August 16, 2019

CERTIFIED MAIL # 7016 3010 0001 0575 0082

Austin Ross, Vice President of Planning
Northwest Kidney Centers
700 Broadway
Seattle, Washington 98122

RE: Certificate of Need Application #19-39

Dear Mr. Ross:

We have completed review of the Certificate of Need application submitted by Northwest Kidney Centers. The application proposes to relocate Auburn Kidney Center in its entirety and add 22 new stations to the facility. Auburn Kidney Center is located in King County Planning Area #11 and the new location is in the same planning area. Enclosed is a written evaluation of the application.

For the reasons stated in the enclosed decision, the application to relocate Auburn Kidney Center and add 22 new stations is denied. However, the portion of the application that requests the relocation of Auburn Kidney Center is consistent with the applicable criteria of the Certificate of Need Program, provided Northwest Kidney Centers agrees to the following in its entirety.

**Project Description**
Northwest Kidney Centers is approved to relocate Auburn Kidney Center in its entirety to 635 C Street Southwest in Auburn [98001], within King County Planning Area #11. Once relocated Northwest Kidney Centers is approved to certify and operate 12 dialysis stations. The station breakdown is below.

<table>
<thead>
<tr>
<th></th>
<th>CMS Certified Stations</th>
<th>Stations Counted in Numeric Methodology</th>
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<td>General Use In-Center Stations</td>
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<tr>
<td>Permanent Bed Stations</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Private Isolation Station</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Stations</strong></td>
<td><strong>12</strong></td>
<td><strong>12</strong></td>
</tr>
</tbody>
</table>

Services to be provided at Auburn Kidney Center include:
- Outpatient maintenance hemodialysis.
- A bed for patients who are unable to dialyze in an upright position.
- Home peritoneal training.
• Back up support treatments for both home hemodialysis and home peritoneal dialysis patients.
• Hemodialysis services for visitors.
• Shift beginning after 5:00 pm.

Conditions
1. Northwest Kidney Centers agrees with the project description as stated above. Northwest Kidney Centers 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.

2. Prior to commencement of the project, Northwest Kidney Centers shall provide a revised line drawing of the 12-station dialysis center that clearly shows all spaces consistent with Washington Administrative Code 246-310-800(11).

3. Northwest Kidney Centers shall finance this project consistent with the financing described in the application.

Approved Costs:
The approved capital expenditure for relocation of Auburn Kidney Center is $7,323,353, which represents the amount identified by Northwest Kidney Centers as the costs to relocate the dialysis center.

Please notify the Department of Health within 20 days of the date of this letter whether you accept the above project description, conditions, and capital costs for your project. If you accept these in their entirety, your application will be approved and a Certificate of Need sent to you.

If you reject any of the above provisions, your application will be denied. The department will send you a letter denying your application and provide you information about your appeal rights.

Send your written response to the Certificate of Need Program, at one of the following addresses.

Mailing Address:
Department of Health
Certificate of Need Program
Mail Stop 47852
Olympia, WA 98504-7852

Physical Address:
Department of Health
Certificate of Need Program
111 Israel Road SE
Tumwater, WA 98501

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

Sincerely,

[Signature]

Nancy Tyson, Executive Director
Health Facilities and Certificate of Need

Enclosure
YEAR 2018 CYCLE 2 NON-SPECIAL CIRCUMSTANCE EVALUATION DATED AUGUST 16, 2019, FOR NORTHWEST KIDNEY CENTERS PROPOSING TO ESTABLISH A 34 STATION DIALYSIS CENTER IN KING COUNTY PLANNING AREA #11

APPLICANT DESCRIPTION

Northwest Kidney Centers
Northwest Kidney Centers (NKC) is a private, not-for-profit corporation, incorporated in the state of Washington. Established in 1962, NKC operates as community based dialysis program working to meet the needs of dialysis patients and their physicians. A volunteer board of trustees governs NKC and the board is comprised of medical, civic and business leaders from the community. An appointed Executive Committee of the Board oversees operating policies, performance and approves capital expenditures for all of its facilities. [source: CN historical files and Application, pp3-4 and Exhibits 2 and 3]

NKC provides dialysis services through its facilities located in King, Clallam, Snohomish, and Pierce counties and does not own or operate any healthcare facilities outside of Washington State. In Washington State, NKC is approved to own and operated 20 kidney dialysis facilities.1 Below is a listing of NKC’s dialysis facilities in Washington. [source: Application, Exhibit 3 and CN historical files]

<table>
<thead>
<tr>
<th>Clallam County</th>
<th>King County continued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port Angeles Kidney Center</td>
<td>Rainier Beach Kidney Center</td>
</tr>
<tr>
<td></td>
<td>Renton Kidney Center</td>
</tr>
<tr>
<td>King County</td>
<td>Scribner Kidney Center</td>
</tr>
<tr>
<td>Auburn Kidney Center</td>
<td>Seattle Kidney Center</td>
</tr>
<tr>
<td>Broadway Kidney Center</td>
<td>SeaTac Kidney Center</td>
</tr>
<tr>
<td>Elliot Bay Kidney Center</td>
<td>Snoqualmie Ridge Kidney Center</td>
</tr>
<tr>
<td>Enumclaw Kidney Center</td>
<td>West Seattle Kidney Center</td>
</tr>
<tr>
<td>Federal Way Kidney Center</td>
<td></td>
</tr>
<tr>
<td>Kent Kidney Center</td>
<td>Snohomish County</td>
</tr>
<tr>
<td>Kirkland Kidney Center</td>
<td>Everett Kidney Center</td>
</tr>
<tr>
<td>Lake City Kidney Center</td>
<td></td>
</tr>
<tr>
<td>Lake Washington Kidney Center</td>
<td>Pierce County</td>
</tr>
<tr>
<td>Northwest Everett Kidney Center</td>
<td>Fife Kidney Center</td>
</tr>
</tbody>
</table>

PROJECT DESCRIPTION

Northwest Kidney Centers
Currently NKC operates a 12-station dialysis center known as Auburn Kidney Center at 1501 West Valley Highway North, #104 in Auburn [98001]. NKC proposes to establish a new 34-station dialysis center by relocating the 12-station center to a new site and adding 22 new stations. The new site is 635 C Street Southwest in Auburn [98001], within King County planning area #11. The new facility would continue to be known as Auburn Kidney Center.

NKC Auburn Kidney Center provides the following services at its current site.

1 Of the 20 NKC facilities three are recently CN approved and not yet operational. The three facilities are Fife Kidney Center, Rainier Beach Kidney Center, and Everett Kidney Center.
• Outpatient maintenance hemodialysis.
• A bed for patients who are unable to dialyze in an upright position.
• Home peritoneal training.
• Back up support treatments for both home hemodialysis and home peritoneal dialysis patients.
• Hemodialysis services for visitors.
• Shift beginning after 5:00pm.

Upon project completion, NKC Auburn will serve the following patient population:
• Stable outpatient maintenance hemodialysis patients.
• Patients whose medical condition requires treatment in a bed.
• Training for home peritoneal dialysis patients.
• Training for home hemodialysis patients.
• Provide clinics for PD patients.
• Provide clinics for HH patients.
• Provide back up runs and support for HH and PD patients.
• Visiting hemodialysis patients.
• Stable institutionalized hemodialysis patients transported for outpatient treatments.
• Patients who work or go to school during the day and require dialysis treatments that begin after 5:00 pm in the evening.

In addition to the above services, once relocated and expanded, NKC Auburn Kidney Center will also provide medically necessary isolation in a private room, and home hemodialysis training. [source: Application, pp8-9]

If approved, NKC expects the 34-station dialysis center would be operational and prepared for survey by April 2021. [source: Application, p7]

The total capital expenditure for this project is $18,831,477. This amount includes $7,323,353 to relocate the existing 12-station center and $11,508,124 for the addition of 22 stations at the new site. [source: Application, p22]

**Department Information on Timelines for Completion of the Projects**
NKC identified a timeline for completion of this project based on a July 2019 evaluation release date. Due to delays in releasing this evaluation, NKC’s timeline may not be achievable or accurate. If this project is approved, the department will adjust the operational timeline to account for the additional days of delay of the release of this evaluation.

**APPLICABILITY OF CERTIFICATE OF NEED LAW**
NKC’s project is subject to Certificate of Need review as the construction, development, or other establishment of a new health care facility under the provisions of RCW 70.38.105(4)(a) and WAC 246-310-020(1)(a).

**EVALUATION CRITERIA**
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 determination. 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 services 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 service 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:

(b) 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.

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).

Northwest Kidney Centers must also demonstrate compliance with applicable kidney disease treatment center criteria outlined in WAC 246-310-800 through 833. For this application submitted under WAC 246-310-806 Nonspecial Circumstance, the following review criteria do not apply and will not be discussed in this evaluation.

