August 23, 2019

CERTIFIED MAIL # 7016 3010 0001 0575 0129

Rudy Lai - Director, Special Projects  
DaVita Healthcare Partners Inc. - North Star Division  
32275 32nd Ave S  
Federal Way, WA 98001

RE: Certificate of Need Application #19-36

Dear Mr. Lai:

We have completed review of the Certificate of Need application submitted by DaVita, Inc. The application proposes a relocation and station addition for Ellensburg Dialysis Center, resulting in a 17-station dialysis facility in Kittitas County. Enclosed is a written evaluation of the application.

For the reasons stated in this evaluation, the 2018 cycle 2 application submitted by Total Renal Care, Inc. a subsidiary of DaVita. Inc., proposing to relocate Ellensburg Dialysis Center and add nine new stations in within Kittitas County planning is consistent with applicable criteria of the Certificate of Need Program, provided DaVita, Inc. agrees to the following in its entirety.

**Project Description:**
This certificate approves the relocation of Ellensburg Dialysis Center and the addition of nine new stations in Kittitas County. At project completion, Ellensburg Dialysis Center is approved to certify and operate 17 dialysis stations. The table below provides a breakdown of the total number of stations at Ellensburg Dialysis Center.

<table>
<thead>
<tr>
<th></th>
<th>CMS Certified Stations</th>
<th>Stations Counted in Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Use In-Center Stations</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Permanent Bed Station</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Private Isolation Station¹</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Stations</strong></td>
<td><strong>17</strong></td>
<td><strong>16</strong></td>
</tr>
</tbody>
</table>

¹ DaVita has not yet completed the administrative station adjustment as allowed under Washington Administrative Code 246-310-809.
Services to be provided at Ellensburg Dialysis Center includes in-center hemodialysis, home peritoneal and home hemodialysis training, backup support for home peritoneal and home hemodialysis dialysis, a permanent bed station, and dedicated isolation/private room and treatment shifts beginning after 5:00 p.m.

**Conditions:**

1. Total Renal Care, Inc. a subsidiary of DaVita, Inc. agrees with the project description as stated above. DaVita, Inc. further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.

2. Total Renal Care, Inc. a subsidiary of DaVita, Inc. shall finance this project consistent with the financing described in the application.

**Approved Costs:**

The total capital expenditure for this project is $2,824,637, which includes costs for building and construction costs, purchasing equipment, and for associated fees and taxes.

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, please contact the Certificate of Need Program at (360) 236-2955.

Sincerely,

Nancy Tyson, Executive Director  
Health Facilities and Certificate of Need

Enclosure
2018 CYCLE 2 NON-SPECIAL CIRCUMSTANCE EVALUATION DATED EVALUATION DATED AUGUST 23, 2019 FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY TOTAL RENAL CARE, INC., A WHOLLY-OWNED SUBSIDIARY OF DAVITA, INC. PROPOSING TO RELOCATE ELLENSBURG DIALYSIS CENTER WITHIN KITTITAS COUNTY AND ADD NINE NEW STATIONS.

APPLICANT DESCRIPTION
Total Renal Care, Inc. is a subsidiary of DaVita Inc., a publicly held for-profit Delaware corporation. Total Renal Care, Inc.’s UBI number is 601-134-681. [Source: Application page 4] DaVita Inc., is a Fortune 500® company and it is the parent company of DaVita Kidney Care and DaVita Medical Group. DaVita Kidney Care is a leading provider of kidney care in the United States, delivering dialysis services to patients with chronic kidney failure and end stage renal disease. DaVita Medical Group is a division of DaVita Inc. and it operates and manages medical groups and affiliated physician networks in California, Colorado, Florida, Nevada, New Mexico, Pennsylvania and Washington. In Washington State, DaVita Inc. is affiliated with both the Everett Clinic and Northwest Physicians Network. [Source: DaVita, Inc. website and DaVita Medical Group website]

DaVita, Inc. is a national provider of dialysis services operating in 45 states and the District of Columbia. 1 [Source: Applications, page 3] In Washington State, DaVita is approved to own and operate a total of 42 dialysis centers in 19 separate counties. Listed below are the names of the facilities owned or operated by DaVita in Washington State. [Source: CN historical files and Application, pages 5-8]

