
Janis Sigman, Manager	Janis Sigman, Manager
Certificate of Need Program	Certificate of Need Program
Department of Health	Department of Health
Mail Stop 47852	111 Israel Road SE
Olympia, WA 98504-7852	Tumwater, WA 98501

Appeal Option 2:
You or any affected person with standing may request an adjudicative proceeding to contest this decision within 28 calendar days from the date of this letter. The notice of appeal must be filed according to the provisions of Revised Code of Washington 34.05 and Washington Administrative Code 246-310-610. A request for an adjudicative proceeding must be received within the 28 days at one of the following addresses:

Mailing Address:	Physical Address
Adjudicative Service Unit	Adjudicative Clerk Office
Mail Stop 47879	111 Israel Road SE
Olympia, WA 98504-7879	Tumwater, WA 98501

If you have any questions, or would like to arrange for a meeting to discuss our decision, please contact Janis Sigman with the Certificate of Need Program at (360) 236-2955.

Sincerely,

FOR Steven M. Saxe, FACHE
Director, Office of Community Health Systems

Enclosure

EXECUTIVE SUMMARY

EVALUATION DATED MARCH 11, 2016, FOR THE FOLLOWING CERTIFICATE OF NEED APPLICATIONS PROPOSING TO ADD DIALYSIS CAPACITY IN KING COUNTY ESRD PLANNING AREA #5

CHI-FRANCISCAN HEALTH SYSTEM IS PROPOSING TO ESTABLISH A THREE STATION DIALYSIS FACILITY

DAVITA HEALTHCARE PARTNERS, INC. IS PROPOSING TO ADD THREE KIDNEY DIALYSIS STATIONS TO THE EXISTING 13-STATION DAVITA FEDERAL WAY COMMUNITY DIALYSIS CENTER

BRIEF PROJECTS DESCRIPTIONS

CHI Franciscan Health System

Catholic Health Initiatives (CHI) is a not-for-profit entity and is the parent company of Franciscan Health System (FHS). CHI, through its subsidiary Franciscan Health System, owns or operates five dialysis centers in Washington. This amended application proposes to establish a three-station kidney dialysis facility to be located in the city of Federal Way within King County ESRD planning area #5.

The capital expenditure associated with the three stations dialysis facility is $892,539, and CHI-FHS portion of the cost associated with this project is $872,739. If this project is approved, CHI-FHS anticipates the new three station dialysis center would become operational in January 2017. Under this timeline, year 2017 would be the dialysis center first full calendar year of operation and year 2019 the third full year of operation. [Source: Amended Application, pages 7 & 8]

DaVita Healthcare Partners, Inc.

DaVita Healthcare Partners, Inc. (DaVita) is a private for-profit corporation incorporated in the state of Washington. DaVita provides dialysis services through its 38-dialysis centers located throughout Washington. DaVita proposes to add three stations to its existing 13-station DaVita Federal Way Community Dialysis Center located within the city of Federal Way in King County End Stage Renal Disease (ESRD) planning area #5. [Source: DaVita Application, pages 1 & 10]

The capital expenditure associated with the three station addition to the existing 13-station facility is $80,265. If this project is approved, DaVita anticipates all 16-stations would become operational by May 2016. Under this timeline, year 2017 would be the facility's first full calendar year of operation and year 2019 the third year of operation. [Source: DaVita Application, page 13]

APPLICABILITY OF CERTIFICATE OF NEED LAW

These two projects are subject to Certificate of Need (CN) review because they are either 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) or they increase the number of dialysis stations in a kidney disease treatment facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(h) and Washington Administrative Code (WAC) 246-310-020(1)(e).

Conclusion

CHI Franciscan Health System

For the reasons stated in this evaluation, the application submitted by CHI Franciscan Health System proposing to establish a three station dialysis facility within the city of Federal Way in King County ESRD planning area #5 is not consistent with the applicable criteria of Certificate of Need Program and a Certificate of Need is denied.

DaVita

For the reasons stated in this evaluation, the application submitted by DaVita Healthcare Partners, Inc., proposing to add three stations to its existing 13-station DaVita Federal Way Community Dialysis Center in King County ESRD planning area #5 is consistent with applicable criteria of the Certificate of Need Program, provided DaVita Healthcare Partners, Inc., agrees to the following in its entirety.

Project Description:

This certificate approves the addition of three kidney dialysis stations to the Certificate of Need approved thirteen-station DaVita Federal Way Community Dialysis Center. This facility is approved to certify and operate 16 stations. Services provided at DaVita Federal Way Community Dialysis Center include in-center hemodialysis, home hemodialysis, home peritoneal dialysis training and support for dialysis patients, a permanent bed station, an isolation station, and a shift beginning after 5:00 p.m. A breakdown of all stations at project completion is shown below:

Private Isolation Room	1
Permanent Bed Station	1
Other In-Center Stations	14
Total	**16**

Condition:

1. Approval of the project description as stated above. DaVita HealthCare Partners, Inc. further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.

Approved Costs:

The approved capital expenditure associated with this project is $80,265.

EVALUATION DATED MARCH 11, 2016, FOR THE FOLLOWING CERTIFICATE OF NEED APPLICATIONS PROPOSING TO ADD DIALYSIS CAPACITY IN KING COUNTY ESRD PLANNING AREA #5

- **CHI FRANCISCAN HEALTH SYSTEM PROPOSING TO ESTABLISH A THREE STATION KIDNEY DIALYSIS CENTER**

- **DAVITA HEALTHCARE PARTNERS, INC. PROPOSING TO ADD THREE KIDNEY DIALYSIS STATIONS TO THE EXISTING 13-STATION DAVITA FEDERAL WAY COMMUNITY DIALYSIS CENTER**

APPLICANTS DESCRIPTIONS

CHI Franciscan Health System

Catholic Health Initiatives (CHI) is a not-for-profit entity and the parent company of Franciscan Health System (FHS). In Washington CHI-FHS owns or operates a medical group and twelve healthcare facilities listed below: [Source: Application page 1 and Exhibit 1]

Hospitals
St. Elizabeth Hospital, Enumclaw
St. Clare Hospital, Lakewood
St. Frances Hospital, Federal Way
St. Joseph Medical Center, Tacoma

Dialysis Centers
St. Joseph Medical Center
Greater Puyallup Dialysis Center
Franciscan Eastside Dialysis Center
Franciscan South Tacoma Dialysis Center
St. Joseph Dialysis Center Gig Harbor

Ambulatory Surgery Center
Gig Harbor Ambulatory Surgery Center

Hospice Agency
Franciscan Hospice, Tacoma

Hospice Care Center
FHS Hospice Care Center

DaVita

DaVita is a for-profit corporation that provides dialysis services in over 2,197 outpatient centers located in 43 states and the District of Columbia. DaVita also provides acute inpatient dialysis services in approximately 720 hospitals throughout the country. In Washington State, DaVita owns or operates 38 kidney dialysis facilities in 17 separate counties. Below is a listing of DaVita facilities in Washington. [Source: DaVita Application, page 7]

Benton
Chinook Dialysis Center
Kennewick Dialysis Center

Chelan
Wenatchee Valley Dialysis Center

Pacific
Seaview Dialysis Center

Pierce
Graham Dialysis Center

Clark
Vancouver Dialysis Center
Battleground Dialysis Center

Douglas
East Wenatchee Dialysis Center

Franklin
Mid-Columbia Kidney Center

Island
Whidbey Island Dialysis Center

King
Bellevue Dialysis Center
Des Moines Dialysis Center
Federal Way Dialysis Center[2]
Kent Dialysis Center
Olympic View Dialysis Center (management only)
Westwood Dialysis Center
Redondo Heights Dialysis Center[3]
North Federal Way Dialysis Center

Kittitas
Ellensburg Dialysis Center

Stevens County
Echo Valley Dialysis Center
Lakewood Dialysis Center
Parkland Dialysis Center
Puyallup Dialysis Center
Tacoma Dialysis Center
Rainier View Dialysis Center

Snohomish
Everett Dialysis Center[1]
Mill Creek Dialysis Center

Spokane
Downtown Spokane Renal Center
North Spokane Renal Center
Spokane Valley Renal Center

Thurston
Olympia Dialysis Center
Tumwater Dialysis Center

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

Mason
Belfair Dialysis Center

Skagit
Cascade Dialysis Center

PROJECT DESCRIPTIONS

CHI Franciscan Health System

CHI-FHS proposes to establish a new three station dialysis facility in the city of Federal Way within King County Dialysis Planning Area #5. This facility would be known as Franciscan Federal Way Dialysis Center and it would provide in-center hemodialysis, home hemodialysis, home peritoneal dialysis training, a dedicated isolation station, and a permanent bed station. [Source: Amendment Application Page 7]

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[1] Refuge Dialysis, LLC ownership is 80% by DaVita and 20% by The Everett Clinic.
[2] CN#1528 approved the relocation of 12 stations from DaVita Federal Way Community Dialysis Center on 04/14/2014, as at the time of this evaluation, these stations are not yet operational.
[3] Not yet operational

The capital expenditure associated with this project is $892,539 CHI-FHS share of the cost is $872,739. If this project is approved, CHI-FHS anticipates all three stations would become operational in January 2017. Under this timeline, 2018 would be the facility's first full calendar year of operation and 2019 would be year three. [Source: Amendment Application Page 8] For ease of reference, Franciscan Health System is the applicant and it would be referred to as ("CHI FHS"), and the proposed three station dialysis facility would be referred to as ("Franciscan Federal Way")

DaVita Healthcare, Inc.

DaVita proposes to expand its existing 13-station DaVita Federal Way Community Dialysis Center located at 1015 South 348th Street within the city of Federal Way in King County ESRD planning area #5 by an additional 3-station. [Source: DaVita Application, page 1]

Services provided at DaVita Federal Way Community Dialysis Center include home peritoneal and home hemodialysis training, in center hemodialysis and peritoneal dialysis. The 16-dialysis stations that would be operational at the existing facility would include a permanent bed station, an isolation station, and a shift beginning after 5:00 p.m. [Source: DaVita Application, pages 2 and 10]

If this project is approved, DaVita anticipates the additional three stations would become operational in May 2016. Under this timeline, 2017 would be the facility's first full calendar year of operation with 16 stations. [Source: DaVita Application, page 13]

The capital expenditure associated with the three station addition is $80,265. All costs are associated with fixed and moveable equipment. [Source: DaVita Appendix 7] For ease of reference, DaVita, Inc., is the applicant and would be referred to as ("DaVita") and the dialysis facility as ("DaVita Federal Way")

APPLICABILITY OF CERTIFICATE OF NEED LAW

These projects are subject to Certificate of Need (CN) review because they either are 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) or they increase the number of dialysis stations in a kidney disease treatment facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(h) and Washington Administrative Code (WAC) 246-310-020(1)(e).

WAC 246-310-200(1)(a)-(d) identifies the four determinations that the department must make for each application. WAC 246-310-200(2) provides additional direction on how the department is to make its determinations. It states:

"Criteria contained in this section and in WAC 246-310-210, 246-310-220, 246-310-230, and 246-310-240 shall be used by the department in making the required determinations.

(a) In the use of criteria for making the required determinations, the department shall consider:

(i) The consistency of the proposed project with service or facility standards contained in this chapter;

(ii) In the event the standards contained in this chapter do not address in sufficient detail for a required determination the services or facilities for health services proposed, the department may consider standards not in conflict with those standards in accordance with subsection (2)(b) of this section; and

(iii) The relationship of the proposed project to the long-range plan (if any) of the person proposing the project".