WAC 246-310-809 One-time exempt isolation station reconciliation
WAC 246-310-818 Special circumstances one- or two-station expansion—Eligibility criteria and application process
WAC 246-310-821 Kidney disease treatment facilities—Standards for planning areas without an existing facility
WAC 246-310-824 Kidney disease treatment centers—Exceptions
WAC 246-310-830 Kidney disease treatment facilities—Relocation of facilities
WAC 246-310-833 One-time state border kidney dialysis facility station relocation

**WAC 246-310-803**

WAC 246-310-803 requires an applicant to submit specific data elements to the Certificate of Need Program. For the 2018 concurrent review cycle, the data must be received before February 16, 2018. Each applicant submitted the data elements on February 15, 2018. This data is used to calculate superiority in the event that more than one application meets the applicable review criteria. Consistent with WAC 246-310-827, these data elements are the only means by which two or more applications may be compared to one another.
WAC 246-310-803 and WAC 246-310-827 allow for public review and correction to data submissions prior to any concurrent review cycle. Therefore, if the department receives public comments related to data submission under WAC 246-310-803 or WAC 246-310-827 during a review, the comments will not be considered and discussed.

**TYPE OF REVIEW**

As directed under WAC 246-310-806, the department accepted this application under the Kidney Disease Treatment Centers-Nonspecial Circumstances Concurrent Review Cycle #2 for calendar year 2018. NKC’s application was the only project submitted for King County planning area #11. Consistent with sub-section WAC 246-310-806(8), the department converted the review to a regular review timeline. Below is the chronological summary of the review timelines.

### APPLICATION CHRONOLOGY

<table>
<thead>
<tr>
<th>Action</th>
<th>Northwest Kidney Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter of Intent Submitted</td>
<td>November 1, 2018</td>
</tr>
<tr>
<td>Application Submitted</td>
<td>December 3, 2018</td>
</tr>
<tr>
<td>Department’s pre-review activities</td>
<td></td>
</tr>
<tr>
<td>• DOH 1st Screening Letter</td>
<td>December 31, 2018</td>
</tr>
<tr>
<td>• Applicant's Responses Received</td>
<td>February 22, 2019(^2)</td>
</tr>
<tr>
<td>• DOH 2nd Screening Letter</td>
<td>N/A</td>
</tr>
<tr>
<td>• Applicant's Responses Received</td>
<td>N/A</td>
</tr>
<tr>
<td>Beginning of Review</td>
<td>March 15, 2019</td>
</tr>
<tr>
<td>End of Public Comment(^3)</td>
<td></td>
</tr>
<tr>
<td>• Public comments accepted through the end of public comment period</td>
<td>April 19, 2019</td>
</tr>
<tr>
<td>• No public hearing requested or conducted</td>
<td></td>
</tr>
<tr>
<td>Rebuttal Comments Submitted</td>
<td>May 3, 2019</td>
</tr>
<tr>
<td>Department's Initial Anticipated Decision Date(^4)</td>
<td>June 17, 2019</td>
</tr>
<tr>
<td>Department's Actual Decision Date with a 60 day extension</td>
<td>August 16, 2019</td>
</tr>
</tbody>
</table>

### 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.’

As noted above, WAC 246-310-010(2) requires an affected person to first meet the definition of an ‘interested person.’ WAC 246-310(34) defines “interested person” as:

(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;

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\(^2\) NKC requested and was granted an extension to respond to the department’s December 31, 2018, screening.

\(^3\) Public comments were accepted through April 19, 2019, however no public comments were submitted for this project. As a result, NKC did not provide rebuttal comments.

\(^4\) Thirty day extension letters were sent to NKC on June 17, 2019 and July 17, 2019.
(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.

For this project, one entity sought interested person status but not affected person status. As a result, no entities were granted affected person status under WAC 246-310-010(2).

SOURCE INFORMATION REVIEWED

- Northwest Kidney Centers Certificate of Need application received December 3, 2018
- Northwest Kidney Centers 1st screening response received February 22, 2019
- Years 2012 through 2017 historical kidney dialysis data obtained from the Northwest Renal Network
- Department of Health’s ESRD Need Projection Methodology for King County planning area #11 posted to its website March 2018
- Northwest Renal Network June 30, 2018, Prevalent Dialysis Patients by Mode and Facility All Network Patients as of June 30, 2018 released on August 1, 2018
- Licensing data provided by the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service
- Compliance history obtained from the Washington State Department of Health Office of Health Systems Oversight
- Centers for Medicare and Medicaid website at www.medicare.gov/dialysisfacilitycompare
- Certificate of Need historical files
- Certificate of Need evaluation released on July 10, 2019, for DaVita, Inc. (App #18-59)
- Certificate of Need #1788 issued to DaVita, Inc. on July 11, 2019

CONCLUSION

**Northwest Kidney Centers**

Northwest Kidney Centers submitted this application proposing to relocate the 12-station Auburn Kidney Center within the same planning area and expand the dialysis center by 22 new stations. For the reasons stated in this evaluation, the application as submitted is not consistent with the applicable review criteria, and a Certificate of Need is denied for the station addition.

Although Northwest Kidney Centers is not approved to add 22 new stations to the 12-station Auburn Kidney Center, Northwest Kidney Centers provided documentation to support an approval to relocate the facility. Therefore, the department concludes that Northwest Kidney Centers is approved to relocate the 12-station dialysis center to the new site within King County Planning Area #11.

**Project Description:**

Northwest Kidney Centers is approved to relocate Auburn Kidney Center in its entirety to 635 C Street Southwest in Auburn [98001], within King County Planning Area #11. Once relocated Northwest Kidney Centers is approved to certify and operate 12 dialysis stations. The station breakdown is below.
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Services to be provided at Auburn Kidney Center include:
- Outpatient maintenance hemodialysis.
- A bed for patients who are unable to dialyze in an upright position.
- Home peritoneal training.
- Back up support treatments for both home hemodialysis and home peritoneal dialysis patients.
- Hemodialysis services for visitors.
- Shift beginning after 5:00pm.

**Conditions:**
1. Northwest Kidney Centers agrees with the project description as stated above. Northwest Kidney Centers 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.

2. Northwest Kidney Centers shall provide a revised line drawing of the 12-station dialysis center that clearly shows all spaces consistent with Washington Administrative Code 246-310-800(11).

3. Northwest Kidney Centers shall finance this project consistent with the financing described in the application.

**Approved Costs:**
The approved capital expenditure for relocation of Auburn Kidney Center is $7,323,353, which represents the amount identified by Northwest Kidney Centers as the costs to relocate the dialysis center.

**CRITERIA DETERMINATIONS**

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

Based on the source information reviewed, the department concludes that Northwest Kidney Centers has not met the need criteria in WAC 246-310-210, which includes the kidney disease treatment center specific numeric methodology under WAC 246-310-812(4) and utilization criteria in WAC 246-310-812(5).

Based on the source information reviewed, the department also concludes that Northwest Kidney Centers has met the criteria to relocate the 12-station Auburn Kidney Center in its entirety without an increase in approved stations, provided Northwest Kidney Centers agrees to the conditions identified in the conclusion section of this evaluation.

(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 246-310-812 requires the department to evaluate kidney disease treatment centers applications based on the population’s 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. The kidney disease treatment center specific numeric methodology is applied.
and detailed under WAC 246-310-812(4). WAC 246-310-210(1) criteria and also identified in WAC 246-310-812(5) and (6).

**WAC 246-310-812 Kidney Disease Treatment Center Numeric Methodology**

WAC 246-310-812 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 (NWRN).\(^5\)

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 246-310-812(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. 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 246-310-812(4)(b) and (c)]

[WAC 246-310-812(5)] identifies that for all planning areas except Adams, Columbia, Douglas, Ferry, Garfield, Jefferson, Kittitas, Klickitat, Lincoln, Okanogan, Pacific, Pend Oreille, San Juan, Skamania, Stevens, and Wahkiakum counties, the number of projected patients is divided by 4.8 to determine the number of stations needed in the planning area. For the specific counties listed above, the number of projected patients is divided by 3.2 to determine needed stations. Additionally, the number of stations projected as needed in the target year is rounded up to the nearest whole number.

Finally, once station need has been calculated for the project years, the number of CN approved in-center stations are then subtracted from the total need, resulting in a net need for the planning area. [WAC 246-310-812(4)(d)] The department calculates the numeric methodology for each of the 57 planning areas and posts the results to its website. Below is a discussion of the numeric methodology submitted by NKC.

**Northwest Kidney Centers**

NKC Auburn Kidney Center currently operates in King County planning area #11 with 12 dialysis stations and one isolation station. NKC proposes to establish a 34-station dialysis center by relocating all stations from Auburn Kidney Center’s current site and adding 22 stations. NKC relied on the

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\(^5\) NWRN was established in 1978 and is a private, not-for-profit corporation independent of any dialysis company, dialysis unit, or transplant center. It is funded by Centers for Medicare and Medicaid Services, Department of Health and Human Services. Northwest Renal Network collects and analyzes data on patients enrolled in the Medicare ESRD programs, serves as an information resource, and monitors the quality of care given to dialysis and transplant patients in the Pacific Northwest. [Source: Northwest Renal Network website]

\(^6\)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 this project, the base year is 2017.
numeric methodology posted to the department’s website for King County planning area #11. The methodology projected need for 22 stations in projection year 2022.