**Benton**
- Chinook Dialysis Center
- Kennewick Dialysis Center

**Pacific**
- Seaview Dialysis Center

**Clark**
- Vancouver Dialysis Center
- Battle Ground Dialysis Center

**Pierce**
- Graham Dialysis Center
- Lakewood Community Dialysis Center
- Parkland Dialysis Center
- Puyallup Community Dialysis Center
- Rainier View Dialysis Center
- Tacoma Dialysis Center

**Chelan**
- Wenatchee Valley Dialysis Center

**Skagit**
- Cascade Dialysis Center

**Douglas**
- East Wenatchee Dialysis Center

**Snohomish**
- Everett Dialysis Center
- Lynnwood Dialysis Center
- Mill Creek Dialysis Center
- Pilchuck Dialysis Center

**Franklin**
- Mid-Columbia Kidney Center

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1 DaVita operates in 45 states and the District of Columbia. The five states where DaVita is not located are: Alaska, Delaware, Mississippi, Vermont, and Wyoming.
King
Bellevue Dialysis Center
Federal Way Dialysis Center
Kent Dialysis Center
Olympic View Dialysis Center
Renton Dialysis Center
Redondo Heights Dialysis Center
Westwood Dialysis Center

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

Stevens
Echo Valley Dialysis Center

Thurston
Olympia Dialysis Center
Tumwater Dialysis Center

Kent Dialysis Center
Spokane Valley Renal Center
Olympic View Dialysis Center
Renton Dialysis Center
Redondo Heights Dialysis Center
Westwood Dialysis Center

PROJECT DESCRIPTION
Note – this application refers to the addition of nine stations to the existing seven station Ellensburg Dialysis Center in Kittitas County. On January 1, 2018, Ellensburg Dialysis Center was issued CN#1645 allowing the addition of one isolation station consistent with WAC 246-310-809(3). Per WAC 246-310-800(9), exempt isolation stations are not counted in the methodology, but the station is counted in the total number of stations operational at the facility.

Total Renal Care, Inc.
Renal Treatment Centers – West, Inc., is proposing to relocate and expand Ellensburg Dialysis Center located in Kittitas County by adding nine new stations to the facility for a total of 16 general use in-center stations plus an exempt isolation station. Ellensburg Dialysis Center is currently located at 2101 West Dollarway Road, Suite #1 Ellensburg [98373]. [Source: DaVita Application, page 8]

Below is the breakdown of all existing stations operational at Ellensburg Dialysis Center.

<table>
<thead>
<tr>
<th>Station Type</th>
<th>CMS Certified Stations</th>
<th>Stations Counted for Station Use and Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Use In-Center Stations</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Permanent Bed Station</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Isolation Station</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total Stations</td>
<td>8</td>
<td>7</td>
</tr>
</tbody>
</table>

Services provided at Ellensburg Dialysis Center include:
- Hemodialysis patients requiring isolation,
- Hemodialysis patients requiring treatment shifts that begin after 5:00 PM,
- Continuous Ambulatory Peritoneal Dialysis (CAPD) patients, and
- Continuous Cycle Peritoneal Dialysis (CCPD) patients.
- Emergency backup dialysis,
- Training and support for patients for peritoneal dialysis,
- Treatment for visiting hemodialysis patients from other areas outside King 3, and
- Community education for patients recently diagnosed with Chronic Kidney Disease (CKD).

The total capital expenditure associated with the 17-station kidney dialysis center is $2,824,637. Of that amount 63.86% or $1,782,163, is related to building construction improvement; 27.72% or $782,494 is for fixed and moveable equipment, 8.42%, or $237,855; is for taxes and consulting fees. [Source: Application Page 19]

If this project is approved, Ellensburg Dialysis Center would relocate to the intersection of Triple L Loop and Highway 97 in Ellensburg [98926] and it will be operational with 17 stations by the end of September 2021. Under this timeline, year 2022 would be Ellensburg Dialysis Center’s first full calendar year of operation and 2024 would be year three. [Source: Application, page 9-10]

For ease of reference in this evaluation Total Renal Care, Inc. a subsidiary of DaVita Inc., will be referred to as (“DaVita”).

Department Information on Timelines for Completion of the Project
DaVita identified a timeline for completion of this project based on a June 20, 2019 evaluation release date. Within the application, DaVita anticipates that construction of the facility is expected to be completed in July 2021 and the facility surveyed in September 2021. Due to delays in releasing this evaluation, DaVita’s timeline may not be achievable or accurate. Regardless of when this applicant is approved, the department will adjust the operational timeline to account for the additional days of delay in the release of this evaluation.