In the event WAC 246-310 does not contain service or facility standards in sufficient detail to make the required determinations, WAC 246-310-200(2)(b) identifies the types of standards the department may consider in making its required determinations. Specifically WAC 246-310-200(2)(b) states:

"The department may consider any of the following in its use of criteria for making the required determinations:

(i) Nationally recognized standards from professional organizations;

(ii) Standards developed by professional organizations in Washington State;

(iii) Federal Medicare and Medicaid certification requirements;

(iv) State licensing requirements;

(v) Applicable standards developed by other individuals, groups, or organizations with recognized expertise related to a proposed undertaking; and

(vi) The written findings and recommendations of individuals, groups, or organizations with recognized expertise related to a proposed undertaking, with whom the department consults during the review of an application".

WAC 246-310-280 through 289 contains service or facility specific criteria for dialysis projects and must be used to make the required determinations.

To obtain Certificate of Need approval, an 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); and 246-310-240 (cost containment). Additionally, the applicant must demonstrate compliance with applicable kidney disease treatment center criteria outlined in WAC 246-310-280 through 288.[4]

Department response to CHI-FHS public comment regarding the program evaluation of 246-310-210

CHI-FHS stated, the program must consider the requirements of WAC 246-310-210 and not relegate it to tiebreaker analysis. Evaluation of all CN applications should include consideration of "*the extent to which the proposed services will be accessible to all residents of the planning area to be served*". Despite this fact, the program does not consider access and availability, but relegates this requirement to tiebreaker analysis. The Program tends to not consider enhanced access and availability under WAC 246-310-210, but only when applying tiebreaker analysis in WAC 246-310-288(2) (c).

[4] Each criterion contains certain sub-criteria. The following sub-criteria are not discussed in this evaluation because they are not relevant to either project: WAC 246-310-210(3), (4), (5), and (6); and WAC 246-310-286, 287, and 289.

The department disagrees with CHI-FHS comments that the program does not consider access and availability in its required analysis under 246-310-210. WAC 246-310-210*(1)* states, *"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."*

This WAC goes on to say *"The assessment of the conformance of a project with this criterion shall include, but need not be limited to, consideration of the following: "(b) In the case of health services or facilities proposed to be provided, the efficiency and appropriateness of the use of existing services and facilities similar to those proposed."*

WAC 246-310-210*(2)* states, *"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. The assessment of the conformance of a project with this criterion shall include, but not be limited to, consideration as to whether the proposed services makes a contribution toward meeting the health-related needs of members of medically underserved groups which have traditionally experienced difficulties in obtaining equal access to health services, particularly those needs identified in the applicable regional health plan, annual implementation plan, and state health plan as deserving of priority. Such consideration shall include an assessment of the following:*

(a) The extent to which medically underserved populations currently use the applicant's services in comparison to the percentage of the population in the applicant's service area which is medically underserved, and the extent to which medically underserved populations are expected to use the proposed services if approved;

(b)....

(c) The extent to which Medicare, Medicaid, and medically indigent patients are served by the applicant;"

The program has consistently evaluated the criteria in WAC 246-310-210 (1) using the published standards in WAC 246-310-284 (1) through (5). WAC 246-310-210 (1) has two parts that require evaluation. The first part is determining if the population has need for the project. WAC 246-310-284 (1) through (4) creates the methodology used in projecting if a planning area has unmet need. In King County ESRD planning #5, the projection showed 15 additional people would likely need dialysis services by year 2018. The second part of WAC 246-310-210 (1) requires an evaluation if other services and facilities of the type proposed are not or will not be sufficiently available or accessible to meet that need. WAC 246-310-210 (1) (b) provides insights into how the second part of this sub criteria should be evaluated "In the case of health services or services proposed to be provided, the efficiency and appropriateness of the use of existing services and facilities similar to those proposed".

To make this determination the program uses the standard in WAC 246-310-284 (5) "Before the department approves new in-center kidney dialysis stations, all certificate of need approved stations in the planning area must be operating at 4.8 in-center patients per station 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. For these exception planning areas, all certificate of need approved stations in the planning area must be operating at 3.2 in-center patients per station. Both resident and nonresident patients using the dialysis facility are included in this calculation. Data used to make this calculation must be from the most recent quarterly modality report or successor report from the Northwest Renal Network as of the first day of the application submission period."

In the King 5 planning area, the standard is 4.8 patients per station. The 4.8 patients per station represents 80% of the maximum number of patients the can receive dialysis per station in a facility that operates three patient shifts. Meeting this standard indicates that the facility is effective and appropriately serving the population, but is also approaching an occupancy level where stations are not or will not be sufficiently available to meet future need.

Under WAC 246-310-210, (2), (a), and (c) the department has consistently evaluated if all residents of the service area will have access to the proposed project. Consistently the department relies on applicant's charity care policies, admission policies, Medicare/Medicaid certification and testing their commitment and plans to serve all the unmet need by evaluating the criteria in WAC 246-310-284 (6). The program verifies the financial projections provided by applicants reflect provision of charity care, and the acceptance of both Medicare and Medicaid patients. One purpose of the standard in WAC 246-310-284 (6) is to assess the commitment of the applicant's willingness to serve the entire population of patients that supported the station need projections in WAC 246-310-284 (1) through (4).

TYPE OF REVIEW

As directed under WAC 246-310-282(1) the department accepted this project under the year 2015 Kidney Disease Treatment Centers-Concurrent Review Cycle #2. Below is a chronologic summary of the project.

APPLICATIONS CHRONOLOGY

Action	CHI-FHS	DaVita
Letter of Intent Submitted	April 30, 2015	April 30, 2015
Application Submitted	May 29, 2015	May 29, 2015
Amended Application Received	June 29, 2015	N/A
Department's pre-review Activities • Department 1st Screening Letter • Applicant Response to 1st Screening Letter	 August 20, 2015 September 20, 2015	 August 20, 2015 September 21, 2015
Beginning of Review	October 6, 2015	
End of Public Comment • No public hearing conducted • Public comments accepted through end of public comment	December 7, 2015	
Rebuttal Comment Received	January 6, 2016	
Department's Anticipated Decision Date	February 22, 2016	
Department's Actual Decision Date	March 11, 2016	

AFFECTED PERSONS

Washington Administrative Code 246-310-010(2) defines "affected person as:
"...an "interested person" who:
(a) Is located or resides in the applicant's health service area;
(b) Testified at a public hearing or submitted written evidence; and
(c) Requested in writing to be informed of the department's decision."

Washington Administrative Code 246-310-010(34) defines "interested persons" means:
(a) The applicant;
(b) Health care facilities and health maintenance organizations providing services similar to the services under review and located in the health service area;
(c) Third-party payers reimbursing health care facilities in the health service area;
(d) Any agency establishing rates for health care facilities and health maintenance organizations in the health service area where the proposed project is to be located;
(e) Health care facilities and health maintenance organizations, which, in the twelve months prior to receipt of the application, have submitted a letter of intent to provide similar services in the same planning area;
(f) Any person residing within the geographic area to be served by the applicant; and
(g) Any person regularly using health care facilities within the geographic area to be served by the applicant.

Interested Persons

No other person other than the applicants met the definition of an interested person under WAC 246-310-010(34).

SOURCE INFORMATION REVIEWED

- Franciscan Health System amended Certificate of Need application submitted June 29, 2015
- DaVita Healthcare Center Certificate of Need application submitted April 30, 2015
- Franciscan Health System Supplemental Information received September 21, 2015
- DaVita Healthcare Center Inc., Supplemental Information received September 21, 2015
- Public comments received during the review
- Franciscan Health System public comments received December 7, 2015
- DaVita Healthcare, Inc., public comments received December 4, 2015
- Franciscan Health System rebuttal comments received January 6, 2016
- DaVita Healthcare Inc., rebuttal comments received January 6, 2016
- Years 2010 through 2014 historical kidney dialysis data obtained from the Northwest Renal Network
- Year 2014 Northwest Renal Network 4th Quarter Data
- Licensing and survey data provided by the Department of Health's Investigations and Inspections Office
- Certificate of Need historical files

- Medicare.gov—Dialysis Facility Compare
- Google.com/maps

Conclusion

CHI Franciscan Health System

For the reasons stated in this evaluation, the application submitted by Franciscan Health System proposing to establish a three station dialysis facility in Federal Way within King County ESRD planning area #5 is not consistent with applicable criteria and a Certificate of Need is denied.

DaVita

For the reasons stated in this evaluation, the application submitted by DaVita Healthcare Partners, Inc., proposing to add three stations to its existing 13-station DaVita Federal Way Community Dialysis Center in King County ESRD planning area #5 is consistent with applicable criteria of the Certificate of Need Program, provided DaVita Healthcare Partners, Inc., agrees to the following in its entirety.

Project Description:

This certificate approves the addition of three kidney dialysis stations to the Certificate of Need approved thirteen-station DaVita Federal Way Community Dialysis Center. This facility is approved to certify and operate a total of 16-stations. Services provided at DaVita Federal Way Community Dialysis Center include in-center hemodialysis, home hemodialysis, home peritoneal dialysis training and support for these dialysis patients, a permanent bed station, an isolation station, and a shift beginning after 5:00 p.m. A breakdown of all stations at project completion is shown below:

Private Isolation Room	1
Permanent Bed Station	1
Other In-Center Stations	14
Total	**16**

Condition:

1. Approval of the project description as stated above. DaVita HealthCare Partners, Inc. further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.

Approved Costs:

The approved capital expenditure associated with this project is $80,265.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210 and WAC 246-310-284)

Based on the source information reviewed the department concludes CHI Franciscan Health System project has not met the need criteria in WAC 246-310-210, and

Based on the source information reviewed and agreement to the conditions identified in the "Conclusion" section of this evaluation, the department concludes: DaVita, Inc.'s., project has met the need criteria in WAC 246-310-210 and the kidney disease treatment facility methodology and standards in 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 requires the department to evaluate kidney disease treatment center applications based on the populations need for the service and determine whether other services and facilities of the type proposed are not, or will not, be sufficiently available or accessible to meet that need as required in WAC 246-310-210(1). The kidney disease treatment center specific numeric methodology applied is detailed under WAC 246-310-284(4). WAC 246-310-210(1) criteria is also identified in WAC 246-310-284(5).

Numeric need methodology

WAC 246-310-284(1)(2)(3)(4)(d) contains the methodology for projecting numeric need for dialysis stations within a planning area. This methodology 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.[5]

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.[6] 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.

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[5] 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 (NWRN) 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]

[6] WAC 246-310-280 defines base year as "the most recent calendar year for which December 31 data is available as of the first day of the application submission period from the Northwest Renal Network's Modality Report or successor report." For these projects, the base year is 2014.

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 NWRN data, again concluding with the base year. [WAC 246-310-284(4)(b) and (c)]

WAC 246-310-284(3) 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 and the result is the net need for the planning area. [WAC 246-310-284(4)(d)]

CHI-FHS Application of the Numeric Methodology

CHI-FHS proposes to establish a three station dialysis facility in the city of Federal Way within King County ESRD planning area #5. Based on the calculation of the annual growth rate in the planning area as described above, CHI-FHS used a linear regression to project need. Given that proposed Franciscan Federal Way Dialysis Center would be located in King County ESRD planning area #5, the number of projected patients was divided by 4.8 to determine the number of stations needed in the planning area. [Source: Amended Application, Page 18]

DaVita Application of the Numeric Methodology

DaVita proposes to add three stations to its existing 13-station DaVita Federal Way Community Dialysis Center. Based on the calculation of the annual growth rate in the planning area as described above, DaVita used the same linear regression to determine planning are need. The number of projected patients was divided by 4.8 to determine the number of stations needed in the planning area. [Source: DaVita Application, Pages 18-19]

Department 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 for King County ESRD planning area #5. The department also divided the projected number of patients by 4.8 to determine the number of stations needed as required under WAC 246-310-284(3). The table below shows the summary of the projected net need provided by the applicants and the department for King County ESRD planning area #5.