Public Comment
None

Rebuttal Comment
None

Department Evaluation of the Numeric Methodology for King County Planning Area #11
The department calculates the numeric methodology for each of the 57 ESRD planning areas in Washington and posts each of the results to its website. The department’s year 2018 numeric methodology was posted in March 2018.

Based on the calculation of the annual growth rate in the planning area, the department used the linear regression to determine numeric need. The number of projected patients was divided by 4.5 to determine the number of stations needed in King County planning area #11. A summary of the department’s numeric methodology is shown in Table 1 below.

<table>
<thead>
<tr>
<th>Department’s Table 1</th>
<th>4.5 in-center patients per station</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2022 Projected # of stations</td>
</tr>
<tr>
<td>DOH Methodology Post to Website</td>
<td>48</td>
</tr>
</tbody>
</table>

As shown in the table above, once the 26 existing stations are subtracted from the projected need, the result is a net need of 22 stations. This is the methodology that was effective when NKC submitted this application.

On June 1, 2018, DaVita, Inc. (DaVita) submitted a non-special circumstance application under the year 2018 cycle #1 timeline proposing to establish a 22-station dialysis center in Auburn, within King County planning area #11. On July 10, 2019, the department released its evaluation to DaVita conditionally approving the project. On July 11 2019, CN #1788 was issued to DaVita approving the establishment of a 22 station dialysis center with one exempt isolation station. With the issuance of CN #1788, there is no longer numeric need in the planning area for 22 stations.

During the screening of this NKC application, the department questioned whether NKC understood the outcome of its application if the DaVita project was approved. Below is the department’s question and NKC’s response. [source: February 22, 2019, screening response, p2]

Certificate of Need Question
Within this application, Northwest Kidney Centers (NKC) acknowledges that the Certificate of Need (CN) Program is currently reviewing an application submitted by DaVita, Inc. on June 1, 2018, for King County planning area #11. The decision date for the DaVita, Inc. application is scheduled for January 28, 2019. WAC 246-310-806(7) allows NKC to submit this application because the DaVita, Inc. decision has not been released within the 6-month timeline outlined in the rule.

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7 Certificate of Need application #18-59.
If the DaVita, Inc. application is approved, the numeric need in the planning area will be zero, and this
NKC application must be denied. Please confirm your understanding of this potential outcome.

NKC Response
In the unlikely event that the DaVita, Inc. application is approved, NKC understands that the numeric
need in the planning area will be zero and there will be no numeric need for the project NKC is
proposing in this application.

The department’s 2018 methodology that NKC relied upon when this application was submitted is
included in this evaluation as Appendix A. The department concludes Northwest Kidney Centers does not meet the numeric methodology standard.

In addition to the numeric need, the department must determine whether other services and facilities of
the type proposed are not or will not be sufficiently available or accessible to meet the dialysis station
need. The department uses the standards in WAC 246-310-812(5) and WAC 246-310-812(6).

WAC 246-310-812(5)
Before the department approves new in-center kidney dialysis stations in a 4.8 planning area, all
certificate of need counted stations at each facility in the planning area must be operating at 4.5 in-
center patients per station. However, when a planning area has one or more facilities with stations not
meeting the in-center patients per stations standard, the department will consider the 4.5 in-center
patients per station standard met for those facilities when:
   (a) All stations for a facility have been in operation for at least three years; or
   (b) Certificate of need approved stations for a facility have not become operational within the
timeline as represented in the approved application.

...Both resident and nonresident patients using the kidney dialysis facility are included in this
calculation. Data used to make this calculation must be from the most recent quarterly modality report
from the Northwest Renal Network as of the letter of intent submission date.

NKC provided the following information related to this sub-criterion. [source: Application, p16]

“Table 3 details the current utilization of the existing King 11 dialysis facilities. As detailed in the
table, both facilities are operating above 4.5 patients per station.”

Applicant’s Table 3

<table>
<thead>
<tr>
<th>Facility</th>
<th>No. of Stations</th>
<th>6/30/2018 Census</th>
<th>Patients/Station</th>
</tr>
</thead>
<tbody>
<tr>
<td>NKC Auburn</td>
<td>12</td>
<td>74</td>
<td>6.17</td>
</tr>
<tr>
<td>NKC Federal Way East</td>
<td>14</td>
<td>78</td>
<td>5.57</td>
</tr>
</tbody>
</table>

Source: Applicant and Northwest Renal Network 6/30/2018 Modality Reports

As noted above, both NKC facilities are operating above the 4.5 in center patients / station standard as
required in WAC 246-310-812(5).

Public Comment
None

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8 WAC 246-310-210(1)(b).
Rebuttal Comment
None

Department Evaluation
WAC 246-310-812(5) states that the “data used to make this calculation must be from the most recent quarterly modality report from the Northwest Renal Network as of the letter of intent submission date.” The date of the letter of intent is November 1, 2018. The data available as of November 1, 2018, is June 30, 2018, quarterly data that was available on August 1, 2018. The utilization of the three existing dialysis centers located in King County planning area #11 is shown below.

Department’s Table 2
June 30, 2018, Utilization Data for King County Planning Area #11

<table>
<thead>
<tr>
<th>Facility Name</th>
<th># of Stations</th>
<th># of Patients</th>
<th>Patients Per Station</th>
</tr>
</thead>
<tbody>
<tr>
<td>NKC Auburn Kidney Center</td>
<td>12</td>
<td>74</td>
<td>6.17</td>
</tr>
<tr>
<td>NKC Federal Way East Kidney Center</td>
<td>14</td>
<td>78</td>
<td>5.57</td>
</tr>
<tr>
<td>DaVita Auburn Valley Dialysis Center (CN #1788)</td>
<td>22</td>
<td>0</td>
<td>0.00</td>
</tr>
</tbody>
</table>

As shown in the table above, two of the three centers are operating above the 4.5 standard. One facility, DaVita’s recently approved center, is not yet operational and has no utilization.

Based on the information above, the department concludes that the NKC project does not meet this the standard. However, the relocation of the 12-station dialysis center does not require a specific utilization of existing dialysis centers in the planning area. As a result, the department also concludes that NKC is could relocate the center to the new site in the planning area.

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

To evaluate this sub-criterion, the department evaluates an applicant’s admission policies, willingness to serve Medicare and Medicaid patients, and to serve patients that cannot afford to pay for services.

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 assurances regarding access to treatment. The admission policy must also include language to ensure all residents of the planning area would have access to the proposed 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.

Medicare certification is a measure of an agency’s willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals age 65 and over. It is also well recognized that women live longer than men and therefore more likely to be on Medicare longer. One of the exceptions is Medicare coverage for patients with permanent kidney failure. Patients of any age with permanent kidney failure are eligible for Medicare coverage.

Medicaid certification is a measure of an agency’s willingness to serve low income persons and may include individuals with disabilities.

A facility’s charity care policy should show a willingness of a provider to provide services to patients who have exhausted any third-party sources, including Medicare and Medicaid, and whose income is
equal to or below 200% of the federal poverty standards, adjusted for family size or is otherwise not
sufficient to enable them to pay for the care or to pay deductibles or coinsurance amounts required by a
third-party payer. 9 With the passage of the Affordable Care Act (ACA), the amount of charity care is
expected to decrease, but not disappear. The policy should also include the process one must use to
access charity care at the facility.

Northwest Kidney Centers
In response to this sub-criterion, NKC provided the following statements. [source: Application, p17]

“NKC is undertaking this project and adding stations now in order to mitigate factors that serve to
restrict patient access to dialysis treatment. The very high growth rate of in-center dialysis patients
(averaging 13% annually just in the last three years) coupled with the high census of the two existing
King 11 facilities, confirms the restricted access that is experienced daily in South King County. Adding
new stations to King 11 will improve, not restrict patient access.”

NKC also provided the following policies for this project. [source: Application, Exhibit 10]
- New Patient Admission Policy
- Charity Policy
- Patient Compliance Policy

Public Comment
None

Rebuttal Comment
None

Department Evaluation
NKC currently participates in the Medicare and Medicaid programs for its operational dialysis centers,
including Auburn Kidney Center. NKC provided its Medicare and Medicaid provider numbers for
Auburn Kidney Center.

Medicare Provider Number:  50-2520
Medicaid Provider Number:  3990413

As directed WAC 246-310-815, NKC based its payer mix on the existing payer mix of Auburn Kidney
Center. NKC provided a table showing the facility’s current payer mix. The information is summarized
below. [source: Application, p24]

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage of Revenue by Payer</th>
<th>Percentage of Patients by Payer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare (includes managed care)</td>
<td>47.6%</td>
<td>72.9%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>8.2%</td>
<td>17.8%</td>
</tr>
<tr>
<td>Other: Commercial</td>
<td>44.2%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

9 WAC 246-453-010(4).
Based on the information above, the department concludes that NKC’s application meets this sub-criterion.

(3) The applicant has substantiated any of the following special needs and circumstances the proposed project is to serve.
(a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both, to individuals not residing in the health service areas in which the entities are located or in adjacent health service areas.
(b) The special needs and circumstances of biomedical and behavioral research projects designed to meet a national need and for which local conditions offer special advantages.
(c) The special needs and circumstances of osteopathic hospitals and non-allopathic services.