APPLICABILITY OF CERTIFICATE OF NEED LAW
DaVita’s application proposes to add dialysis stations to an existing dialysis center and relocate the facility within the same planning area. Therefore, this application is subject to review as an increase in the number of dialysis stations in a kidney disease center under provisions of RCW 70.38.105(4)(h) and WAC 246-310-020(1)(e).

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).

DaVita’s application must demonstrate compliance with applicable kidney disease treatment center criteria outlined in WAC 246-310-800 through 833. For ESRD applications submitted under WAC 246-310-806 ‘Nonspecial Circumstance Cycle 2,’ 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—Except
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 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 WAC 246-310-803 or 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. Below is the chronological summary for this application review timeline.

APPLICATION CHRONOLOGY

<table>
<thead>
<tr>
<th>Action</th>
<th>DaVita</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 14, 2019</td>
</tr>
<tr>
<td>• DOH 2nd Screening Letter</td>
<td>March 8, 2019</td>
</tr>
<tr>
<td>• Applicant's Responses Received</td>
<td>April 22, 2019</td>
</tr>
<tr>
<td>Beginning of Review</td>
<td>April 29, 2019</td>
</tr>
<tr>
<td>Public Hearing Conducted</td>
<td>None Requested or Conducted</td>
</tr>
<tr>
<td>• Public comments accepted through the end of public comment</td>
<td>May 14, 2019</td>
</tr>
<tr>
<td>• No public hearing requested or conducted²</td>
<td></td>
</tr>
<tr>
<td>Rebuttal Comments Submitted</td>
<td>June 17, 2019</td>
</tr>
<tr>
<td>Department's Anticipated Decision Date</td>
<td>August 1, 2019</td>
</tr>
<tr>
<td>Department's Anticipated Decision Date with 30-day extension³</td>
<td>September 3, 2019</td>
</tr>
<tr>
<td>Department’s Actual Decision Date</td>
<td>August 23, 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;
(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;

² No Public hearing was requested or conducted
³ Thirty-day extension letter sent to the applicant on August 1, 2019. The 30th day falls on a weekend therefore, the next working day is September 3, 2019.
(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.

During the review of this project, the City of Ellensburg Transit Division submitted written public comments. The City of Ellensburg Transit Division meets the definition of an interested person, but it does not meet the definition of an affected person status under WAC 246-310-010(2)(c).

The department also received request from two entities requesting copies of the application, and to be informed about department’s decision. These two entities do not meet the definition of affected person status.

SOURCE INFORMATION REVIEWED
- DaVita, Inc., Certificate of Need application received December 3, 2018
- DaVita, Inc., screening response received February 14, 2019, and April 22, 2019
- City of Ellensburg Transit Division public comments received May 16, 2019
- DaVita, Inc. rebuttal comments June 17, 2019
- Years 2012 through 2017 historical kidney dialysis data obtained from the Northwest Renal Network
- Department of Health’s ESRD Need Projection Methodology for Kittitas County planning posted to its website February 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 and Oversight
- DaVita, Inc. website at www.davita.com
- Centers for Medicare and Medicaid website at www.medicare.gov/dialysisfacilitycompare
- Certificate of Need historical files

ADDITIONAL BACKGROUND INFORMATION – RECONSIDERATION OF CERTIFICATE OF NEED APPLICATION 17-42A
In May of 2018, DaVita was denied a Certificate of Need for a project comparable to the one currently under review, as it also proposed a relocation and station addition in Kittitas County. DaVita’s utilization projections were determined to be unreasonable in the May 2018 decision. This led the department to deny CN Application 17-42A under Need, Financial Feasibility, and Cost Containment.

DaVita requested that the department reconsider this decision based on an alleged misread of their screening response by the department. The passage of the screening response DaVita asked the department to reconsider is quoted below:

“DaVita's utilization projection is based on the growth rate of ESRD patients, not the general population, in this planning area. The five-year annual growth rate for the Kittitas County ESRD population, as of the 12/31/2016 network data, was 13.9%. (The one-year growth rate for Kittitas County in-center patients through the June 30, 2017 ESRD network data referenced in question #4 is even higher: 20.83%) DaVita assumed 13.9% in-center HD growth based on the five-year ESRD population growth rate, given that figure's consistency over time and reasonableness in light of previous and continued annual growth. Extrapolating from December 31, 2016 census in DV A Ellensburg yields the below for full-year, year-end census, corresponding with Table 3 in the application.”
The department attempted to validate the projections submitted by DaVita in two ways – once by comparing to the 2017 need methodology (the methodology in place at the time of application), and once by comparing to utilization projections from the Northwest Renal Network.