Table 1
King County ESRD planning area #5
Numeric Need Methodology Summaries of Projected Net Station Need

	4.8 in-center patients per station		
	2018 Projected # of stations	**Minus Current # of stations**	**2018 Net Need**
Franciscan Federal Way	28	25	3
DaVita Federal Way	28	25	3
DOH	28	25	3

When comparing both applicant's projections with the department's projection as shown in Table 1, it shows that they all match. As a result, the net station need for King County ESRD planning area #5 is three by year 2018.

Availability and accessibility of existing facilities

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 purpose of this standard is to assist with evaluation of the availability and accessibility of existing providers as required in WAC 246-310-210(1). It requires that the population to be served has need for the project and facilities of the type proposed are not or will not be sufficiently available or accessible to meet that need, when they are operating at or above the required standard. The most recent quarterly modality report, or successor report, from the Northwest Renal Network (NWRN) as of the first day of the application submission period is used to calculate this standard. The first day of the application submission period for these projects is April 1, 2015. [WAC 246-310-282] The quarterly modality report from NWRN available at that time was December 2014. For King County ESRD planning area #5, there are twenty five stations available. The table below shows the utilization of the existing twenty five dialysis stations in the planning area.

Table 2
NWRN Facility Utilization Data

Facility Name	**# of Stations**	**# of Pts.**	**Pts./Station**
DaVita – Federal Way	25	128	5.1
DaVita North Federal Way (Redondo Heights)	0[7]	0	0

As shown in Table 2 above, DaVita Federal Way is operating above the required standard. Therefore, it is not or will not be sufficiently available or accessible to meet that need.

The department received public comments from CHI-FHS related to this sub criterion. Summarized below are the comments by CHI-FHS.

[7]The 12- stations approved by CN#1528 to be relocated to this facility are still being counted as available capacity at DaVita Federal Way Community Dialysis Center until DaVita North Federal Way (Redondo Heights) becomes operational.

CHI-FHS [Source: Public comments received December 7, 2015]

- Several CHI-FHS dialysis patients residing in King County ESRD planning area #5 must travel to Tacoma to receive vascular access surgery and dialyze at St. Joseph Medical Center in Tacoma in Pierce County planning area #4.

- In 2014, DaVita secured a CN approval to relocate 12 stations to a new site within the same planning area, and construction of the facility has been completed but it is has not yet relocated the stations to the new site. DaVita's rationale for the project was to improve patient's access in the planning area.

In response to CHI-FHS comments, DaVita provided rebuttal comments summarized below

DaVita [Source: Rebuttal comments received January 6, 2016]

- CHI-FHS claimed that several planning area residents requiring vascular access surgery must leave the planning area to dialyze at St. Joseph Medical Center located in Tacoma within Pierce County planning area #4. As CHI-FHS clarified in its screening responses, only three vascular access surgeries in total were performed on King County residents at CHI-FHS St. Joseph's Medical Center within the past year. Besides, there is no reason that a patient cannot receive vascular access surgery at CHI-FHS St. Francis Hospital located in Federal Way and dialyze at DaVita Federal Way.

- The CHI-FHS project does not increase access to hospital related services because DaVita Federal Way is located across the street from CHI-FHS St. Francis Hospital in Federal Way. Such patients dialyzing at DaVita Federal Way have excellent hospital access at St. Francis. In addition, because CHI-FHS proposed facility would be located about half mile from DaVita Federal Way, both facilities would be equal distance from St. Joseph Medical Center in Tacoma.

- CHI-FHS argued that its project would improve patient access because DaVita is unable to complete certain construction projects and relocate stations timely. DaVita's project is proposing to add stations and not relocate stations. Even if CHI-FHS allegations regarding how long DaVita takes to relocate stations, it is not relevant to this application.

Department Evaluation

CHI-FHS argued that its proposed three station facility would improve patient access because DaVita's previous application to construct a 12-station facility and relocate stations from the DaVita Federal Way facility is not yet operational despite the department approving the relocation of stations in 2014. CHI-FHS propose to establish a three-station facility that would be located less than a mile from an existing facility and claimed that the new facility would improve patient's access. According to Google Maps, it would take anywhere from 8 minutes to 10 minutes for anyone to walk from DaVita Federal Way to the proposed CHI-FHS Federal Way. The driving time from one facility to the other is three minutes. Given the shorter distance between the two facilities, it would appear that the proposed CHI-FHS Federal Way facility

would not improve patient access, but in essence, it would add more stations in the planning area. Both the applicants and the department agreed that the methodology shows need in the planning area. The department concludes **both CHI-FHS and DaVita met this sub-criterion.**

(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.

CHI-FHS

As previously stated, CHI-FHS currently provides health care services to residents of Washington State. As a dialysis facility, the applicant participates in the Medicare and Medicaid programs. 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 their 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. The admission policy must also include language to ensure all residents of the service area would have access to services. This is accomplished by providing an admission policy that states patients will be admitted without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status.

To demonstrate compliance with this sub-criterion, CHI-FHS provided a copy of its Patient Admission Policy that is currently used at its facilities. The Patient Admission Policy outlines the process/criteria that Franciscan Eastside will use to admit patients for treatment, and ensures that patients will receive appropriate care at the dialysis center. The Patient Admission Policy also states that any patient with end stage renal disease needing chronic hemodialysis will be accepted for treatment at the facility without regard to race, creed, or religion, color, age, sex, disability, national origin, and/or sexual orientation. [Source: Amended Application, Exhibit 9]

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.

CHI-FHS currently provides services to Medicaid eligible patients at its existing dialysis centers and other health care facilities. It expects to also provide services to these patients at the proposed dialysis facility. A review of the anticipated revenue indicates Franciscan Federal Way expects to receive Medicaid reimbursements. [Source: Amended Application page 3, Exhibits 9 and 10]

CHI-FHS currently provides services to Medicare eligible patients at its existing dialysis centers and other health care facilities. A review of the anticipated revenues indicates that Franciscan Federal Way expects to receive Medicare reimbursements. [Source: Amended Application, and Exhibit 10]

CHI-FHS demonstrated its intent to provide charity care to King County ESRD planning area #5 residents by submitting its current Uninsured/Underinsured Patient Discount Policy that outlines the process one would use to access services when they do not have the financial resources to pay for required treatments. CHI-FHS also included a 'charity care' line item as a deduction from revenue within its projected pro forma income statement[8]. [Source: Amended Application, Exhibits 9 and 10]

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. One purpose of this standard is to assist in determining if all residents will have access to the proposed facility. For King County ESRD planning area #5, the requirement is 4.8 in-center patients per approved station. [WAC 246-310-284(6)] As a result, CHI-FHS must demonstrate compliance with this criterion using the 4.8 in-center patient per station.

CHI-FHS anticipates the three stations would become operational in January 2017. Under this timeline, year 2017 would be the facility's first full calendar year of operation and 2019 would be year three. A summary of CHI-FHS projected utilization for the third year of operation is shown in Table 3 below. [Source: Amended Application, Exhibit 10, Page 132]

Table 3
CHI-Franciscan Federal Way - Third Year Projected Utilization

Facility Name	Year 3	# of Stations	# of Pts.	Pts./Station
Franciscan Federal Way	2019	3	17	5.7

As shown in Table 3, CHI Franciscan Federal Way is expected to exceed this standard. The department received public comments from DaVita related to this sub criterion. Summarized below are the comments by DaVita.

DaVita [Source: Public comments received December 4, 2015]

CHI-FHS claimed that it would attract four patient residents in Browns Point zip code (98422) located in Pierce County planning area #4. CHI-FHS did not present a credible reason why these patients would choose to switch dialysis facilities and start going to a proposed facility in King County ESRD planning area #5. CHI-FHS screening responses argued that some of its patients who live in Browns point must travel the length of State Route 509 through Federal Way in order to get to CHI-FHS St. Joseph Medical Center located in Pierce County. This is unreasonable to assume high volume migration from Pierce County to King County.

In response to DaVita's comments, CHI-FHS provided rebuttal comments summarized below.

[8] The department acknowledges that the Affordable Care Act will likely have a long-term impact on the amount of charity care provided by facilities. The regional average used to measure an applicant's compliance with the charity care standard is a self-correcting three year rolling average. The department expects the applicant to make documented reasonable efforts to meet that level of charity care

CHI-FHS [Source: Rebuttal comments received January 6, 2016

- It is reasonable for CHI-FHS to assume that patient volume from adjacent Browns Point (a Pierce County zip code) would use the proposed facility. CHI-FHS has cared for anywhere from two to four patients that reside in zip code 98422. State Route 509 has congested traffic patterns and is accident-prone. For patients in zip code 98422 access to the proposed CHI-FHS facility would be convenient.

- As of September 2015, CHI-FHS has five dialysis patients who reside in the planning area, but travel to CHI-FHS facilities in Pierce County for dialysis. This census used to be three patients but now it is higher. In addition, there are four dialysis patients residing in zip code 98422 (Browns Point) located in Pierce County planning area #4 who dialyze at CHI-FHS facilities in Pierce County. Although this zip code is located in Pierce County, it is adjacent to Federal Way in King county and because of traffic patterns, residents must travel through Federal Way to get to CHI-FHS facilities in Pierce County.

Department Evaluation

CHI-FHS asserted that some dialysis patients travel from Browns Point located in Pierce County planning area 4 through Federal Way in King County planning area #5 to use its facilities in Tacoma located in Pierce County planning area #4. Therefore, a CHI-FHS facility in Federal Way may improve access for these dialysis patients. It is not unreasonable for CHI-FHS to expect some in-migration to support their patient projections. Based on the projection of serving 5.7 patients per station, and validation of CHI-FHS commitment to charity care, Medicare and Medicaid certification and their admissions policies, it is reasonable to conclude CHI-FHS represented it will serve all residents of the planning area.

Within the application, CHI-FHS proposes that it will use one of the three stations for patient isolation. CHI-FHS projected that it would serve 17 patients in year 2019, its third year of operation. Given that CHI-FHS intends to use one of the three stations for patient's isolation (for example, if one patient needed isolation because of Hepatitis B), the three station facility would only have two stations available to treat all non-isolation patients receiving treatment at the facility. Based on CHI-FHS third year projections of 17 patients, if one or two patients required isolation the remaining 15-16 patients would need to receive services in the remaining two stations available for non-isolation patients.

As a result, the patient utilization for the two stations would be 7.5 to 8 patients per station or 97 to 100 % capacity of two stations running four shifts per day. Without the fourth shift, CHI-FHS facility would not be available to all residents of the planning area. The department review of any of the support documentation provided by CHI-FHS within its application did not show the need to run a fourth shift in order to accommodate the projected patient volume.

Based on the review of CHI-FHS application, the department concludes that all residents of King County planning area #5 including underserved groups are not likely to have adequate access to healthcare services proposed by CHI-FHS. **This sub-criterion is not met.**

DaVita

As previously stated, DaVita currently provides health care services to residents of Washington State. To determine whether all residents of the King County ESRD planning area #5 would continue have access to healthcare services, the department requires applicants to provide a copy of current or proposed admission policies. 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. The admission policy must also include language to ensure all residents of the service area would have access to services. This is accomplished by providing an admission policy that states patients would be admitted without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status.

To demonstrate compliance with this sub-criterion, DaVita provided a copy of its current policy for Accepting Patients for Treatment that is currently used in its facilities. The policy outlines the process/criteria that DaVita facilities use to admit patients for treatment and ensures that patients will continue to receive appropriate care at DaVita Federal Way. The policy also states that any patient with end stage renal disease needing chronic hemodialysis will be accepted for treatment at DaVita facilities without regard to race, color, nation origin, sex, age, religion, or disability. [Source: DaVita Application, Appendix 14]

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.