(4) The project will not have an adverse effect on health professional schools and training programs. The assessment of the conformance of a project with this criterion shall include consideration of:
(a) The effect of the means proposed for the delivery of health services on the clinical needs of health professional training programs in the area in which the services are to be provided.
(b) If proposed health services are to be available in a limited number of facilities, the extent to which the health professions schools serving the area will have access to the services for training purposes.

(5) The project is needed to meet the special needs and circumstances of enrolled members or reasonably anticipated new members of a health maintenance organization or proposed health maintenance organization and the services proposed are not available from nonhealth maintenance organization providers or other health maintenance organizations in a reasonable and cost-effective manner consistent with the basic method of operation of the health maintenance organization or proposed health maintenance organization.

**Department Evaluation**

WAC 246-310-210(3), (4), and (5) do not apply to this dialysis project under review.

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

Based on the source information reviewed the department concludes that Northwest Kidney Centers has not met the financial feasibility criteria in WAC 246-310-220 and WAC 246-310-815 for the relocation and the station addition.

Based on the source information reviewed, the department also concludes that Northwest Kidney Centers has met the criteria to relocate the 12-station Auburn Kidney Center in its entirety without an increase in approved stations, provided Northwest Kidney Centers agrees to the conditions identified in the conclusion section of this evaluation.

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

WAC 246-310-815 outlines the financial feasibility review requirements for dialysis projects. For this project, each applicant must demonstrate compliance with the following sub-sections of WAC 246-310-815(1).
WAC 246-310-815(1)
(1) The kidney dialysis facility must demonstrate positive net income by the third full year of operation.
(a) The calculation of net income is subtraction of all operating and non-operating expenses, including appropriate allocated and overhead expenses, amortization and depreciation of capital expenditures from total revenue generated by the kidney dialysis facility.
(b) Existing facilities. Revenue and expense projections for existing facilities must be based on that facility's current payer mix and current expenses.
(c) New facilities.
   (i) Revenue projections must be based on the net revenue per treatment of the applicant's three closest dialysis facilities.
   (ii) Known expenses must be used in the pro forma income statement. Known expenses may include, but are not limited to, rent, medical director agreement, and other types of contracted services.
   (iii) All other expenses not known must be based on the applicant's three closest dialysis facilities.
   (iv) If an applicant has no experience operating kidney dialysis facilities, the department will use its experience in determining the reasonableness of the pro forma financial statements provided in the application.
   (v) If an applicant has one or two kidney dialysis facilities, revenue projections and unknown expenses must be based on the applicant's operational facilities.

Northwest Kidney Centers
For NKC’s relocation and station addition project, sub-sections (a) and (b) of WAC 246-310-815(1) apply. NKC provided the following information related to this sub-criterion. [source: Application, p20, p24, and February 22, 2019, screening response, p2 and Attachment 1]

"...As required by WAC 246-310-815 (1) the calculation of net income is subtraction of all operating and non-operating expenses, including appropriate allocated and overhead expenses, amortization and depreciation from total revenue. And because NKC Auburn is an existing facility, revenue and expense projections are based on current payer mix and current expenses.
1. The Pro forma is completed based on a June 30 fiscal year. The implementation year is assumed to be the 12 months ending June 30, 2021.

2. Volumes
   a. Patient In-Center Census: Census is expected to reach 164 by June 30, 2024. The current unit is operating 4 shifts and running over 100% capacity.
   b. Treatments are calculated based on 13 treatments per month and a 5% no-show rate.

NKC based its utilization assumptions on the projected volumes produced via the application of WAC 246-310-812 to Dialysis Planning Area 11, extrapolated to 2024 and our actual experience operating facilities in the Planning Area. The specific assumptions are as follows:
1) NKC operates the only two facilities located in the Planning Area, NKC Auburn and NKC Federal Way East. NKC Federal Way East opened in March 2018 with 14 stations. As of November 30, 2018, it was operating at 6.14 patients per station or 102% occupancy. NKC Auburn’s 12 stations as of November 30, 2018 were at 6.33 patients per station or 106% occupancy. Neither facility can accommodate any real patient additions.
2) Actual patient origin data demonstrates that consistently about 78% of NKC Auburn’s patients reside in the Planning Area and 22% reside outside of the Planning Area. In the projections, NKC has assumed that this will continue.
3) NKC Auburn’s market share of King 11 Planning Area patients is about 36%. NKC assumed an increase to market share during the project period (to about 49% by 2024) due to the fact that we will be the only facility within the Planning Area to have new capacity. Specific estimates are detailed in Table 1.

3. Gross Revenue
   a. Medicare: The modeled weighted average charge per treatment for all billable services is reflective of the actual average amount for the existing facility for the first 4 months of fiscal year 2019.
   b. Medicaid: The modeled weighted average charge per treatment for all billable services is reflective of the actual average amount for the existing facility for the first 4 months of fiscal year 2019.
   c. Total Gross Revenue is the weighted average of the above gross revenue relative to the patient payer mix which is reflective of the actual average payer mix for the existing facility for the first 4 months of the fiscal 2019.

4. Deductions from Gross Revenue
   a. Total Contractual Deductions is the weighted average is reflective of the actual average payer mix for the existing facility for the first 4 months of fiscal year 2019.
   b. Bad Debt is reflective of the actual average bad debt write-off for the existing facility per treatment for the first 4 months of fiscal year 2019.
   c. Charity is reflective of the actual average bad debt write-off for the existing facility per treatment for the first 4 months of fiscal year 2019.

5. Direct Expenses: All direct expenses are modeled based on the actual average amount per treatment for the existing facility for the first 4 months of fiscal year 2019.
   a. No inflation has been assumed in the forecast period
   b. Medical Director is based on contracted amount with an anticipated increase for the increase in patient capacity.
   c. The current facility is in rented space and the relocation corresponds to the end of the current lease period.
   d. Depreciation in the project years has been estimated based on the budgeted new construction costs associated with the project.
   e. Interest Expenses is assumed to be 3.8% and with a bond amortization period of 25 years. Interest is would be capitalized into the project until the unit is operational.
   f. Other Supplies refers to office supplies, janitorial supplies, building and plant supplies
   g. Other Purchased Services refers to language interpretation services, freight, landscaping, window washing, and pest control.

6. Overhead: is based on the organization-wide operating budget for fiscal year 2019. Overhead included administrative and support services.

“NKC Auburn’s current payer mix is detailed in Table 10. No change in payer mix is assumed for this project. Note: Medicare and Medicaid include fee for service and government managed care plans.”
Using the assumptions stated above, NKC projected the end-of-year number of in-center dialyses and patients for fiscal years 2019 through 2024. For this project, fiscal year 2020 is the implementation year and fiscal year 2021 is full year one. Shown in the table below is fiscal years 2020 through 2023.\(^{10}\) [source: Application, Exhibit 8]

### Department’s Table 4
**NKC Auburn Kidney Center**

**Projected Patients and Dialyses for Fiscal Years 2020 – 2024**

<table>
<thead>
<tr>
<th></th>
<th>FY 2020 Implement Year</th>
<th>FY 2021 Fiscal Year 1</th>
<th>FY 2022 Full Year 2</th>
<th>FY 2023 Full Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Stations*</td>
<td>34</td>
<td>34</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Total In center Patients</td>
<td>91</td>
<td>115</td>
<td>140</td>
<td>164</td>
</tr>
<tr>
<td>Total In center Treatments</td>
<td>11,541</td>
<td>15,265</td>
<td>18,896</td>
<td>22,526</td>
</tr>
</tbody>
</table>

*excluding CON-exempt isolation station

NKC also projected the revenue, expenses, and net income for fiscal years 2019 through 2024. Fiscal years 2020 through 2023 are shown in the table below. [source: Application, Exhibit 8 and February 22, 2019, screening response, Attachment 2]

### Department’s Table 5
**NKC Auburn Kidney Center**

**Projected Revenue and Expenses for Fiscal Years 2020-2023**

<table>
<thead>
<tr>
<th></th>
<th>FY 2020 Implement Year</th>
<th>FY 2021 Fiscal Year 1</th>
<th>FY 2022 Full Year 2</th>
<th>FY 2023 Full Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenue</td>
<td>$4,745,495</td>
<td>$6,640,753</td>
<td>$8,227,482</td>
<td>$9,814,211</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$4,260,953</td>
<td>$6,370,963</td>
<td>$7,608,678</td>
<td>$8,847,217</td>
</tr>
<tr>
<td>Net Profit / (Loss)</td>
<td>$484,542</td>
<td>$269,790</td>
<td>$618,804</td>
<td>$966,994</td>
</tr>
</tbody>
</table>

The ‘Net Revenue’ line item is gross in-center and training revenue, minus deductions for contractual allowances, bad debt, and charity care.

The ‘Total Expenses’ line item includes all expenses related to the operation of the projected 34-station facility in fiscal years 2020 through 2023. The expenses also include allocated costs consistent with historical percentages. Medical director costs are $82,000 annual and consistent with the executed agreement provided the application and the addendum provided in the screening response. Since NKC purchased the site, the projected expenses above do not include rent/lease expenses.