This comparison is highlighted below:

<table>
<thead>
<tr>
<th>Patients</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>5-year Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>DaVita Projected</td>
<td>36</td>
<td>41</td>
<td>47</td>
<td>54</td>
<td>61</td>
<td>69</td>
<td>92%</td>
</tr>
<tr>
<td>NWRN Projected</td>
<td>36</td>
<td>38</td>
<td>40</td>
<td>42</td>
<td>44</td>
<td>46</td>
<td>28%</td>
</tr>
<tr>
<td>DOH Projected</td>
<td>35</td>
<td>39</td>
<td>42</td>
<td>46</td>
<td>50</td>
<td>53</td>
<td>51%</td>
</tr>
</tbody>
</table>

DaVita did not provide any information to support why the dialyzing population would grow by nearly 100% in five years, whereas the other two sets projections are far more conservative. DaVita stated that their projections were based on the growth of the ESRD population – not the population at large. This is consistent with the approach taken by the department in the numeric need methodology, but there was no documentation in the DaVita 2017 application supporting why their projections would yield such drastically different results. DaVita was mistaken in their reconsideration request – the department did not deny DaVita based on a misread of their screening response. DaVita was denied based on lack of documentation supporting their projections. Without reliable volume projections, the department cannot approve a project under Need, Financial Feasibility, or Cost Containment.

Absent supporting documentation that justifies these volumes, the department does not have sufficient information to support the aggressive utilization projections submitted by DaVita in their 2017 application. The department stands by the May 2018 denial of CN Application 17-42A, leaving a nine station need available from the 2018 numeric need methodology.

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4 These projections are based on the 2017 methodology.
CONCLUSION
For the reasons stated in this evaluation, the 2018 cycle 2 application submitted by Total Renal Care, Inc. a subsidiary of DaVita. Inc., proposing to relocate Ellensburg Dialysis Center and add nine new stations in within Kittitas County planning is consistent with applicable criteria of the Certificate of Need Program, provided DaVita, Inc. agrees to the following in its entirety.

Project Description:
This certificate approves the relocation of Ellensburg Dialysis Center and the addition of nine new stations in Kittitas County. At project completion, Ellensburg Dialysis Center is approved to certify and operate 17 dialysis stations. The table below provides a breakdown of the total number of stations at Ellensburg Dialysis Center.

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<tbody>
<tr>
<td>General Use In-Center Stations</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Permanent Bed Station</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Private Isolation Station⁵</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total Stations</td>
<td>17</td>
<td>16</td>
</tr>
</tbody>
</table>

Services to be provided at Ellensburg Dialysis Center includes in-center hemodialysis, home peritoneal and home hemodialysis training, backup support for home peritoneal and home hemodialysis dialysis, a permanent bed station, and dedicated isolation/private room and treatment shifts beginning after 5:00 p.m.

Conditions:
1. Total Renal Care, Inc. a subsidiary of DaVita. Inc. agrees with the project description as stated above. DaVita, Inc. further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.

2. Total Renal Care, Inc. a subsidiary of DaVita. Inc. shall finance this project consistent with the financing described in the application.

Approved Costs:
The total capital expenditure for this project is $2,824,637, which includes costs for building and construction costs, purchasing equipment, and for associated fees and taxes.

⁵ DaVita has not yet completed the administrative station adjustment as allowed under Washington Administrative Code 246-310-809.
CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

Based on the source information reviewed and agreement to the conditions identified in the “conclusion” section of this evaluation, the department concludes that DaVita, Inc. has met the need criteria in WAC 246-310-210. The kidney disease treatment center specific numeric methodology applied is detailed under WAC 246-310-812(4). WAC 246-310-210(1) criteria is also identified in WAC 246-310-812(5) and (6).

(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).\(^6\)

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.\(^7\)

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

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\(^6\) 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]

\(^7\) 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.
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 the discussion of the two applicant’s numeric methodology.