DaVita currently provides services to Medicaid eligible patients in King County ESRD planning area #5. It expects to continue to provide services to patients at DaVita Federal Way. A review of the anticipated revenue indicates that DaVita Federal Way expects it will continue to receive Medicaid reimbursements. [Source: DaVita Application page 8 and Appendix 9]

DaVita currently provides services to Medicare eligible patients in King County ESRD planning area #5. It expects to continue to provide services to those patients. A review of the anticipated revenues indicates that DaVita Federal Way expects to continue receiving Medicare reimbursements. [Source: DaVita Application page 8 and Appendix 9]

DaVita demonstrated its intent to continue to provide charity care to King County ESRD planning area #5 residents by submitting the 'Indigent Care Policy' currently used within its facilities. It outlines the process one would use to access services when they do not have the financial resources to pay for required treatments. DaVita also included a 'charity care' line item as a deduction from revenue within its projected pro forma income statement[9]. [Source: DaVita Application, Appendix 9 and 14]

[9] The department acknowledges that the Affordable Care Act will likely have a long-term impact on the amount of charity care provided by facilities. The regional average used to measure an applicant's compliance with the charity

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. One purpose of this standard is to assist in determining if all residence will have access to the proposed facility. For King County ESRD planning area #5, the requirement is 4.8 in-center patients per approved station. [WAC 246-310-284(6)] As a result, DaVita must demonstrate compliance with this criterion using the 4.8 in-center patient per station.

DaVita anticipates the additional three stations would become operational by the end of May 2016. Under this timeline, year 2017 would be the existing facility's first full calendar year of operation with 16 stations and 2019 would be year three. A summary of the projected utilization for the third year of operation is shown in Table 4. [Source: DaVita Application, page 13 and supplemental information received September 21, 2015, Appendix 9]

Table 4
DaVita – Federal Way Third Year Projected Utilization

Facility Name	Year 3	# of Stations	# of Pts.	Pts./Station
DaVita-Federal Way	2019	16	85	5.31

As shown in Table 4, DaVita Federal Way is expected to exceed this standard. The department received public comments from CHI-FHS related to this sub criterion. Summarized below are the comments by CHI-FHS.

CHI-FHS [Source: Public comments received December 7, 2015]

- Letters of support from CHI-FHS patients show preference for another provider. At least one patient without insurance indicated leaving the planning area in order to receive dialysis because DaVita is unwilling to provide free care. CHI-FHS is a non-profit mission organization with a history of providing services that meet the healthcare needs of patients residing in its service areas. CHI-FHS has long experienced that DaVita refers patients who lack insurance or those patients whose reimbursement does not cover all the costs required for treatments to CHI-FHS's facilities. Therefore, by introducing a new provider in King County ESRD planning area #5, access is likely to be enhanced.

In response to CHI-FHS public comments, DaVita provided rebuttal comments. Those comments are summarized below.

DaVita [Source: Rebuttal comments received January 6, 2016]

- CHI-FHS argued the proposed project would improve access because it would accept uninsured patients and DaVita does not. DaVita notes that neither CHI-FHS nor the patient identifies which other dialysis providers were contacted. DaVita accepts uninsured patients and currently provides dialysis to uninsured ESRD patients in Washington. CHI-FHS's

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care standard is a self-correcting three year rolling average. The department expects the applicant to make documented reasonable efforts to meet that level of charity care

assertions that it is the only dialysis provider that treats uninsured patients is not true and other providers in King County would dispute these assertions.

- CHI-FHS's suggestion that it is the only dialysis provider who treats uninsured patients is not true because King County's largest provider NKC would dispute that claim. Both CHI-FHS and DaVita accept uninsured patients.

Department Evaluation

CHI-FHS asserted that it has long experienced that DaVita refers patients who lack insurance or those patients whose reimbursements does not cover all treatments costs to its facilities. The department notes that CHI-FHS did not provide documentation to support its assertions. Within DaVita's application, documents provided demonstrated DaVita's intent to continue to provide charity care to the residents of King County ESRD planning area #5. DaVita submitted its Indigent Care Policy currently used at facilities it owns or operates in Washington. The department review of the Indigent Care Policy shows that it outlines the process dialysis patients would use to access services when they lack the financial resources to pay for treatments. A review of DaVita's projected pro forma income statement shows that it included 'charity care' as revenue deduction line item in the pro forma income statement and intends to continue serving Medicare and Medicaid patients.

Based on the review of DaVita's application, the department concludes that all residents of King County ESRD planning area #5 including underserved groups have access and would continue to have access to the proposed healthcare services provided at the exiting DaVita Federal Way facility. **This sub-criterion is met**

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

Based on the source information reviewed the department concludes: CHI Franciscan Health Systems has not met the financial feasibility criteria in WAC 246-310-220 and,

Based on the source information reviewed and agreement to the conditions identified in the "Conclusion" section of this evaluation the department concludes: DaVita, Healthcare, Inc. 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.

WAC 246-310 does not contain specific WAC 246-310-220(1) financial feasibility criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what the operating revenues and expenses should be for a project of this type and size. Therefore, using its experience and expertise the Department evaluates if the applicant's pro forma income statements reasonably project the proposed project is meeting its immediate and long-range capital and operating costs by the end of the third complete year of operation.

CHI-FHS

As stated in the project description portion of this evaluation, if this project is approved, CHI-FHS anticipates the three new stations would become operational by the end of January 2017. Under this timeline, calendar year 2019 would be the three station facility's third full year of operation. [Source: Amended Application, page 10 and Exhibit 10] The table below summarizes that information.

Table 5
CHI-Franciscan Federal Way
Projected Revenue and Expenses Calendar Years 2017 - 2019[10]

	Year – 2017	Year – 2018	Year – 2019
# of Stations	3	3	3
# of Treatments [1]	1,404	2,184	2,652
# of Patients [2]	9	14	17
Utilization Rate [2]	3.0	4.7	5.7
Net Revenue [1]	$760,501	$1,175,523	$1,451,466
Total Operating Expense [1,3]	$802,743	$1,138,564	$1,384,119
Net Profit or (Loss) [1]	-$42,242	$36,959	$67,347

[1] Include in-center patients only; [2] in-center patients only; **[3]** includes bad debt, charity care, depreciation and amortization and allocated costs

As shown in Table 5, Franciscan Federal Way would be operating at a loss during the first full year of operation and becomes profitable beginning the second and third full years of operation. CHI-FHS provided a draft lease agreement identifying the proposed Franciscan Federal Way site. The draft lease agreement is between St. Francis Medical Association ("Landlord") and Franciscan Health System ("Tenant"). [Source: Amended Application, Exhibit 8]

The department received public comments from DaVita related to this sub criterion. Summarized below are the comments provided by DaVita.

DaVita [Source: Public comments received December 4, 2015]

- CHI-FHS projects that its facility will be treating 17 patients by the third full year (2019). This means a utilization rate of 5.7 in-center patients per station. It is clear that CHI-FHS had to project this near maximum-capacity figure just to show a very slight third-year profit of $67,347. If CHI-FHS treats 16 patients in year 2019, just one patient fewer than it currently projects, the project would not be financially viable given its projected net revenue of $1,451,465. On a patient basis, CHI-FHS projected that each patient admitted for treatment at the facility would result in $85,380 of its net revenue ($1,451,465 / 17). If CHI-FHS had projected treating 16 patients by the third year of operation, the project would be operating at a loss ($67,347 - $85,380 equals $18,033).

[10] Whole numbers may not add due to rounding.

- CHI-FHS claimed that the new facility would attract 13 new patients from the planning area plus an additional four patients from zip code 98422. This zip code is located in Pierce County planning area #4, but CHI-FHS believes that it would attract patients who live in that zip code because some of them currently use State Route 509 in order to receive healthcare services at CHI-FHS St Joseph located in Tacoma within Pierce County. DaVita believes this assumption is not correct because this route travels through Federal Way where DaVita Federal Way is located.

- In 2014, King County ESRD planning area #5 had 122 patients. In 2019, the methodology projects 133 patients using CHI-FHS calculations. DaVita estimates there would be only 11 new patients in the King 5 planning area (i.e., 133 patients-122 patients). Assuming that in year 2019, the planning area would have 11 new patients, it is not certain that CHI-FHS would attract all the new patients because the new patients would be able to choose from three other facilities. In order for CHI-FHS to assume that it would treat 17 patients, it must assume that it will attract all new patients and there will be significant in-migration of patients from the other planning area to its facility.

- CHI-FHS failed to document site control consistent with CN program requirement. CHI-FHS provided an unexecuted lease agreement between St. Francis Medical Center Associates (landlord) and FHS (tenant). In screening, it submitted the executed ground lease between St. Joseph Health Services and St. Francis Medical Center Associates executed in 1986. Per the agreement, St. Francis Medical Center Associates has title to the building in which the applicant proposes to site the facility. Therefore, a lease agreement between FHS the applicant and Franciscan Medical Center Associate is required.

In response to DaVita's public comments, CHI-FHS provided rebuttal comment summarized below.

CHI-FHS [Source: Rebuttal comments received January 6 2016]

- CHI-FHS projections are financially feasible with only 16 patients. DaVita erroneously argues that if CHI-FHS has only 16 patients, it will not be financially feasible. This is simply not accurate. DaVita used the total net revenue for both in-center and home patients but only divided the revenue by the in-center patient count resulting in inflated net revenue per patient of $85,380. If it used the correct number of patients (21), the net revenue is reduced to $65,806. Making no adjustment to expenses, the third year profit is $1,541. If the correct number of patients and other per treatment expenses (indirect allocation and health insurance premiums) is taken into account, this would result in a positive bottom line of $32,535.

- CHI-FHS utilization projections are reasonable and attainable because CHI-FHS did not assume that 100% of new King 5 patients would dialyze at the proposed facility, but CHI-FHS assumed a reasonable level of in-migration. As stated in our screening responses, DaVita Federal Way always had a higher patient census than the number of the planning area patients.

- In its 2014 application to relocate stations, DaVita assumed that, during the third year of operation, the new facility would be operating at 6.0 patients per station. The utilization projections in that application proposed a net gain of 22 patients by year 2019, which is 29% more than the CHI-FHS application is projecting and 18 patients more than reside in the planning area. The department has a history of allowing reasonable in-migration in estimating facility specific volumes.

- CHI-FHS has documented site control consistent with CN program requirements. DaVita argued that because an executed lease agreement was not provided with the application, that site control was not demonstrated. This is not accurate because the CN program has consistently accepted draft lease agreements.

Department Response

A CHI-FHS assertion that it could treat 17 patients during its third year of operation with three dialysis stations was discussed earlier under the need criteria in this evaluation. While the program agrees it is reasonable for CHI-FHS to assume some in-migration to support their 17 patients per station projection, it may be difficult to achieve. If one of the 17 patients should require isolation because of Hepatitis B, for example, and receives services at this facility, the remaining 16 patients would need to be treated in the remaining two stations. This could only be done by operating a fourth patient shift. There is no representation or supporting financial information in the CHI-FHS application that supports the operation of a fourth shift and it remaining profitable by the end of the third year of operation.

DaVita commented that CHI-FHS is only financially feasible if it services all 17 patients in their projections. CHI-FHS replied to this comment by saying DaVita miscalculated the expected revenue per patient by only including the in-center patients reflected in the income statement pro forma. CHI-FHS indicated the net revenue in the pro forma includes revenue from non in-center treatments that represents an additional four patients. The pro forma income statement in the application does support the CHI-FHS position that three or four patients are included in the home hemo projections. However, even with the correct analysis, CHI-FHS acknowledges it must serve 16 patients to show a third year profit of only $1,541.

As previously stated if CHI-FHS serves only one isolation patient, the facility would be required to operate a fourth patient shift. Nothing in the application indicates they have incorporated the need for this additional expense in their plan and it appears that a fourth shift would not be financially feasible. The department disagrees with DaVita that CHI-FHS does not have site control. Draft site control documentation provided within the application, shows that CHI-FHS's affiliate Franciscan Health Group is the landlord of the proposed site and the ground lease agreement provided by CHI-FHS shows that it has site control.