\(^{10}\) NKC’s fiscal years begins July 1 and ends June 30. [source: Application, p16]
Department Evaluation
NKC proposes to relocate Auburn Kidney Center within King County Planning Area #11 and add 22 new stations. NKC based its projected utilization of the newly relocated and expanded dialysis center on the current utilization of Auburn Kidney Center. This approach is consistent with WAC 246-310-815(1)(a) and (b). Based on a review of the assumptions used for projecting utilization of the 34-station dialysis center, the department concludes cannot be considered reliable because there is no need for additional dialysis stations needed in King County Planning Area #11. However, the assumptions are reliable for a relocation of the entire Auburn Kidney Center without a station addition.

Focusing the on projected Revenue and Expense Statement, the department concludes that the approach used by NKC to determine the revenues and expenses for the newly relocated facility is reasonable. However, given that there is no need for additional dialysis stations in the planning area, statement cannot be considered reliable. However, the utilization of the dialysis center is reasonable without the station addition.

Within the application, NKC states it has already purchased the site for the new facility. Documentation provided in the application demonstrates that that NKC owns the site and the site is zoned for the intended use.

NKC also provided a copy of the executed Medical Director Agreement that substantiates these line item costs identified in the pro form revenue and expense statement. Without the station addition, the medical director costs would be decreased in future years.

Because there is no numeric need for additional dialysis stations in King County Planning Area #11, the department concludes this sub-criterion is not met for the relocation and station addition. However, the department also concludes that NKC provided documentation to demonstrate the relocation of the 12-station Auburn Kidney Center is reasonable without the station addition. This sub-criterion is met for a relocation only.

(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 246-310-815 outlines the financial feasibility review requirements for dialysis projects. For this project, NKC must demonstrate compliance with the following sub-sections of WAC 246-310-815(2).

WAC 246-310-815(2)
An applicant proposing to construct a finished treatment floor area square footage that exceeds the maximum treatment floor area square footage defined in WAC 246-310-800(11) will be determined to have an unreasonable impact on costs and charges and the application will be denied. This does not preclude an applicant from constructing shelled space.

Northwest Kidney Centers
NKC provided the following information under this sub-criterion. [source: Application, p23]
“This project will have no impact on the costs and charges for services. The capital costs for this project will not negatively impact payers or patients. NKC’s charges for services are not determined by capital expenditures. The pro forma operating assumptions and statement, which include the impact of the depreciation expense on operations, is included in Exhibit 8.”

NKC provided a copy of its proposed line drawings for the new dialysis center that shows all 34 stations. [source: Application, Exhibit 6] Consistent with WAC 246-310-800(11), NKC Auburn Kidney Center’s maximum allowable square footage for 34 stations (including one permanent bed station and one future station) and one exempt isolation station is 9,800. NKC’s project will use 5,503 square feet. [source: Application, p10]

Public Comment
None

Rebuttal Comment
None

Department Evaluation
The estimated costs for this project is $18,831,477, which includes $7,323,353 for relocation of the 12-station center. The costs are comparable to those reviewed in past applications for similar type projects and similar sized facilities. The department does not consider the capital expenditure to be excessive for this project.

Regardless of the number of patients projected, under the new ESRD PPS payment system, Medicare pays dialysis facilities a bundled rate per treatment and 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 both at the facility and at patient-specific level that affects the final reimbursement rate each facility will receive. What a dialysis facility receives from its commercial payers will also vary.

Even if two different dialysis providers billed the same commercial payer the same amount, the actual payment to each facility will depend on the negotiated discount rate obtained by the commercial payer from each individual provider. The department does not have an adopted standard on what constitutes an unreasonable impact on charges for health services. Based on the department’s understanding of how dialysis patients may qualify for Medicare payments, the department concludes that the information provided by NKC indicates that this project would not have an unreasonable impact on charges for Medicare and Medicaid, since that revenue is dependent upon cost based reimbursement.

To be compliant with WAC 246-310-800(11), Auburn Kidney Center’s maximum floor space for a 34-station facility is 9,800 square feet. NKC calculated that its actual floor space will be 5,503 which includes the one isolation station that is not counted at the center.

However, given that there is no projected numeric need for additional dialysis stations in King County Planning Area #11, the department concludes that the costs identified in the application may have an unreasonable impact on costs and charges for healthcare services in the planning area. This sub-criterion is not met for the relocation and station addition.

The department notes that the costs for the relocation project only are reasonable and would not have an unreasonable impact on costs and charges for healthcare services in the planning area. NKC did not provide line drawings consistent with WAC 246-310-800(11) for Auburn Kidney Center with 12 stations. The department concludes that NKC could relocate the dialysis center, provided NKC submits
a revised line drawing for the 12-station facility consistent with WAC 246-310-800(11). The revised line drawings must be submitted prior to commencement of the project. **This sub-criterion is met for the relocation of the 12-station Auburn Kidney Center.**

(3) **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 applicant’s projected source of financing to those previously considered by the department.

**Northwest Kidney Centers**

NKC provided the following information about financing the $18,831,477 costs for this project. [source: Application, p20]

“At the current time, NKC anticipates undertaking a tax-exempt bond financing through the Washington Health Care Facilities Authority (WHCFA) for approximately $14.5 million of the $18,000,000+ required for this project. NKC has secured WHCFA tax-exempt financing successfully in the past including as recently as June 2018. The remaining funding will come from NKC reserves. Our pro forma financial assumes an interest rate of 3.8%.

As the CN Program is aware, the WHCFA will not approve a financing, nor confirm an interest rate until all CN obligations are met. The rate we included in the pro forma is slightly higher than current WHCFA rates. We anticipate filing an application with WHCFA in the fall of 2019. In the event that the tax-exempt financing is delayed for some reason, our audited financials included in Appendix 1 demonstrate that we have adequate reserves to undertake and complete 100% of the project without external financing. We are electing to disclose the potential for tax exempt bonds at this time, so that the CN Program has the ability to analyze the impact of the interest expense (versus no interest expense) associated with this method. Included in Exhibit 11 is a letter from NKC’s CFO confirming these assumptions.

The requested pro forma financial information is included in Exhibit 8. As required by WAC 246-310-815 (1) the calculation of net income is subtraction of all operating and non-operating expenses, including appropriate allocated and overhead expenses, amortization and depreciation from total revenue. And because NKC Auburn is an existing facility, revenue and expense projections are based on current payer mix and current expenses.”

**Department’s Table 6**

**Capital Expenditure Breakdown**

<table>
<thead>
<tr>
<th>Item</th>
<th>12 Station Relocation</th>
<th>22 Station Addition</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Purchase</td>
<td>$816,667</td>
<td>$1,283,333</td>
<td>$2,100,000</td>
</tr>
<tr>
<td>Utility Inspection Fees/Insurance</td>
<td>$200,278</td>
<td>$314,722</td>
<td>$515,000</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>$738,008</td>
<td>$1,159,726</td>
<td>$1,897,734</td>
</tr>
<tr>
<td>Building Construction &amp; Engineering Fees</td>
<td>$3,286,079</td>
<td>$5,163,839</td>
<td>$8,449,918</td>
</tr>
<tr>
<td>Fixed Equipment</td>
<td>$315,000</td>
<td>$495,000</td>
<td>$810,000</td>
</tr>
<tr>
<td>Moveable Equipment</td>
<td>$276,111</td>
<td>$433,889</td>
<td>$710,000</td>
</tr>
<tr>
<td>Architect</td>
<td>$360,500</td>
<td>$566,500</td>
<td>$927,000</td>
</tr>
<tr>
<td>Consulting Fees</td>
<td>$178,111</td>
<td>$279,889</td>
<td>$458,000</td>
</tr>
<tr>
<td>Item</td>
<td>12 Station Relocation</td>
<td>22 Station Addition</td>
<td>Total Costs</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-----------------------</td>
<td>---------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Permits</td>
<td>$186,667</td>
<td>$293,333</td>
<td>$480,000</td>
</tr>
<tr>
<td>Supervision &amp; PM</td>
<td>$213,889</td>
<td>$336,111</td>
<td>$550,000</td>
</tr>
<tr>
<td>Costs for Securing Financing</td>
<td>$295,190</td>
<td>$463,870</td>
<td>$759,060</td>
</tr>
<tr>
<td>Washington State Sales Tax</td>
<td>$456,853</td>
<td>$717,912</td>
<td>$1,174,765</td>
</tr>
<tr>
<td><strong>Total Estimated Capital Costs</strong></td>
<td><strong>$7,323,353</strong></td>
<td><strong>$11,508,124</strong></td>
<td><strong>$18,831,477</strong></td>
</tr>
</tbody>
</table>

Public Comment
None

Rebuttal Comment
None

**Department Evaluation**

NKC intends to finance approximately 77%, ($14,500,000 of $18,831,477) of the project using tax-exempt bond financing through the Washington Health Care Facilities Authority (WHCFA). The remaining funding of $4,331,477 or 23% will come from NKC reserves.