**DaVita, Inc.**

DaVita proposes to relocate and expand the existing seven station Ellensburg Dialysis Center located in Kittitas County, by adding nine new stations resulting in 16 stations plus an exempt isolation station for a total of 17 stations. DaVita submitted the numeric methodology posted to the department’s website for Kittitas County. The methodology projected need for nine new stations in year 2018.

**Public Comment**
None

**Rebuttal Comment**
None

**Department Evaluation of the Numeric Methodology for Snohomish County planning area #2**

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 and it will be used for evaluating this project.

Based on the calculation of the annual growth rate in the planning area, the department used the linear regression to determine numeric need. For Kittitas County, 3.2 is used to divide the projected number of patients in order to determine the number of stations needed. A summary of the department’s numeric methodology is shown in Table 1 below.

<table>
<thead>
<tr>
<th>Department’s Table 1</th>
<th>Kittitas County Numeric Methodology Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.2 in-center patients per station</td>
</tr>
<tr>
<td></td>
<td>2022 Projected # of stations</td>
</tr>
<tr>
<td>DOH Methodology Posted to Website</td>
<td>16</td>
</tr>
</tbody>
</table>

As shown in the table above, once the 7 existing counted stations are subtracted from the projected need, the result is a net need of nine stations. The department’s methodology is included in this evaluation as Appendix A. The department concludes that DaVita 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
WAC 246-310-812(6)
Before the department approves new in-center kidney dialysis stations in a 3.2 planning area, all certificate of need counted stations at each facility in the planning area must be operating at 3.2 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 3.2 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.

For Kittitas County WAC 246-310-812(6) requires all CN approved stations in the planning area be operating at 3.2 in-center patients per station. Below is the discussion of the information DaVita submitted for this standard.

DaVita, Inc.
Ellensburg Dialysis Center is the only facility operational in Kittitas County. DaVita provided a table showing that Ellensburg Dialysis Center is operating above the 3.86 standard. DaVita provided the statement below.

“WAC 246-310-812(3) requires that projected station need must be based on 4.8 resident in-center patients per station in in urban areas, and 3.2 patients per station in designated rural counties. The applicable utilization standard for Kittitas County is 3.2 patients per station, therefore WAC 246-310-812(6) applies, and all certificate of need counted stations at each facility in the planning area must be operating at 3.2 in-center patients per station as of the letter of intent submission date, have been in operation for three or more years, or have not met the timeline presented in their Certificate of Need application. The relevant data for this analysis is the quarterly facility utilization report prepared by the Northwest Renal Network (hereafter “NWRN”)...” [Source: Application Page 13]

Public Comment
None

Rebuttal Comment
None

Department Evaluation
WAC 246-310-812(6) 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 December 30, 2017, end of year data that was available on February 12, 2018. The yearend utilization for Ellensburg Dialysis Center is shown in the table on the following page.

8 WAC 246-310-210(1)(b).
Department’s Table 2  
December 31, 2017, Utilization Data Kittitas County

<table>
<thead>
<tr>
<th>Facility</th>
<th># of Stations</th>
<th># of Patients</th>
<th>Patients/Station</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ellensburg Dialysis Center</td>
<td>7</td>
<td>27</td>
<td>3.86</td>
</tr>
</tbody>
</table>

The information in the table above shows that Ellensburg Dialysis Center operates beyond the 3.2 patients per station standard. **This sub-criterion is met.**

**WAC 246-310-830 – Kidney Disease Treatment Facilities – Relocation of Facilities**

(1) When an existing facility proposes to relocate any of its stations to another planning area, a new health care facility is considered to be established under WAC 246-310-020 (1)(a).

(2) When an existing kidney dialysis facility proposes to relocate a portion but not all of its stations within the same planning area, a new health care facility is considered to be established under WAC 246-310-020 (1)(a).

(3) When an existing kidney dialysis facility proposes to relocate a portion but not all of its stations to an existing facility, it will be considered a station addition under WAC 246-310-020 (1)(e).

(4) When an entire existing kidney dialysis facility proposes to relocate all of its stations within the same planning area, a new health care facility is not considered to be established under WAC 246-310-020 (1)(a) if:

(a) The existing kidney dialysis facility ceases operation after the relocation;

(b) No new stations are added to the replacement kidney dialysis facility. The maximum treatment floor area square footage as defined in WAC 246-310-800(11)(a) is limited to the number of certificate of need stations that were approved at the existing facility;

(c) There is no break in service between the closure of the existing kidney dialysis facility and the operation of the replacement facility;

(d) The existing facility has been in operation for at least five years at its present location; and

(e) The existing kidney dialysis facility has not been purchased, sold, or leased within the past five years.