Department Evaluation

The department review of the draft lease agreement provided by CHI-FHS shows that rent costs identified in the draft lease are consistent with the pro-forma financial projections used to prepare the information in Table 5. CHI-FHS identified Melissa Kaptik, M.D. as the medical director for the proposed Franciscan Federal Way and provided a draft medical director agreement. The draft medical director agreement is between Franciscan Medical Group ("Group"), and CHI-FHS.

The agreement identified Dr. Melissa Kaptik of the Group and it outlined the roles and responsibilities of both the Group and CHI-FHS. The applicant's pro-forma financial income statement also shows the annual compensation for the Medical Director position. [Source: Amended Application, Exhibits 3 and 10] If this application is approved, the department would require that CHI-FHS provide an executed lease agreement and an executed medical director agreement that are consistent with the draft agreements provided in the application prior to the project commencement.

The CHI-FHS application proposes to establish a three station facility and the applicant intends to use one of the three stations as isolation station. Traditionally, a patient isolation station cannot be used for any other purpose than isolation of a patient from other patients using the facility. If one of the three stations is used for patient isolation as stated by CHI-FHS within the application, based on the applicant's patient projections to serve 17 patients during year 2019 its third year of operation, the applicant would have to run a fourth shift to accommodate all 17 patients. If the applicant chooses not to run a fourth shift, it is not feasible to treat its projected patient volume using only two dialysis stations. The review of CHI-FHS projected pro forma income statement shows that the statement may not support its third year patient projections. Based on the information, the department concludes **this sub-criterion is not met**.

DaVita

As stated in the project description portion of this evaluation, if this project is approved, DaVita anticipates that the new stations would become operational by the end of May 2016. Under this timeline, 2017 would be the facility's first full calendar year of operation with 16 stations. Year 2019 would be the third full year of operation. [Source: Application, Page 13] DaVita provided the revenue and expense statement for the expansion of DaVita Federal Way. The information is summarized in Table 6. [Source: Application, Appendix 9]

Table 6
DaVita Federal Way Dialysis Center
Projected Revenue and Expenses Years 2016 - 2019[11]

	Partial Year 2016	Year 1- 2017	Year 2 – 2018	Year 3 – 2019
# of Stations	16	16	16	16
# of Treatments [1]	9,873	10,865	11,762	12,582
# of Patients [2]	67	73	79	85
Utilization Rate [2]	4.19	4.56	4.94	5.31
Net Revenue [1]	$4,996,226	$5,608,027	$6,192,055	$6,756,511
Total Expense [1,3]	$3,074,737	$3,387,520	$3,662,519	$3,953,258
Net Profit or (Loss) [1]	$1,921,489	$2,220,508	$2,529,536	$2,803,253

[1] Includes in-center patients only; [2] in-center patients only; **[3]** includes bad debt, charity care and allocated costs

As shown in the Table 6, DaVita Federal Way would be operating at a profit beginning in 2016 (partial year) through 2019, the third full year of operation with 16 stations. As an existing facility, DaVita provided an executed lease agreement between N.W.C.H Investments Properties, LLC ("Landlord") and Total Renal Care, Inc. ("Tenant"). [Source: Application, Appendix 15]

The executed lease expires at the end of January 2016, but according to the terms of the lease, DaVita has options to renew the lease. Supplemental information provided by DaVita in response to screening questions stated, *"DaVita has options to obtain three consecutive five year extensions of the lease beyond the January 31, 2016 expiration date... We intend to exercise the first option to extend the initial lease term to January 31, 2021 and expect to exercise the second option that would extend the lease term to January 31, 2026".* [Source: Supplemental information received September 21, 2015, Page 6]

The department received public comments from CHI-FHS related to DaVita's contractual allowances. Summarized below are CHI FHS's comments.

CHI-FHS [Source: Public comments received December 7, 2015]

- DaVita's projected pro forma income statement did not identify its contractual allowances as requested in the application guidelines. The Program asked DaVita to provide an explanation in screening but it did not do so. Instead of providing it, DaVita responded that their blended rate reflects any offsets for contractual allowances.

In response to the comments provided by CHI-FHS, the department received rebuttal comments from DaVita summarized below.

[11] Whole numbers may not add due to rounding.

DaVita [Source: Rebuttal comment received January 6, 2016]

- CHI-FHS argues that DaVita's pro forma is unreliable because it does not show contractual deductions from a charge master rate. The reason the "contractual adjustments" line is zero is that these are already included in the revenue figure. In other words, the revenue shown on DaVita's pro forma reflects the reimbursement that DaVita actually expects to receive.

- For example, in Year 1 (2017), DaVita projects $4,728,303 in net revenue less bad debt ($4,996,226 - $267,923). Dividing this by the 11,896 projected treatments results in revenue per treatment (RPT) of $397. In other words, for each treatment that DaVita would provide at its expanded facility, it would expect to receive, on average, $397. If the $267,923 bad-debt deduction is not made, the calculation ($4,996,226 / 11,896) results in a total RPT (including revenue actually received and bad debt) of $420.

- This can be compared to the projections in the CHI-FHS pro forma. In Year 1 (2017), CHI-FHS projects $760,502 in net revenue less bad debt. When $760,502 is divided by the projected treatments (1,716), it results in a RPT of $443. In other words, for each treatment that CHI-FHS would provide at its proposed facility, CHI-FHS would expect to receive, on average, $443. If the $126,792 bad-debt deduction is not made, the calculation ($887,294 / 1,716) results in a total RPT (including revenue actually received and bad debt) of $517

- This illustrates the lack of merit regarding CHI-FHS claim that DaVita failed to take into account contractual adjustments. Once contractual adjustments are taken into account, one would expect providers' RPT figures to be in the same range. DaVita's Year-1 projected RPT is $420 and CHI-FHS's Year-1 projected RPT is $517. This shows that DaVita's projected RPT is actually lower than CHI-FHS projected RPT.

Department Response

Considering CHI-FHS's public comments that DaVita should identify contractual allowances in its projected pro forma income statement and DaVita's rebuttal comments in response to CHI-FHS concerns, the department acknowledged that while DaVita did not show contractual allowances in its projected pro forma income statement, its rebuttal comments explanation is sufficient.

The department's review of DaVita's executed lease agreement shows rent costs identified in the lease are consistent with the pro forma income statement projections used to prepare the information in Table 6. DaVita also provided a copy of its current medical director agreement. The agreement identified the annual compensation for the medical director position. Further, DaVita's pro-forma financial statement also identified the annual compensation for the medical director position. [Source: Application, Appendix 3 and 9] Based on the above information, the department concludes that DaVita's projected revenues and expenses are reasonable and can be substantiated. **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.

WAC 246-310 does not contain specific WAC 246-310-220(2) financial feasibility criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what an unreasonable impact on costs and charges would be for a project of this type and size. Therefore, using its experience and expertise, the department compared the proposed project costs with those previously considered by the department.

CHI FHS

The capital expenditure associated with the three station facility is $892,539. For CN review purposes, CHI-FHS's share of this cost is $872,739. Of that amount, 64% or $560,850 is related to leasehold improvements and 22% or $195,800 is for fixed/moveable equipment. The remaining 13% or $116,089 is related to taxes and fees. [Source: Amended Application, Page 27] The capital costs breakdown is shown below.

Table 7
CHI-Franciscan Federal Way - Estimated Capital Costs

Item	Cost	% of Total
Leasehold improvement/ Construction	$560,850	64%
Fixed & Moveable Equipment	$195,800	22%
Taxes and Fees	$116,089	13%
Total Estimated Capital Costs	**$872,739**	**100%**

CHI-FHS stated, *"CHI-Francian charges for dialysis are not based upon any capital costs for the projects. However, CHI Franciscan is well aware of the CN Program's position that the potential overbuilding of facilities (proposing to build a new facility with more stations than the need methodology projects) may impact the charges of health care services...Based on the May 20, 2015, meeting with CN Program staff, we have developed the project contained in this application, to reflects this guidance and are proposing to build only three in center stations...For this reason, this project is not expected to have an impact on charges or operating costs of dialysis services".*

Further, CHI-FHS also stated, *"CHI Franciscan will utilize reserves for the funding of this project".* [Source: Amended Application, Page 28]

The department recognizes that the majority of reimbursements for dialysis services are through Medicare ESRD entitlements. Further, to demonstrate compliance with this sub-criterion, CHI-FHS provided the sources of its patient revenue shown in the Table 8. [Source: Amended Application, Page 29]

Table 8
CHI-Franciscan Federal Way
Revenue Source and Percentages

Source of Revenue	% of Revenue
Medicare	70.0%
Medicaid	15.9%
Commercial	13.7%
Total	**100%**

As shown in Table 8, Medicare and Medicaid entitlements are anticipated to be approximately 85.9% of the projected revenue at CHI-Franciscan Federal Way. The department concludes that since the majority of revenue is dependent upon entitlement sources that are reasonable allowable cost based reimbursement, they are not expected to have an unreasonable impact on charges for services. The remaining revenue will be derived through other or private insurance reimbursements.

Medicare and Medicaid patients typically make up the largest percentage of patients served by a dialysis facility. Under the new ESRD PPS payment system, Medicare pays dialysis facilities a bundled rate per treatments, that rate is not the same for each facility. Each facility, within a given geographic area, may receive the same base rate. However, a number of adjustments at both the facility and patient-specific level affect the final reimbursement rate each facility will receive. What a dialysis facility receives from its commercial payors will also vary. Even if two different dialysis providers billed the same commercial payor the same amount, the actual payment to each facility will depend on the negotiated discount rate obtained by the commercial payor from each individual provider.

The department does not have an adopted standard on what constitutes an unreasonable impact on charges for necessary health services. The cost of this three station project is $872,739 and it is expected to have a minimal, if any, impact on the cost and charges for health services. 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 services. **This sub-criterion is met.**

DaVita

The capital expenditure associated with the addition of three stations to the existing DaVita Federal Way is $80,265, which is dedicated to fixed and moveable equipment. The capital cost breakdown is shown in Table 9. [Source: DaVita Application Appendix 7]

Table 9
DaVita-Federal Way Estimated Capitals Costs

Item	Cost	% of Total
Fixed & Moveable Equipment	$70,265	87.5%
Professional Service Fees	$10,000	12.5%
Total Estimated Capital Costs	**$80,265**	**100%**

The department recognizes that the majority of reimbursements for dialysis services are through Medicare ESRD entitlements. To further demonstrate compliance with this sub-criterion, DaVita also provided the sources of patient revenue shown in Table 10. [Source: DaVita Application, Page 11

Table 10
DaVita – Federal Way

Sources of Revenue Type of Payer			Sources of Revenue Percentage of Patients per Payer
Source	**Percent**		**Percent**
Medicare	51%		81%
Medicaid/State	2%		4%
Insurance/HMO	47%		15%
Total	**100%**		**100%**

As shown above, DaVita provided two breakdowns of its revenue sources. In its breakdown by payor type, DaVita expects that 47% of its revenue would be commercial insurance and the remainder 53% is Medicare and Medicaid entitlements. In its breakdown by percentage of patients per payor, Medicare and Medicaid patients make up 85% of the patients. [Source: Application, page 11]

Medicare and Medicaid patients typically make up the largest percentage of patients served by a dialysis facility. Under the new ESRD PPS payment system, Medicare pays dialysis facilities a bundled rate per treatment, that rate is not the same for each facility. Each facility, within a given geographic area, may receive the same base rate. However, there are a number of adjustments at both the facility and patient-specific level that influence the final reimbursement rate each facility will receive.