**WHCFA Funding**
NKC is correct that WHCFA will not approve financing or confirm an interest rate until all CN obligations are met. This means that while NKC’s project assumes a specific interest rate, that rate is not necessarily confirmed by WHCFA. However, NKC used a rate in the pro forma that is slightly higher than current rates. This approach is conservative and acceptable.

**NKC Reserve Funding**
NKC provided documentation that the funds are available.

If this project is approved, the department would attach a condition requiring NKC to finance the project consistent with the financing description provided in the application. With a financing condition, the department concludes the NKC project meets this sub-criterion.

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

Based on the source information reviewed the department concludes that Northwest Kidney Centers has not met the structure and process of care criteria in WAC 246-310-230 for the relocation and station addition project.

Based on the source information reviewed, the department also concludes that Northwest Kidney Centers has met the criteria to relocate the 12-station Auburn Kidney Center in its entirety without an increase in approved stations, provided Northwest Kidney Centers agrees to the conditions identified in the conclusion section of this evaluation.

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 full time equivalents (FTEs) that should be employed for projects of this type or size. Therefore, using its experience and expertise the department determined whether the proposed staffing would allow for the required coverage.
Northwest Kidney Centers
NKC provided the following staffing table showing current and projected staff for the expanded Auburn City Kidney Center. [source: Application, p26]

### Department’s Table 7
Auburn Kidney Center Current and Proposed Staff

<table>
<thead>
<tr>
<th>FTE (Full Time Equivalent)</th>
<th>FYE 2018 Historical</th>
<th>FYE 2019 Projected</th>
<th>FYE 2020 Implement</th>
<th>FYE 2021 Year 1</th>
<th>FYE 2021 Year 1 Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinical Director</td>
<td>0.20</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.20</td>
</tr>
<tr>
<td>Nurse Manager / Care Manager</td>
<td>1.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Tech</td>
<td>16.37</td>
<td>(5.83)</td>
<td>0.02</td>
<td>0.26</td>
<td>10.82</td>
</tr>
<tr>
<td>RN In center</td>
<td>8.81</td>
<td>(3.14)</td>
<td>0.02</td>
<td>0.14</td>
<td>5.83</td>
</tr>
<tr>
<td>RN Home Training</td>
<td>0.50</td>
<td>0.00</td>
<td>0.00</td>
<td>0.50</td>
<td>1.00</td>
</tr>
<tr>
<td>Facility System Specialist</td>
<td>0.50</td>
<td>0.00</td>
<td>0.00</td>
<td>0.50</td>
<td>1.00</td>
</tr>
<tr>
<td>MSW</td>
<td>0.69</td>
<td>0.02</td>
<td>0.00</td>
<td>0.20</td>
<td>0.91</td>
</tr>
<tr>
<td>Dietician</td>
<td>0.65</td>
<td>0.00</td>
<td>0.00</td>
<td>0.18</td>
<td>0.83</td>
</tr>
<tr>
<td>Receptionist</td>
<td>1.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td><strong>FTE Totals</strong></td>
<td><strong>29.72</strong></td>
<td><strong>(8.95)</strong></td>
<td><strong>0.04</strong></td>
<td><strong>1.78</strong></td>
<td><strong>22.59</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FTE (Full Time Equivalent)</th>
<th>FYE 2021 Year 1 Totals</th>
<th>FYE 2022 Year 2</th>
<th>FYE 2023 Year 3</th>
<th>FYE 2023 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinical Director</td>
<td>0.20</td>
<td>0.00</td>
<td>0.00</td>
<td>0.20</td>
</tr>
<tr>
<td>Nurse Manager / Care Manager</td>
<td>1.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Tech</td>
<td>10.82</td>
<td>3.49</td>
<td>3.40</td>
<td>17.71</td>
</tr>
<tr>
<td>RN In center</td>
<td>5.83</td>
<td>1.88</td>
<td>1.83</td>
<td>9.54</td>
</tr>
<tr>
<td>RN Home Training</td>
<td>1.00</td>
<td>0.50</td>
<td>0.00</td>
<td>1.50</td>
</tr>
<tr>
<td>Facility System Specialist</td>
<td>1.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>MSW</td>
<td>0.91</td>
<td>0.24</td>
<td>0.25</td>
<td>1.40</td>
</tr>
<tr>
<td>Dietician</td>
<td>0.83</td>
<td>0.22</td>
<td>0.23</td>
<td>1.28</td>
</tr>
<tr>
<td>Receptionist</td>
<td>1.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td><strong>FTE Totals</strong></td>
<td><strong>22.59</strong></td>
<td><strong>6.33</strong></td>
<td><strong>5.71</strong></td>
<td><strong>34.63</strong></td>
</tr>
</tbody>
</table>

NKC provided the following clarification regarding the staffing table above. [source: Application, p27]

“The staffing in Table 11 is based on current staff to patient ratios and actual average salaries at NKC Auburn. WAC 246-310-815(c)(iii) states that known expenses must be used in the pro forma income statement. Given that NKC knows both staffing ratios and average salaries, this information is included in both Table 11 and the pro forma financials.”

Focusing on recruitment and retention of necessary staff, NKC provided the following information. [source: Application, pp27-28]

*NKC is proactive in its efforts to assure quality staffing at all time. NKC offers a competitive wage and benefit package as well as numerous other recruitment and retention strategies. Specific strategies include:
- NKC offers competitive wage and benefit packages. To ensure that its wages and benefits remain competitive, NKC conducts an annual market survey to benchmark its compensation package.*
• NKC remains active on various job board including but not limited to indeed.com, nursing association, Health e-careers, and other local resources.
• NKC also has contacts with colleges and universities throughout the Puget Sound area to both recruit staff as well as to serve as a clinical rotation site.
• NKC staff participate, at least monthly, in job fairs in and around the Puget Sound area.
• NKC also offers a substantial tuition reimbursement program for existing staff. Typically, in an average year, 15-20 employees take advantage of this program. Primarily, dialysis technician staff use this program to become registered nurses.
• NKC human resources staff are active in various boards and councils that focus on sharing of recruitment and retention strategies.
• NKC human resources staff also work with agency personnel as needed for the use of temporary filling of staff positions.
• NKC has a highly successful employee referral program that incentivizes current employees to refer colleagues from outside the organization for open positions.
• NKC will, as needed, work with outside recruiters if a position has been challenging to fill.

Recent history demonstrates that NKC has been successful in staffing our new facilities. The most recent examples include the Federal Way East (located in King 11) and Federal Way West Campus facilities. These new units were staffed with a combination of individuals that chose to transfer from other locations and new hires to the organization. In the case of NKC Auburn because it will be an expansion, NKC is already located in the planning area as a provider of services. In addition, NKC likely has part time staff that would be willing to expand their work hours.

The record will further demonstrate that in those rare circumstances in which we have faced staffing shortages (due to extended leave of absences or other issues), we have successfully used our roster of per diem staff or staff from other facilities nearby to supplement. The proximity of NKC Auburn to NKC Federal Way East and Federal Way West also allows for sharing with those facilities in the event we have a situation that requires additional staffing.”

NKC provided the following information regarding staff shortages and NKC’s assurance of timely patient care. [source: February 22, screening response, p3]

“Throughout our 50+ year history, NKC has experienced period of reported staffing shortages and has always been able to maintain appropriate staffing levels. NKC’s recruitment and retention strategies are dynamic and are modified, augmented, and adjusted in order to assure that our patients have the necessary staff to provide high quality patient care. Therefore, NKC does not envision any difficulties in staffing the proposed facility. We are very proud of our current low staff turnover, and successful staff retention. NKC attributes this to a number of factors, including our highly competitive wages and benefit structure and its reputation as a positive work environment.

While NKC does not anticipate any barriers to staff recruitment, having been successful in recruitment for our two recently opened new facilities in South King County, we offer the following:

• NKC has dedicated recruiting resources available to support the timely filling of vacancies which include advertising, employee referral program and job fairs. In addition, NKC has also been successful in working with agency staff to convert travelers into NKC employees.
• Because we have 16 facilities located in King County, we have the ability to shift staff from between NKC facilities to accommodate peaks in patient census or staff absences.
• NKC maintains a roster of qualified per diem staff that are available on an on-call basis to fill in for short term vacancies.”
Department Evaluation

Information provided in the application demonstrates that NKC is a well-established provider of dialysis services in Washington State and in King County planning area #11. Its Auburn Kidney Center has been operational since May 1997.

With an additional 22 stations, NKC expects Auburn Kidney Center’s staff to increase by less than 10 FTEs by the end of year 2023. NKC intends to rely on its recruitment and retention strategies used in the past for this project. This approach is reasonable.

Based on the above information, the department concludes that NKC has the ability and expertise to recruit and retain qualified staff for this project. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(2) 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 relationships, ancillary and support services should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials contained in the application.