**DaVita, Inc.**

In response to this sub-criterion, DaVita provided the following statements:

“The current DaVita Ellensburg Dialysis Center site is limited in its ability to provide dialysis services to all residents of the service area. While it is highly trafficked and currently provides care for Medicare, Medicaid, and charity care patients (as shown in the historical financial statements in Appendix 8), the facility is limited in its size, and constrained by capacity to caring for fewer patients than could otherwise utilize its services. Unfortunately, it is also constrained by adjacent businesses and its building design, and cannot accommodate sufficient additional stations via expansion.

The new DaVita Ellensburg Dialysis Center site is also highly trafficked, and will provide Medicare, Medicaid, and charity care consistent with the pro forma operating statement and projected payor mix (based on the existing DaVita Ellensburg Dialysis Center). Furthermore, additional access will provide access to all patients, including underserved groups, in potentially more desirable shift times”. [Source: Application Page 17]

The department received public comments from the City of Ellensburg Transit Division. Below are the comments.
Public Comment
“Currently Ellensburg Central Transit has fare free fixed route and paratransit public bus transportation available to DaVita patients, family members, staff and neighbors at its current Dollarway location. For the period of January 1, 2019 through March 30, 2019, fixed route service provided 41 trips to DaVita and Paratransit service provided four (4) trips.

Central Transit bus trips must start and end within the city limits of Ellensburg; if the new location is outside of Ellensburg city limits, Central Transit will not be able to provide any bus service to DaVita. From our conversation on April 30, the new location in the area of Highway 97 and Triple L Loop is within Ellensburg city limits which would allow Ellensburg Central Transit to provide Public Transit to DaVita; however the City cannot guarantee a designated stop as bus stop locations must go through an approval process.

We request that as part of the design process, the new building incorporate convenient access for paratransit lift equipped buses by patients with mobility devices. For safety, it is recommended that the buses avoid traveling through parking lots when entering or leaving the new facility and we would appreciate working with the developer to locate a close bust stop for the Ellensburg Central Transit fixed route bus system”. [Source: May 16, 2019, City of Ellensburg public comments, page 1]

Rebuttal Comment
“Our project manager connected with the architect and several options for the bus stop around the site. The architect responded “We would love to work with the City to find the best possible location to continue this great service that they provide to our patients and teammates”.

Our project manager put together a new site plan that shows how the building will be laid out so that we can work with them once we receive CON approval form the state. The updated site plan is attached”. [Source: May 16, 2019, City of Ellensburg public comments, page 1]

Department Evaluation
DaVita is proposing to relocate Ellensburg Dialysis Center and it would add nine new station. The public comment provided by the Transit Division states that Ellensburg Central Transit have fare free fixed route and paratransit public bus transportation available to DaVita patients, family members, staff, and neighbors at its current location. The comments also states Central Transit bus trips must start and end within the city limits of Ellensburg and if the new location is outside of city limits, Central Transit will not be able to provide any bus service to DaVita.

The City’s comments did not say whether the new location is outside the city’s limit. Usually, the department does not address issues such as this are not within its review criteria. However, in this case, Kittitas County assessor documentation provided by DaVita show that proposed dialysis is appropriately zoned for the site and within the township. DaVita’s rebuttal comments states it project manager has put together a new site plan showing the building layout and once this project is approved, DaVita intends to work with the Transit Division. DaVita’s approach is reasonable, and should help preserve access.

The information provided in the application, show that Ellensburg Dialysis Center is operating at capacity. DaVita states the reason for relocating Ellensburg Dialysis Center is because of the facility size is limited, and its constrained by capacity caring for patients. Additionally, the facility is also
constrained by adjacent businesses because of facility design, which cannot accommodate sufficient additional stations by expansion.

Based on the statements, the department agrees that by relocating Ellensburg Dialysis Center to a new location, kidney dialysis capacity in Kittitas County may increase. The department concludes DaVita appropriate submitted their application for relocation instead of submitting a replacement authorization request. **This standard is met.**

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

To 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 its willingness to provide services to patients who have exhausted any third-party sources of funding, including those who are Medicare and Medicaid eligible. Whose income is equal to or below 200% of the federal poverty standards, adjusted for family size, or otherwise not sufficient to enable the patient pay for care or the deductibles, or insurance copay amounts required by a third-party payer. With the passage of the Affordable Care Act (ACA), the amount of charity care may decrease, but not disappear. The charity care policy should also include the process one must use to access charity care at the facility.