What a dialysis facility receives from its commercial payors will also vary. Even if two different dialysis providers billed the same commercial payor the same amount, the actual payment to each facility will depend on the negotiated discount rate obtained by the commercial payor from each individual provider. The department does not have an adopted standard on what constitutes an unreasonable impact on charges for health services. However, the cost of the three station project is $80,265, and is expected to have a minimal, if any, impact on the cost and charges for health services.

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 services. **This sub-criterion is met**.

(2) The project can be appropriately financed.

WAC 246-310 does not contain specific source of financing criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs how a project of this type and size should be financed.

Therefore, using its experience and expertise, the department compared the proposed project's source of financing to those previously considered by the department.

CHI-FHS

The capital expenditure associated with the establishment of the three station Franciscan Federal Way is $892,539 and CHI-FHS's portion of the costs is $872,739. CHI-FHS states that the project will be financed through existing reserves. A review of CHI FHS's historical financial statements show the funds necessary to finance the project are available. [Source: Amended Application Page 28 and historical files] Based on the information provided, the department concludes **this sub-criterion is met.**

DaVita

The capital expenditure associated with the addition of three stations to DaVita-Federal Way is $80,265. DaVita stated that the project would be funded from its parent entity's available board reserves. A review of DaVita's statements of financial position show the funds necessary to finance the project are available. [Source: DaVita Application, Appendix 9] Based on the information provided, the department concludes that the project can be financed and approval of this project would not adversely affect the financial stability of DaVita as a whole. **This sub-criterion is met.**

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

Based on the source information reviewed the department concludes: CHI Franciscan Health System has met the structure and process of Care criteria in WAC 246-310-230; and,

Based on the source information reviewed and agreement to the conditions identified in the Conclusion section of this evaluation the department concludes: DaVita has met the structure and process 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.

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs that should be employed for projects of this type or size. Therefore, using its experience and expertise the department evaluates if the applicant's proposed staffing plan is reasonable and staff are either available or can be recruited..

CHI-FHS

Franciscan Federal Way dialysis center would be a new facility. CHI-FHS provided a breakdown of the proposed staff beginning in year 2017 through the third full year of operation or year 2019. [Source: Amendment Application, Page 30] A breakdown of the FTEs is shown Table 11 below.

Table 11
CHI-Franciscan Federal Way Projected FTEs

Staff/FTEs	Year 1 2017	Increase 2018	Increase 2019	Total FTE's
Medical Director	Professional Services Contract			
HD Tech	1.20	0.60	0.60	2.40
Nurse Manager	1.00	0.00	0.40	1.40
Clinical RN Manager	0.25	0.55	0.20	1.00
Social Worker	0.10	0.10	0.00	0.20
Dietician	0.10	0.10	0.00	0.20
Number of FTE's	**2.65**	**1.35**	**1.20**	**5.20**

As shown in Table 11, CHI-FHS expects a small increase in FTE's starting from year 2017 through year 2019. CHI-FHS stated the staff associated with the new facility would likely transfer to the facility. As a result, CHI-FHS states it does not anticipate any difficulty recruiting the FTE's to the new facility. [Source: Amended Application Page 31]

CHI-FHS identified Melissa Kaptik, M.D. as the medical director for Franciscan Federal Way and provided a draft medical director's agreement between Franciscan Health System ("CHI-FHS"), and Franciscan Medical Group ("Group"). The agreement outlined the roles and responsibilities of Group and CHI-FHS. Additionally, the agreement also identified the annual compensation for the medical director services. [Source: Amended Application, Exhibits 3 and 10] Based on the information reviewed, the department concludes **this sub-criterion is met.**

DaVita

As an existing facility, DaVita Federal Way currently has 21.4 FTEs. On April 14, 2014, DaVita received CN#1528 to relocate 12 stations from the Federal Way facility. These 12 stations are currently operational at the facility; however, if this application were successful, the twelve stations would have been relocated to a new facility within the same planning area. Currently DaVita Federal Way has 18.4 FTEs with the additional three stations; DaVita Federal Way expects to decrease its FTE's 17.2 by the end of year 2021. Summarized in Table 12 below, is DaVita Federal Way existing and proposed FTEs. [Source: Application page 23]

Table 12
DaVita Federal Way Current and Projected FTEs

Staff/FTEs	Current FTE	Year 1 - 2017	Year 2 - 2018	Year 3 - 2019	Year 4 - 2020	Year 5 - 2021	Total
Medical Director	Professional Services Contract						
Administrator	1.0	1.0	0.0	0.0	0.0	0.0	1.0
RNs	3.9	3.0	0.4	0.2	0.2	0.2	4.0
Patient Care Tech	11.5	6.7	0.6	0.6	0.6	0.5	9.0
Biomedical Tech	0.5	0.4	0.0	0.0	0.0	0.0	0.4
Admin Assistance	1.5	1.0	0.0	0.0	0.0	0.0	1.0
Social Worker	1.0	0.5	0.2	0.1	0.1	0.0	0.9
Dietician	1.0	0.5	0.2	0.1	0.1	0.0	0.9
Reuse Technician	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Total FTE's	**21.4**	**13.1**	**1.4**	**1.00**	**1.00**	**0.7**	**17.2**

As shown above, DaVita expects a decrease in FTEs beginning in year 2017. DaVita states it does not anticipate any difficulty recruiting staff if there is need because it offers competitive wages and benefits packages to employees. Additionally, DaVita states that job openings are posted nationally and internally and it has an extensive employee travelling program that guarantees it will maintain staffing at its facilities. [Source: Application, pages 24 and 25]

DaVita identified Yajuan He, MD as the current medical director for the existing DaVita Federal Way and provided an executed medical director agreement between Pacific Nephrology Associates the ("Group"), and Total Renal Care, Inc. ("Company"). According to the medical director agreement recitals, Dr. Yajuan is a physician employee of the Group. [Source: Application, Appendix 3]

The medical director agreement outlines the roles and responsibilities of the Group and Company. Additionally, the agreement also identified the annual compensation for the medical director. [Source: Application Page 8 and Appendix 3] A review of the medical director agreement between DaVita and the Group shows that the agreement outlines the roles and responsibilities of both parties involved.

Based on the information reviewed, the department concludes this sub-criterion is met(2)

(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.
WAC 246-310 does not contain specific WAC 246-310-230(2) criteria as identified in WAC 246-310-200(2)(a)(i). There are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the Department assesses the applicant's history in meeting these standards at other facilities owned or operated by the applicant.

CHI-FHS

CHI-FHS is currently a provider of dialysis services in Pierce County, 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. CHI-FHS intend to provide ancillary and support services within the Franciscan Health System. Since Franciscan Federal Way is associated with CHI-FHS, the department expects that all appropriate ancillary and support services already in place will continue to be available to support a three station facility.

A review of the compliance history for Dr. Melissa Kaptik revealed no recorded sanctions. [Source: Compliance history provided by Medical Quality Assurance Commission] Given the compliance history of CHI-FHS and that of Dr. Melissa Kaptik, the department concludes that there is reasonable assurance that the CHI-FHS Federal Way dialysis center would operate in compliance with state and federal regulations with the establishment of six-station dialysis center. **This sub-criterion is met.**

DaVita

DaVita Federal Way is an existing facility and information provided within the application states that 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 continue to be provided on site. DaVita stated that services would be coordinated through DaVita's corporate office in El Segundo California and support offices in Washington. [Source: Application, pages 24 and 25]

Based on the evaluation of the supporting documents provided in the application, the department concludes that there is reasonable assurance that DaVita will continue to have appropriate ancillary and support services with a healthcare provider in King County ESRD planning area #5. **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.*

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2)(a)(i). There are known documented standards as identified in WAC 246-31200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the Department assesses the applicant's history in meeting these standards at other facilities owned or operated by the applicant.

For these applications, the department reviewed information available at the Center for Medicare & Medicaid Services (CMS) website related to dialysis facilities star ratings. CMS assigns a one to five 'star rating' in two separate categories: best treatment practices and hospitalizations and deaths. The more stars, the better the rating. Below is a summary of the data within the two categories.

Best Treatment Practices
This is a measure of the facility's treatment practices in the areas of anemia management, dialysis adequacy, vascular access, and mineral and bone disorder. This category reviews both adult and child dialysis patients.

Hospitalization and Deaths
This measure takes a facility's expected total number of hospital admissions and compares it to the actual total number of hospital admissions among its Medicare dialysis patients. It also takes a facility's expected patient death ratio and compares it to the actual patient death ratio taking into consideration the patient's age, race, sex, diabetes, years on dialysis, and any co-morbidity.

Based on the star rating in each of the two categories, CMS then compiles an 'overall rating' for the facility. As with the separate categories: the more stars, the better the rating. The star rating is based on data collected from January 1, 2010 through December 31, 2013

CHI-FHS

CHI-FHS's parent entity is a provider of a variety of health care services in Washington State. Currently CHI-FHS owns or operates dialysis facilities in Pierce County. As part of its review, the department must conclude that the establishment of a three station dialysis facility would be operated in a manner that ensures safe and adequate care to the public.[12] Table 13 is the overview of the CMS star rating for the facilities.

Table 13
CHI-FHS Centers for Medicare and Medicaid Star Rating

Facility	City	Star Rating
St. Joseph Medical Center	Tacoma	2
Greater Puyallup Dialysis Center	Puyallup	4
St. Joseph Dialysis Center	Gig Harbor	5
Francian Eastside Dialysis center	Tacoma	3
Franciscan South Tacoma Center	Tacoma	3

As shown in Table 13,, with the exception of one facility, all CHI-FHS dialysis centers received three stars or better. [Source: Amended Application, Page 3]

CHI-FHS identified Melissa Kaptik, M.D. as the medical director for CHI-Franciscan Federal Way and provided a draft medical director agreement between CHI Franciscan Health System ("CHI- FHS"), and Franciscan Medical Group ("Group"). A review of the compliance history for Melissa Kaptik, M.D revealed no recorded sanctions. [Source: Compliance history provided by Medical Quality Assurance Commission and corporation information provided by Washington State Secretary of State website] Given the compliance history of CHI-FHS and the medical director, the department concludes that there is reasonable assurance that CHI-FHS Federal Way Dialysis Center would operate in compliance with state and federal regulations. **This sub-criterion is met.**

[12] WAC 246-310-230(5)

DaVita

DaVita is a for-profit corporation and it provides dialysis services in over 2,197 outpatient centers located in 43 states and the District of Columbia. DaVita also provides acute inpatient dialysis services in approximately 720 hospitals throughout the country.

In Washington State, DaVita owns or operates 38 kidney dialysis facilities in 17 separate counties. 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.[13] Historically, the department has requested quality of care compliance history from the licensing and/or surveying entities in each state where DaVita or any of its subsidiaries have healthcare facilities.

In April 2013, the department requested quality of care compliance history from the state licensing and/or surveying entities responsible for conducting surveys where DaVita or any of its subsidiaries have healthcare facilities. Of the 45 states[14] and the non-state entities surveyed, the department received 30[15] responses or 65.2% of those surveyed. One of the states[16] responding to the survey indicated significant compliance and the rest reported that non-compliance deficiencies were cited at DaVita facilities in the past three years. DaVita submitted and implemented acceptable plans of correction. Given the results of the out-of-state compliance history of the facilities owned or operated by DaVita, the department concludes that considering that it owns or operates more than 2,197 facilities the number of out-of-state non-compliance surveys is acceptable. [Source: Application, Page 6 and Licensing and/or survey data provided by out of state health care survey programs]

As stated earlier DaVita owns, operates, or manages 38 facilities in Washington, The department reviewed CMS star ratings for these facilities. The department review shows that nine of the 38 facilities did not have a CMS star rating because they were not open for the entire reporting period.[17] Table 14 is the overview of the CMS star rating for the remaining 29 DaVita facilities.