Northwest Kidney Centers

NKC provided the following information for this sub-criterion. [source: Application, pp29-32]

“**Ancillary and support service vendors currently in place at NKC Auburn are detailed in Table 12.**”

Applicant’s Table

**Table 12**

<table>
<thead>
<tr>
<th>Ancillary and Support Services</th>
<th>Vendor</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT/Network Engineering</td>
<td>GCI Northpoint</td>
</tr>
<tr>
<td>Copier leases and support</td>
<td>Copiers NW</td>
</tr>
<tr>
<td>Janitorial Services</td>
<td>Citywide</td>
</tr>
<tr>
<td>Lab Services</td>
<td>Ascend</td>
</tr>
</tbody>
</table>

*Source: Applicant*

At the tie that NKC Auburn opens, NKC will be operating Support Centers in Burien/SeaTac, SeaTac, and Seattle. The Support Centers provide ancillary and support services to each dialysis facility. These Support Centers are staffed with our own NKC employees and are not outside contractors. Table 13 details which services are provided on site and which ones are administered via the Support Centers (Off-site).
Table 14 details the health care entities that NKC has working relationships with. No changes to existing ancillary or support agreements are anticipated as a result of this project.

### Applicant’s Table

#### Table 13

Ancillary and Support Services for NKC Lake City

<table>
<thead>
<tr>
<th>Service</th>
<th>Offered Onsite/Offsite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>Off site</td>
</tr>
<tr>
<td>Community Relations</td>
<td>Off site</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Off site</td>
</tr>
<tr>
<td>Informatics Nurses</td>
<td>Off site</td>
</tr>
<tr>
<td>Information Systems</td>
<td>Off site</td>
</tr>
<tr>
<td>Material Management</td>
<td>Off site</td>
</tr>
<tr>
<td>Medical Staff Credentialing</td>
<td>Off site</td>
</tr>
<tr>
<td>Nutrition Services</td>
<td>On site</td>
</tr>
<tr>
<td>Patient Education</td>
<td>On site</td>
</tr>
<tr>
<td>Patient Financial Counseling</td>
<td>On site</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>On and Offsite</td>
</tr>
<tr>
<td>Plant Operations</td>
<td>On site</td>
</tr>
<tr>
<td>Public Relations</td>
<td>Off site</td>
</tr>
<tr>
<td>Technical Services</td>
<td>On site</td>
</tr>
<tr>
<td>Visitor Dialysis</td>
<td>On site</td>
</tr>
<tr>
<td>Water Purification Specialists</td>
<td>On site</td>
</tr>
</tbody>
</table>

Source: Applicant

### Applicant’s Table

#### Table 14

NKC’s Working Relationships with Healthcare Facilities

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples/Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>• MHS Auburn Regional Medical Center</td>
</tr>
<tr>
<td></td>
<td>• CHI / Highline Medical Center</td>
</tr>
<tr>
<td></td>
<td>• CHI / St. Francis Hospital</td>
</tr>
<tr>
<td></td>
<td>• Evergreen Hospital Medical Center</td>
</tr>
<tr>
<td></td>
<td>• Harborview Medical Center</td>
</tr>
<tr>
<td></td>
<td>• MultiCare Tacoma General</td>
</tr>
<tr>
<td></td>
<td>• Northwest Hospital</td>
</tr>
<tr>
<td></td>
<td>• Overlake Hospital Medical Center</td>
</tr>
<tr>
<td></td>
<td>• Swedish Edmonds</td>
</tr>
<tr>
<td></td>
<td>• Swedish Issaquah</td>
</tr>
<tr>
<td></td>
<td>• Swedish Cherry Hill</td>
</tr>
<tr>
<td></td>
<td>• Swedish Medical Center</td>
</tr>
<tr>
<td></td>
<td>• University of Washington</td>
</tr>
<tr>
<td></td>
<td>• Valley Medical Center</td>
</tr>
<tr>
<td></td>
<td>• Virginia Mason Medical Center</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Clinic/Nephrology Groups (Sample)</th>
<th>Examples/Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Cascade Kidney Specialists</td>
</tr>
<tr>
<td></td>
<td>• CHI Franciscan Nephrology Associates</td>
</tr>
<tr>
<td></td>
<td>• Eastside Nephrology</td>
</tr>
<tr>
<td></td>
<td>• Harborview Medical Center</td>
</tr>
<tr>
<td></td>
<td>• MultiCare Nephrology</td>
</tr>
<tr>
<td></td>
<td>• Polyclinic, The (and The Polyclinic Madison Center)</td>
</tr>
<tr>
<td></td>
<td>• Rainier Nephrology</td>
</tr>
<tr>
<td></td>
<td>• Seattle Nephrology</td>
</tr>
<tr>
<td></td>
<td>• South Seattle Nephrology Associates</td>
</tr>
<tr>
<td></td>
<td>• Transplant and Nephrology NW</td>
</tr>
<tr>
<td></td>
<td>• University of Washington Medical Center</td>
</tr>
<tr>
<td></td>
<td>• Valley Medical Center Nephrology Services</td>
</tr>
<tr>
<td></td>
<td>• Virginia Mason Federal Way</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Community partners working to cure kidney disease, slow the onset of kidney disease, which collaborate to help educate and support our patients or help support our system</th>
<th>Examples/Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• American Diabetes Association – Washington Chapter</td>
<td></td>
</tr>
<tr>
<td>• Kidney Research Institute</td>
<td></td>
</tr>
<tr>
<td>• National Kidney Foundation – Washington Chapter</td>
<td></td>
</tr>
<tr>
<td>• NACVS</td>
<td></td>
</tr>
<tr>
<td>• Washington Dental Society / Access to Dental</td>
<td></td>
</tr>
<tr>
<td>• Northwest Health Response Network (King / Pierce County Healthcare Emergency Services Coalition)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other not for profit dialysis providers</th>
<th>Examples/Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Puget Sound Kidney Centers</td>
<td></td>
</tr>
<tr>
<td>• Olympic Peninsula Kidney Centers</td>
<td></td>
</tr>
<tr>
<td>• Skagit Valley Kidney Centers</td>
<td></td>
</tr>
<tr>
<td>• Seattle Children’s Hospital</td>
<td></td>
</tr>
</tbody>
</table>

Source: Applicant
NKC also provided a copy of NKC Auburn Kidney Center’s existing patient transfer agreement with Swedish Medical Center. [source: Application, Exhibit 21]

NKC also provided a copy of the executed Medical Director Agreement and addendum to the agreement with nephrologist Paramita Mukherjee, MD. The agreement with the addendum was initially executed in January 2017. All costs are identified in the agreement. [source: Application, Exhibit 12]

Public Comment
None

Rebuttal Comment
None

Department Evaluation
As previously stated, Auburn Kidney Center has been operating in King County planning area #11 since May 1997. All ancillary and support services have been established for the dialysis center since that time. NKC states that no new agreements or revisions to existing agreements are necessary for this project.

The Medical Director Agreement is executed and the roles and responsibilities are not expected to change with the addition of 22 dialysis stations. NKC expects the compensation for medical director services to increase proportionate with the increase in stations and these costs are identified in both the agreement and the revenue and expense statement.

The Patient Transfer Agreement with Swedish Health Services is also executed and not expected to change with the addition of 22 dialysis stations.

The department also concludes that all other required ancillary and support agreements and relationships are already in place.

Based on the information above, the department concludes that NKC demonstrated that the relocated Auburn Kidney Center, with or without the station addition, would have the necessary ancillary and support services. 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 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 assessed the applicant’s history in meeting these standards at other facilities owned or operated by the applicant.

The evaluation of WAC 246-310-230(5) is also evaluated under this sub-criterion, as it relates to facility compliance history. Compliance history is factored into the department’s determination that an applicant’s project would be operated in compliance with WAC 246-310-230(3).
Northwest Kidney Centers
NKC provided the following statements related to this sub-criterion. [source: Application, p33 and p35]

“NKC has no history with respect to the actions noted in CN regulation WAC 246-310-230(5) (a). NKC operates all existing programs in conformance with applicable federal and state laws, rules and regulations.”

Public Comment
None

Rebuttal Comment
None

Department Evaluation
The department reviews two different areas when evaluating this sub-criterion. One is the conformance with Medicare and Medicaid standards and the other is conformance with state standards. To accomplish this task for these projects, the department first reviewed the quality of care compliance history for all healthcare facilities operated outside of Washington State using the ‘star rating’ assigned by Centers for Medicare & Medicaid Services (CMS). Then the department focused on the CMS ‘star ratings’ for Washington State facilities.

Centers for Medicare & Medicaid Services (CMS) Star Ratings
CMS provides the following overview regarding its star rating for dialysis centers.

“The star ratings are part of Medicare's efforts to make data on dialysis centers easier to understand and use. The star ratings show whether your dialysis center provides quality dialysis care - that is, care known to get the best results for most dialysis patients. The rating ranges from 1 to 5 stars. A facility with a 5-star rating has quality of care that is considered 'much above average' compared to other dialysis facilities. A 1- or 2- star rating does not mean that you will receive poor care from a facility. It only indicates that measured outcomes were below average compared to those for other facilities. Star ratings on Dialysis Facility Compare are updated annually to align with the annual updates of the standardized measures.”
[source: CMS website]

CMS Star Rating for Out-of-State Centers
NKC does not operate any out of state facilities.