**DaVita, Inc.**

In response to this sub-criterion, DaVita provided the following statement:

“Copies of these policies are provided in Appendix 14. Additionally, DaVita’s history of providing dialysis services at numerous locations throughout Washington State shows that all persons, including the underserved groups identified in WAC 246-310-210(2), have adequate access to DaVita’s facilities, as required by the regulation”. [Source: Application page 17]

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9 WAC 246-453-010(4).
DaVita provided copies of the following policies used at all DaVita dialysis centers in Washington, including the existing DaVita Westwood. [Source: Application page 17, Appendix 14]

- Admission policy/ Accepting End Stage Renal Disease Patients for Treatment
- Indigent Care Policy
- Involuntary Discharge or Involuntary Transfer
- Patient Rights Policy

Public Comments
None

Rebuttal comments
None

Department Evaluation
DaVita provided copies of the necessary policies used Ellensburg Dialysis Center and at all DaVita dialysis centers.

Medicare and Medicaid Programs
Ellensburg Dialysis Center is currently Medicare and Medicaid certified, and DaVita provided the facility’s Medicare provider numbers listed below. DaVita did not however provide the facility and Medicaid number.

Medicare Provider Number: 502552

DaVita also included their projected payor mix, which is based on 2017 actuals. The information is summarized below. [Source: February 14, 2019, Screening response, page 3]

<table>
<thead>
<tr>
<th>DaVita Ellensburg Dialysis Center Projected Payor Mix</th>
<th>Percentage by Revenue</th>
<th>Percentage by Patient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>48%</td>
<td>86%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Commercial, HMO, Other Government, and Other</td>
<td>48%</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Within its application, DaVita did not provide a policy specifically entitled “Charity Care.” However, the policy provided by DaVita titled Indigent Care Policy provides the necessary information and process a patient would use to obtain charity care at a DaVita facility. Furthermore, DaVita demonstrated its intent to continue to provide charity care for patients treating at Ellensburg Dialysis Center by including a ‘charity’ line item as a deduction from revenue within its pro forma financial statement.

Given that DaVita currently operates dialysis centers in Washington State and uses the same policies and procedures provided in the application at the dialysis centers, including Ellensburg Dialysis Center no draft policies were provided by in this application. Based on the information, the department concludes DaVita’s project 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 DaVita’s dialysis project under review.
B. Financial Feasibility (WAC 246-310-220)
Based on the source information reviewed and agreement to the conditions identified in the “conclusion” section of this evaluation, the department concludes that DaVita, Inc. has meet the financial feasibility criteria in WAC 246-310-220 and WAC 246-310-815.

(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 the two projects, DaVita must demonstrate compliance with the following sub-sections of WAC 246-310-815(1). Using its experience and expertise the department evaluates if the applicant’s pro forma income statements reasonably project the proposed project is meeting its immediate and long-range capital and operating costs by the end of the third complete year of operation.

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.

DaVita, Inc.
Given that Ellensburg Dialysis Center is currently operational, sub-sections (1)(a) and (b) above apply to this project. As previously stated, DaVita proposes to expand the existing seven-station Ellensburg Dialysis Center by adding nine new stations for a total of sixteen stations plus one exempt isolation station for total of 17 stations. The 17-station kidney dialysis facility would be operational in September 2021. Under this timeline, full calendar year one of the project is 2022 and year three is 2024. [Source: Application, page 10]

DaVita provided the assumptions used to project in-center patients treatments for partial calendar years 2021, and full calendar years 2022 through 2024. The assumptions are restated below.

First Full Year: 2022, based on a first patient date in September 2021 for the expansion.

Total Stations: CON Approved stations for relocation only (7 + exempt iso)
**Total Chronic Capacity:** 6 shift capacity of CON-approved stations is assumed to be 100% utilization.

**Patient Census Projections:** Census projections are based on a 5-year projection of planning area patients using a regression of 5 years historical data and DaVita's own experience and expertise.

This is the same trend line (based on the Department's methodology as applied through 2022), but extended out through 2024 to project planning area census through the projection period. DaVita uses projected planning area census, existing planning area capacity, and additional market and experiential knowledge to project new facility census.