Table 14
DaVita Dialysis Centers Medicare and Medicaid Star Rating

Facility	City	Star Rating
Battle Ground Dialysis Center	Battle Ground	-
Belfair Dialysis Center	Belfair	-
Bellevue Dialysis Center	Bellevue	4
Burlington Dialysis Center	Burlington	-
Chinook Kidney Center	Richland	4
Downtown Spokane Renal Center	Spokane	3
East Wenatchee Dialysis Center	East Wenatchee	5

[13] WAC 246-310-230(5)
[14] This figure excludes Washington. The department did not send a survey to itself for compliance.
[15] The department did not receive responses from California, Georgia, Illinois, Louisiana, Massachusetts, Maryland, Maine, Michigan, Mississippi, North Carolina, Nebraska, Rhode Island, Utah, Virginia and Wyoming.
[16] Indiana reported significant citation
[17] Burlington, Belfair, Battleground, Tumwater, Pilchuck, Echo Valley, Rainier View, Redondo and Renton,

Facility	City	Star Rating
Echo Valley Dialysis Center	Colville	-
Ellensburg Dialysis Center	Ellensburg	3
Everett Dialysis Center	Everett	4
Federal Way Community Dialysis Center[18]	Federal Way	4
Olympic View Dialysis Center	Seattle	2
Parkland Dialysis Center	Tacoma	3
Pilchuck Dialysis Center	Marysville	-
Puyallup Community Dialysis Center	Puyallup	3
Rainer View Dialysis Center	Tacoma	-
Redondo Dialysis Center	Federal Way	-
Renton Dialysis Center	Renton	-
Seaview Dialysis Center	Seaview	4
Spokane Valley Renal Center	Spokane	3
Tacoma Dialysis Center	Tacoma	4
Tumwater Dialysis Center	Tumwater	-
Graham Dialysis Center	Graham	5
Kennewick Dialysis Center	Kennewick	3
Kent Dialysis Center	Kent	4
Lakewood Community Dialysis Center	Lakewood	4
Mid-Columbia Kidney Center	Pasco	4
Mill Creek Dialysis Center	Bothell	4
Mt. Adams Kidney Center	Sunnyside	5
North Spokane Renal Center	Spokane	3
Olympia Dialysis Center	Olympia	5
Union Gap Dialysis Center	Union Gap	5
Vancouver Dialysis Center	Vancouver	3
Wenatchee Valley Dialysis Center	Wenatchee	4
Westwood Dialysis Center	Seattle	3
Whidbey Island Dialysis Center	Oak Harbor	4
Yakima Dialysis Center	Yakima	5
Zillah Dialysis Center	Zillah	5

As shown in Table 14, with the exception of one facility, all DaVita dialysis centers received three stars or better star ratings. [Source: Application, Page 2] DaVita identified Yajuan He, MD as the current medical director for the existing DaVita Federal Way and provided an executed medical director agreement between Pacific Nephrology Associates ("Group"), and Total Renal Care, Inc. ("Company"). According to the medical director agreement recitals, Dr. Yajuan is a physician employee of the Group. [Source: Application, Appendix 3]

The agreement also states that any one of the physicians associated with Group could act in the medical director capacity. A review of the compliance history for the following six physicians associated with Group revealed no recorded sanctions. [Source: Compliance history provided by Medical

[18] DaVita Federal Way Community Dialysis Center was last surveyed on December 11, 2013 by DOH

Quality Assurance Commission and corporation information provided by Washington State Secretary of State website]

Name	Credential Status	Corporation Status
Richard Turner	Active	Member
Yajuan He	Active	Member
Catherine Richardson	Active	Member
Zheng Ge	Active	Member
Ho Wong Lee	Active	Member
Neil Hannigan	Active	Member

Information provided within the application stated that on October 22, 2014, DaVita entered into a final settlement agreement with the United Sates Department of Justice (DOJ) on behalf of Department of Health and Human Services and other governmental agencies to resolve the US Attorney Physician Relationships Investigations. Under the settlement agreement, DaVita agreed pay to the sum of $350 million plus accrued interest and a civil forfeiture of $39 million. In addition, DaVita also agreed to settle certain state Medicaid claims in the amount of $11.5 million plus interest.

Under the DOJ settlement agreement, DaVita would be released from any civil or administration monetary liability arising from allegations that it caused the submission of certain claims to the government healthcare programs that were ineligible for reimbursement due to violations of the Anti-Kickback Statue in connection with the operations of some its dialysis center joint venture arrangements. Information provided by DaVita stated the DOJ settlement agreement reflected its disagreement with the government regarding the allegations. According to information in the documents provided, DaVita has not been prohibited from billing or participating in federal healthcare programs. [Source: Application Appendix 4]

The department received public comments from CHI-FHS related to DaVita's project. Summarized below are the comments.

CHI-FHS [Source: Public comments received December 7, 2015]

- DaVita's recent corporate integrity agreement with the United State Department of Justice shows uncertainty about DaVita's ability to reasonably assure that care will be provided in accordance with federal and state laws as required by WAC 246-310-230(5). In its December 2014 rebuttal to its Pierce County planning area #1 project, DaVita submitted a statement from its corporate website designed to minimize the seriousness of the settlement by pointing out that only 11 transactions would be affected by the settlement. In its February 15, 2015, analysis of Pierce County planning area #1 projects, the program failed to include any mention of these serious allegations and subsequent settlements.

- On June 24, 2015, DaVita agreed to pay an additional $450 million to resolve the claims that it violated the False Claims Act by knowingly creating unnecessary waste in administering some drugs to dialysis patients and then billing the federal government for such avoidable waste. To the surprise of CHI-FHS during the adjudicative hearing, the program executive manager stated that he was not made aware of the allegations or the settlements.

- In a concurrent review where one applicant has a recent history and the other has no history, the issue should not be overlooked in assessing proposals, which in other respects are equal. A corporate integrity agreement is a document that outlines the obligations an entity agrees to as part of a civil settlement. An entity agrees to a corporate integrity agreement so that it would not be excluded from participation in Medicare, Medicaid or other federal health care programs. With nearly $800 million in settlement actions, DaVita behavior raises an uncertainty concerning its capability to meet the requirements of WAC 246-310-230(5).

The department received rebuttal comments from DaVita summarized below are comments.

DaVita [Source: Rebuttal comments received January 6, 2016]

- CHI-FHS continued to argue that DaVita's applications should be denied based on the settlement agreement with the government. Therefore, DaVita must point out that CHI-FHS has entered into settlement agreements with the government. In November 2014, CHI-FHS entered into a settlement agreement with the U.S. Department of Justice regarding claims that CHI-FHS hospitals knowingly submitted false claims to the Centers for Medicare and Medicaid Services for payment relating to the insertion of implantable cardioverter defibrillators in cardiac patients. For this allegation, CHI-FHS agreed to pay $9 million to settle this case.

- In April 2014, CHI-FHS entered into a settlement agreement relating to allegations that hundreds of its patients had unnecessary heart stent procedures at one of its hospitals. CHI-FHS agreed to pay approximately $37 million to settle this case.

- In February 2013, CHI-FHS entered into a settlement agreement with the federal government relating to allegations that it made false claims to the Centers for Medicare and Medicaid Services for payment in connection with CHI-FHS's practice of admitting patients to one of its hospitals unnecessarily. CHI-FHS agreed to pay approximately $5 million to settle this case.

- In November 2010, CHI-FHS St. Joseph Medical Center in Maryland agreed to pay the federal government $22 million to settle claims that it violated the Anti-Kickback Act, and other federal laws, through its contracts with physicians. This CHI-FHS facility was alleged to have paid kickbacks to the physicians under the guise of professional services agreement, in exchange for physician referrals to the CHI-FHS facility.

Department Evaluation

The department disagrees with CHI-FHS assertions that it did not consider DaVita's corporate integrity agreement when it evaluated the application submitted in Pierce County. The department also disagrees with CHI-FHS assertions that DaVita submitted summarized documentation of its corporate integrity agreement with the DOJ. Within DaVita's application, it submitted sufficient documentation to show that it reached a corporate integrity agreement with

the DOJ. The department agrees with CHI-FHS that recent corporate integrity agreements with the United States Department of Justice or any governmental entity should be of concern and it may show uncertainty about an applicant ability to reasonably assure that it will provide care in accordance with federal and state laws as required by WAC 246-310-230(3).

DaVita's rebuttal comments and support documents, show that both applicants have recent corporate integrity agreements that raise uncertainties concerning both applicants capabilities to meet the requirements of WAC 246-310-230(3). However, settlement of these specific cases weighed against the totality of the compliance does not support DaVita failure of this sub criterion.

Given the compliance history of DaVita, the medical director, and all physicians associated with Pacific Nephrology Associates, the department concludes that there is reasonable assurance that DaVita Federal Way Community Dialysis Center would continue to operate in compliance with state and federal regulations. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(4) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that direct how to measure unwarranted fragmentation of services or what types of relationships within a services areas existing health care system should be for a project of this type and size. Therefore, using its experience and expertise, the department assesses the materials in the application.

CHI-FHS

The department considered CHI-FHS's history of providing care in Washington State and concludes CHI-FHS has been providing dialysis services to the residents of Pierce County for several years and has appropriately participated in relationships with the community. There is nothing in the materials reviewed by staff that suggests approval of this expansion would change these relationships. Based on this information, the department concludes CHI-FHS has demonstrated it has, and will continue to have appropriate relationships. **This sub-criterion is met.**

DaVita

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, DaVita also provided examples of its quality index data and its physician, community, and patient services program known as Empower. In addition, DaVita also provided a copy of its executed patients transfer agreement with MultiCare Health System. [Source: Application, Page 28, Appendix 12, 17 & 18]

Based on this information, the department concludes DaVita has demonstrated it has, and will continue to have appropriate relationships with the planning area health care delivery systems. **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.

CHI FHS

This sub-criterion is addressed in sub-section (3) above. **This sub-criterion is met.**

DaVita
This sub-criterion is addressed in sub-section (3) above. **This sub-criterion is met.**

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

Based on the source information reviewed the department concludes: Franciscan Health System did not met the cost containment criteria in WAC 246-310-240; and,

Based on the source information reviewed and agreement to the conditions identified in the "Conclusion" section of this evaluation the department concludes; DaVita 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.

To determine if a proposed project is the best alternative, the department takes a multi-step approach. **Step One** determines if the application has met the other criteria of WAC 246-310-210 through 230. If it has failed to meet one or more of these criteria, then the project is determined not to be the best alternative, and would fail this sub-criterion.

If the project met WAC 246-310-210 through 230 criteria, the Department would move to **Step Two** in the process and assess the other options the applicant or applicants considered prior to submitting the application under review. If the Department determines the proposed project is better or equal to other options the applicant considered before submitting their application, the determination is either made that this criterion is met (regular or expedited reviews), or in the case of projects under concurrent review, move on to step three.

Step Three of this assessment is to apply any service or facility specific (tiebreaker) criteria contained in WAC 246-310. The tiebreaker criteria are objective measures used to compare competing projects and make the determination between two or more approvable projects which one is the best alternative. If WAC 246-310 does not contain any service or facility criteria as directed by WAC 246-310-200(2)(a)(i), then the Department would look to WAC 246-310-200(2)(a)(ii) and (b) for criteria to make the assessment of the competing proposals. If there are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b), then using

its experience and expertise, the Department would assess the competing projects and determine which project should be approved.

Step One

CHI-FHS proposed project did not meet all of the review criteria under WAC 246-310-210, 220, but it met the review criteria under WAC 246-310-230.

DaVita's proposed three station addition project met all of the review criteria under WAC 246-310-210, 220, and 230.

Step Two

CHI-FHS
Within the application, CHI-FHS considered the following alternatives

Do nothing
Before submitting this application, CHI-FHS considered it would do nothing and maintain the status quo. However, CHI-FHS decided against maintaining the status quo and this option was eliminated. The applicant stated that since 2008, there has not been any numeric need for new stations in the planning area.