CMS Star Rating for Washington State Centers
NKC is approved to own, operate, or manage 20 facilities, and of those, 18 are currently operational. Of the 18 facilities reporting to CMS by NKC, three facilities do not have the necessary amount of data to compile a star rating. For the remaining 15 facilities with a star rating, the average rating is 4.47. [source: CMS data July 2019]

The department also focused on its own state survey data performed by the Department of Health’s Office of Health Systems Oversight.

Washington State Survey Data
While 17 of the 20 NKC facilities are operational, in the most recent three years, 11 facilities have been surveyed. All surveys resulted in no significant non-compliance issues. [source: DOH OHSO survey data]
In this application, NKC identified its current medical director, Paramita Mukherje, MD, and current staff at NKC Auburn Kidney Center. Using data from the Medical Quality Assurance Commission, the department found that the medical director and all current are compliant with state licensure and have no enforcement actions on their license.

In review of this sub-criterion, the department considered the total compliance history of the dialysis facilities owned and operated by NKC. The department also considered the compliance history of the medical director associated with the facility. The department concludes that NKC’s Auburn Kidney Center has been operating in compliance with applicable state and federal licensing and certification requirements. The department also conclude there is reasonable assurance that the addition of stations to Auburn Kidney Center would not cause a negative effect on the facility’s compliance history. The department concludes that NKC’s project meets this sub-criterion.

(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 directs how to measure unwarranted fragmentation of services or what types of relationships with a services area’s existing health care system should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials in the application.

Northwest Kidney Centers
NKC provided the following information for this sub-criterion. [source: Application, pp33-34]

“NKC has operated outpatient dialysis services since 1962 (the very first in the Country): growing from 9 patients to over 1,700 today. NKC has, and continues to be, committed to providing optimal health, quality of life and independence for people with kidney disease. Further, NKC has experienced firsthand, and to the direct benefit of our patients that fragmentation is reduced or eliminated, when services are highly coordinated.

NKC strives to provide services that deliver dialysis care that is coordinated via multiple entities including, but not limited to, physicians, other health care providers (nursing homes, assisted living facilities), home health care, hospitals, etc. as dialysis patients frequently have multiple providers and entities from which they receive services. For example, for nursing home or assisted living patients, NKC will report any care needs or issues identified during dialysis (as well as inform the patient’s physician, if appropriate). As patients are admitted and discharged from the hospital, NKC staff follow their care needs to ensure that the facility is prepared to provide dialysis to these patients upon discharge from the hospital.

In addition, NKC filed an application and secured a Comprehensive ESRD Care (CEC) accountable care organization designation from CMS. This entity, known as the Northwest Kidney Care Alliance is designed to identify, test, and evaluate new ways to improve care for Medicare beneficiaries with End-Stage Renal Disease (ESRD). The premise is that a new payment and service delivery model that provides Medicare beneficiaries with person-centered, high-quality and non-fragmented care that reduces costs and improves outcomes is better for patients. This is the only such entity in Washington State.

NKC Auburn has been providing outpatient dialysis services in the King 11 Dialysis Planning Area since 1997. Growth has continued, and today it operates at full capacity (6.0 patients per station). NKC
Auburn’s current occupancy means that its patients have difficulty receiving timely access to services. The additional stations will assure that our commitment to the community to provide timely access and high quality remains.

Because of our longevity and our commitment to patient centered care, NKC enjoys longstanding established relationships with area health care providers, including but not limited to hospitals, physicians, nursing homes, assisted living facilities and adult family homes. In addition, NKC has mechanisms in place to assure that coordination of services is in place and fragmentation is avoided. In fact, as the only existing provider in the planning area, NKC is well positioned to assure that fragmentation is avoided.

NKC Auburn through its Nurse Manager, Care Manager, Social Worker and support through Admitting and Patient Services staff, routinely coordinate and communicate with the patients’ physicians, families or other relevant care providers for any changes that might impact their care. NKC Auburn has all of the ancillary and support agreements and a comprehensive array of in-house services already in place that help to assure that continuity of care is in place for patients.”

Public Comment
None

Rebuttal Comment
None

Department Evaluation
NKC has been a provider of dialysis services in Washington State for many years. NKC also has a history of establishing relationships with existing healthcare networks in King County. Additionally, NKC’s project could promote continuity in the provision of healthcare services in the planning area by adding stations in a planning area, if additional stations are needed.

Given that there is no need for additional dialysis stations in the planning area, approval of the relocation and station addition would not promote continuity in the provision of healthcare services in King County Planning Area #11. The department concludes this sub-criterion is not met for the relocation and station addition.

The department notes that continuity of services could be achieved if Auburn Kidney Center were relocated with no stations added. For this reason, the department concludes that this sub-criterion is met for the relocation of the 12-station Auburn Kidney Center.

(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.

Department Evaluation
This sub-criterion was evaluated in conjunction with WAC 246-310-230(3) above and is considered met.

D. Cost Containment (WAC 246-310-240)
Based on the source information reviewed, the department concludes that the Northwest Kidney Centers project has not met the cost containment criteria in WAC 246-310-240 for the relocation and station addition project.
Based on the source information reviewed, the department also concludes that Northwest Kidney Centers has met the criteria to relocate the 12-station Auburn Kidney Center in its entirety without an increase in approved stations, provided Northwest Kidney Centers agrees to the conditions identified in the conclusion section of this evaluation.

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 thru 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 has met the applicable criteria in WAC 246-310-210 through 230 criteria, in step two, the department assesses the other options considered by the applicant. If the department determines the proposed project is better or equal to other options considered by the applicant and the department has not identified any other better options this criterion is determined to be met unless there are multiple applications.

If there are multiple applications, the department’s assessment is to apply any service or facility superiority criteria contained throughout WAC 246-310 related to the specific project type in Step three. Since NKC submitted the only application for King County planning area #11 for year 2018 Cycle 2, step three does not apply to this project.

**Step One**

**Northwest Kidney Centers**

For this relocation and station addition project, NKC asserts it meets the applicable review criteria under WAC 246-310-210, 220, and 230.

Public Comment
None

Rebuttal Comment
None

**Department Evaluation**

When NKC’s application was submitted during the 2018 cycle 2 review timeline, a decision on the DaVita application submitted during 2018 cycle 1 had not yet been released. As allowed under WAC 246-310-806(7), NKC submitted this application.11 On July 10, 2019, the department released its evaluation to DaVita conditionally approving the project. On July 11 2019, CN #1788 was issued to DaVita approving the establishment of a 22 station dialysis center with one exempt isolation station. With the issuance of CN #1788, there is no longer numeric need in the planning area for 22 stations.

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11 WAC 246-310-806(7) states: “The department will not accept new nonspecial circumstance applications for a planning area if there are any nonspecial circumstance applications for which the certificate of need program has not made a decision in that planning area filed under a previous concurrent review cycle. This restriction does not apply if the department has not made a decision on the pending applications within the review timelines of nine months for a concurrent review and six months for a regular review. This restriction also does not apply to special circumstance applications.”
Based on the information above, NKC’s application is denied under WAC 246-310-210, WAC 246-310-220, and WAC 246-310-230 for the relocation and station addition. For this reason, NKC’s application **does not meet this sub-criterion**.

However, throughout this evaluation, the department has concluded that NKC could relocate the 12-station Auburn Kidney Center in its entirety with no station addition. **The relocation of Auburn Kidney without a station addition meets this sub-criterion.**

(2) **In the case of a project involving construction:**
   (a) **The costs, scope, and methods of construction and energy conservation are reasonable;**
   (b) **The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.**

**Department Evaluation for Northwest Kidney Centers**
This sub-criterion was evaluated in conjunction with WAC 246-310-220(2) above and is not met for the relocation and station addition project. However, the sub-criterion is met for a relocation with no station addition.

(3) **The project will involve appropriate improvements or innovations in the financing and delivery of health services which foster cost containment and which promote quality assurance and cost effectiveness.**

**Northwest Kidney Centers**
NKC provided the following information related to this sub-criterion. [source: Application, p40]

“**NKC proposes to expand a to-be-relocated facility with all new construction. While we believe that the facility will meet LEED Silver upon project completion, NKC is not contemplating applying for certification.**”

Public Comment
None

Rebuttal Comment
None

**Department Evaluation**
NKC’s project has the potential to improve delivery of dialysis services to the residents of King County Planning Area #11 with the relocation and the addition of 22 dialysis stations if there is numeric need for the project. Given that there is no need for additional dialysis stations in the planning area, approval of this project could not foster cost containment in the planning area if it is approved. **The department concludes this sub-criterion is not met for a relocation and station addition project.**

However, the department also notes that the new site for Auburn Kidney Center has the potential to improve patient access to dialysis services. As a result, the department concludes that **the relocation project, with no station addition, meets this sub-criterion.**
APPENDIX A
## Planning Area Facilities

<table>
<thead>
<tr>
<th>Name of Center</th>
<th># of Stations</th>
</tr>
</thead>
<tbody>
<tr>
<td>NKC Auburn</td>
<td>12</td>
</tr>
<tr>
<td>NKC Federal Way</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
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</tbody>
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Source: Northwest Renal Network data 2012-2017
Most recent year-end data: 2017 posted 02/07/2018
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