The Project
CHI-FHS stated that it conducted a thorough financial analysis and determined that three stations would meet both the CN Program's definition of financial viability (generating a net profit by the third year of operation) as well as CHI-Franciscan's requirements that are more rigorous. Once the financial feasibility was established, CHI-FHS elected to move forward with the application. [Source: Amended Application, page 34]

DaVita
Before submitting this application, DaVita considered the following alternatives.

Do nothing
DaVita stated its Federal Way facility is operating at 4.8 patients per station and there is numeric need for stations in the planning area. DaVita stated the high cost of developing an entirely new facility could be avoided if stations are added. Based on this assumption, DaVita rejected this option.
Expansion Federal Way
DaVita stated that expanding the existing 13-station facility to 16-stations will improve operating efficiency and requires only the addition of dialysis machines and minimal moveable equipment to complete the project.

Expand Redondo Height Facility
DaVita also considered the option of adding stations to expand the soon to be operational Redondo Heights facility but rejected this option because the facility does not have the space to accommodate an additional three stations. For these reasons, DaVita rejected this alternative and submitted an application. . [Source: Application, page 26- 27]

Summarized below are the public comments the department received from DaVita related to CHI-FHS project.

DaVita [Source: Public comments received December 4, 2015]

CHI-FHS proposed facility would not improve geographic access in any meaningful way because it would be located less than half a mile from DaVita's existing facility.

CHI-FHS [Source: Rebuttal comments received January 6, 2016]

CHI-FHS project would improve access by adding a second provider. In April 2014, DaVita secured CN approval to relocate 12 existing dialysis stations from DaVita Federal Way to Redondo Heights. Construction of the facility has been completed, but the facility is not yet operational. The latest dialysis census (September 2015) indicated that DaVita Federal Way is operating at 5.16 patients per station. As of January 1, 2016, CHI-FHS has six dialysis patients residing in King County ESRD planning area #5 who use the CHI-FHS facility in Pierce County.

Department Evaluation

To determine which of the two application present a superior alternative under WAC 246-310-240(1) in reviewing the materials submitted by the applicants, the department determined that CHI-FHS application to build a three station facility in King County ESRD planning area #5 is not the best available alternative. CHI-FHS project description stated, *"In addition to offering in-center hemodialysis and visitor dialysis, the proposed Federal Way facility will offer home hemodialysis and home peritoneal dialysis training and backup, a dedicated isolation station, and a permanent bed station".* [Source: Amended Application, Page 7]

If one of the projected 17 patients at Franciscan Federal Way should require isolation, the facility would only have two stations that it must use to dialyze all other patients. In the event of this happening, the two stations may not be available or accessible for use by all residents of the service area if CHI-FHS does not run a fourth shift. The department review of any of the supporting documentation provided by CHI-FHS within its application did not show the applicant intends to run a fourth shift in order to accommodate all projected patient's volume. Below is a summary of the in center patients projections by CHI-FHS.

CHI-Franciscan Federal Way
Estimated Number of Incenter Patients
Treatment and patients per station

Year	Full or Partial Year	Estimated Incenter Patients	Estimated Incenter Dialyses	Patients per Station
2017	Full	9	1,404	3.0
2018	Full	14	2,184	4.7
2019	Full	17	2,652	5.7

As shown in the table above, year 2019 is CHI-FHS third year of operation. In that year the applicant projected that it would serve 17 patients and provide 2,652 in-center dialyses using only three stations. Within the CHI-FHS application, the applicant acknowledged this scenario and stated, *"While three stations is a small unit to open with, we have undertaken sufficient financial analysis to determine that it is financially viable, both under the CN Program's definition (generating a net profit by the third of operation) and under CHI-Franciscan's more rigorous requirement"*. [Source: Amended Application, Page 13]

The department screening questions asked CHI-FHS to provide the rationale for its financial analysis, but it did not provide any supporting documentation. The CHI-FHS project involves construction. The capital expenditure associated with the three station addition is $872,739. The applicant's intended date to start dialyzing patients is January 2017.

DaVita's application proposes the expansion of an existing 13-station facility. The capital expenditure associated with this project is $80,265. DaVita stated it would start providing services to patients using the three stations at the earliest in May 2016, or as soon as the CN approval. To determine which one of the two applications is the best available alternative, the department reviewed each of the alternatives considered by both applicants. CHI-FHS considered just two options: do nothing or submit an application. CHI-FHS rejected doing nothing and instead chose to submit an application.

The rationale given by CHI-FHS why it chose this alternative is because it *"conducted a thorough financial analysis and determined that three stations would meet both the CN Program's definition of financial viability (generating a net profit by the third year of operation) as well as CHI Franciscan's requirements that are more rigorous. Once the financial feasibility was established, the applicant elected to move forward with the application"*. [Source: Amended Application, Page 13] The department notes that CHI-FHS did not provide any supporting document to support these statements nor did it provide a copy of the analysis it conducted.

DaVita stated in its application that it considered two alternatives before submitting an application. DaVita stated it considered doing nothing or expanding DaVita Redondo Heights facility located within the same planning area. DaVita rejected the do nothing option because of the numeric need projected in the planning area and because its 13 station DaVita Federal Way is operating in excess of capacity.

DaVita also stated that it considered expanding its Redondo Heights facility, but it rejected this option because space is limited at the facility. Having considered and rejected two options, DaVita submitted an application to expand the 13 station DaVita Federal Way Community Dialysis Center by three stations. In choosing to expand DaVita Federal Way by three stations, DaVita stated the additional stations will improve operating efficiency and the expansion only requires the addition of dialysis machines and minimal moveable equipment to complete the project. The projected capital expenditure for DaVita's expansion project is $80,265. When this amount is compared to CHI-FHS's projected capital expenditure of $872,739, required to lease a built-to-suit facility, it showed that DaVita's project is the superior alternative in terms of cost. The CHI-FHS project involves construction and the project completion date when patients would

start dialyzing using the three stations at the proposed CHI-FHS Federal Way facility is January 2017.

DaVita's project does not involve construction and the project completion date when patients would start using the three stations is May 2016. In comparison, DaVita's expansion project would be operational many months before the CHI-FHS intended operational start date. Based on the information considered DaVita's application presents three reasons it is a superior alternative in King County ESRD planning area #5. First, it will be available and accessible. It will be more efficient and effective to serve all residents of the planning area including those that need isolation services. Second, its cost is 1/10 of the proposed project costs of CHI-FHS. Third, it will open for services eight months prior to CHI-FHS.

Therefore, the department concludes CHI-FHS proposal to establish a three station dialysis facility in the city of Federal Way within King County ESRD planning area #5 is not the best available alternative. **This sub-criterion is not met**

The department concludes DaVita application proposing to expand its existing 13 station DaVita Federal Way Community Dialysis Center by three stations in King County planning area #5 is the best available alternative. **This sub-criterion is met**

Step Three

WAC 246-310-288 identifies specific tiebreaker criteria that must be 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. Under these tiebreaker criteria, 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 tiebreakers, the department will award stations as equally as possible among those applications, without exceeding the total number of stations projected for a planning area.

This step is used to determine the best available alternative between two or more projects that could be approved. The CHI-FHS application failed to meet Certificate of Need criterion under WAC 246-310-210(2), 220(1) and 240, and the DaVita application meets all Certificate of Need criterion under WAC 246-310-210, 220, 230, and 240. Therefore, step three is not necessary.

(2) In the case of a project involving construction:
(a)The costs, scope, and methods of construction and energy conservation are reasonable;

WAC 246-310 does not contain specific WAC 246-310-240(2)(a) criteria as identified in WAC 246-310-200(2)(a)(i). There are known minimum building and energy standards that healthcare facilities must meet to be licensed or certified to provide care. If built to only the minimum standards, all construction projects could be determined to be reasonable.

CHI-FHS

CHI-FHS proposes to lease a "built to suit" facility from a real estate developer. These costs were evaluated in the financial feasibility section of this analysis. No evidence supported the cost of the project to be unreasonable. The department concludes **this sub-criterion is met**

DaVita

DaVita's proposes to add 3-stations to an existing facility. DaVita's lease costs were evaluated in the financial feasibility section of this analysis. The department concluded the overall project met the financial feasibility criterion. Based on the information, the department concludes **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.

CHI-FHS

This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). Based on that evaluation, the department concluded **this sub-criterion is not met**.

DaVita

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

Appendix A

Washington State Department of Health

2015
King County 5
ESRD Need Projection Methodology-CORRECTED

	Planning Area	6 Year Utilization Data - Resident Incenter Patients					
	King Five (5)	2009	2010	2011	2012	2013	2014
	98003	65	66	64	61	79	80
	98023	43	43	47	34	38	42
	TOTALS	108	109	111	95	117	122
246-310-284(4)(a)	Rate of Change		0.93%	1.83%	-14.41%	23.16%	4.27%
	6% Growth or Greater?		FALSE	FALSE	FALSE	TRUE	FALSE
	Regression Method:	Linear					
246-310-284(4)(c)				Year 1	Year 2	Year 3	Year 4
				2015	2016	2017	2018
Projected Resident Incenter Patients	from 246-310-284(4)(b)			120.40	123.60	126.80	**130.00**
Station Need for Patients	**Divide Resident Incenter Patients by 4.8**			25.0833	25.7500	26.4167	**27.0833**
	Rounded to next whole number			**26**	**26**	**27**	**28**
246-310-284(4)(d)	subtract (4)(c) from approved stations						
Existing CN Approved Stations				25	25	25	**25**
Results of (4)(c) above			-	26	26	27	**28**
Net Station Need				-1	-1	-2	**-3**

Negative number indicates need for stations

Planning Area Facilites

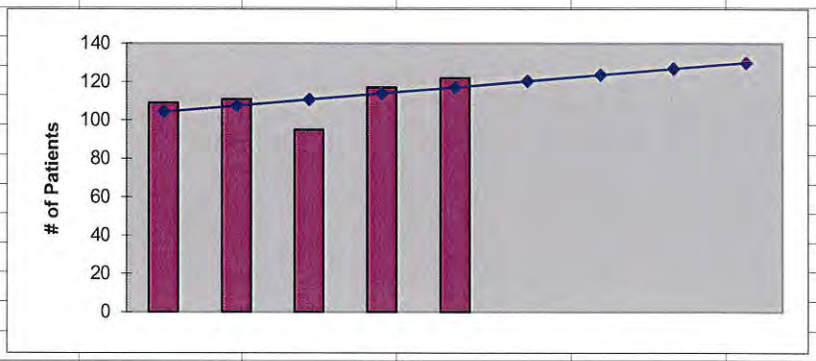
Name of Center	# of Stations
DaVita Fed Way Comm	13
DaVita North Fed Way	12
Total	25

Source: Northwest Renal Network data 2009-2014
Most recent year-end data: 2014 posted 02/12/15

Washington State Department of Health

2015
King County 5
ESRD Need Projection Methodology-CORRECTED

x	y	Linear
2010	109	**104**
2011	111	**108**
2012	95	**111**
2013	117	**114**
2014	122	**117**
2015		**120.40**
2016		**123.60**
2017		**126.80**
2018		**130.00**



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.495662569
R Square	0.245681382
Adjusted R Square	-0.005758157
Standard Error	10.23718711
Observations	5

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	102.4	102.4	0.977099237	0.39579181
Residual	3	314.4	104.8		
Total	4	416.8			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-6327.6	6513.414625	-0.97147201	0.402967492	-27056.19231	14400.99231	-27056.19231	14400.99231
X Variable 1	3.2	3.237282811	0.988483301	0.39579181	-7.102478722	13.50247872	-7.102478722	13.50247872

RESIDUAL OUTPUT

Observation	*Predicted Y*	*Residuals*
1	107.2	0.8
2	107.6	1.4
3	108	3
4	108.4	-13.4
5	108.8	8.2