**Charity Care:** estimated at 1.3% of gross revenue, consistent with DaVita's historical experience.

**Total Treatments:** Total Treatment Volume is assumed to be based on average yearly census, a 5% missed treatment rate consistent with DaVita's own experience and expertise, and three treatments weekly. [Source: April 22, 2019, screening response page 10, Appendix 9A-R Relocation Pro Forma]

Using the assumptions stated above, DaVita projected the end-of-year number of in-center and dialyses and patients for the 17-station Ellensburg Dialysis Center in years 2021 through 2024 are restated in the table below. [Source: Application, page 14]

<table>
<thead>
<tr>
<th>DaVita’s Table 8</th>
<th>Projected Station Need for the Planning Area by Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kittitas</td>
</tr>
<tr>
<td></td>
<td>Year 1</td>
</tr>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Projected Hemodialysis Patients</td>
<td>33.8</td>
</tr>
<tr>
<td>Patient: Station Conversion Factor</td>
<td>3.2</td>
</tr>
<tr>
<td>Total Station Need</td>
<td>10.56</td>
</tr>
<tr>
<td>Rounded to the next whole number</td>
<td>11.00</td>
</tr>
<tr>
<td>Existing Stations</td>
<td>7</td>
</tr>
<tr>
<td>Net Station Need</td>
<td>-4.00</td>
</tr>
</tbody>
</table>

DaVita also provided the assumptions used to project revenue, expenses, and net income for the 17-Ellensburg Dialysis Center. [Source: April 22, 2019, screening response page 10, Appendix 9A-R Relocation Pro Forma]

**Revenue per treatment:** No inflation is applied to revenue per treatment, which is based on the last full year of operation for the facility, 2017, and its payor mix.

**General expenses:** Based on cost per treatment for the last full calendar year (2017) by category. This excludes lease expenses (noted below), depreciation expense (based on projected capital expenditures and existing depreciation), medical director expense (noted below), and labor costs (noted below).

**Cost inflation:** DaVita does not assume inflation in any expense category except where otherwise noted - no current contract cost increases are known except where otherwise noted, and thus are not included.
**Medical Director Expense:** based on contracted, known expenses in latest medical director agreement that runs through the extent of the three-year projection window. Includes PD, but not HHD.

**Lease Expense:** total square footage will be 9,600, using the adjustment provision. Base rent is directly pulled from the lease contract at $25.40 per square foot for the first 5 lease years, increasing by 10% on the fifth anniversary. The first lease year is based on commencement 4 months after possession date, assumed to be June 1, 2020 - in other words, it commences on October 1, 2020. Tax and CAM are based on the Tax and CAM per square foot for Ellensburg Dialysis Center in 2017 - $2.58/square foot. Between October 2020 and September 1, 2021, rent will be owed for both properties. **Holding fees calculated** from effective first month in July 2017; means that in 2019, $1,500/month holding fee applies, until notice to proceed, assumed to be July 2019 based on the original application timeline. This means 6 * $1,500 holding fees are charged in 2019, resulting in a total of an additional $9,000 in rent paid in 2019.

**Labor Assumptions:** Based on safe, fair, and efficient staffing ratios for projected census and required staff type. Benefits, taxes, and non-base pay are assumed at a rate of 48% of base salaries and wages based on an average 2017 comparable facility data. No inflation is assumed.

**Depreciation Expense:** Based on capex expense and depreciation not included in relocation.
Specific to the base rent reference under the lease expense category, DaVita provided the following clarification. [Source: April 22, 2019, screening response page 10, Appendix 9A-R Relocation Pro Forma]

“The Department is correct- holding fees were unintentionally omitted from the table previously provided in response to screening question #18. An updated table showing these holding fees is provided below. Note that, per the terms of Section 3 of the Ground Lease, holding fees began on the first effective month of July 2017. This means that, in the pro forma period, the holding fee rate is $1,500 per month. Also per the terms of Section 3, holding fees are only paid until Notice to Proceed, which is scheduled for July 2019 based on the scheduled CON decision timeline. Thus, six (6) months of holding fees are included in 2019 (January - June), for a total of $9,000”.

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$</strong></td>
<td>51,261</td>
<td>51,261</td>
<td>34,174</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>60,960</td>
<td>243,840</td>
<td>243,840</td>
<td>243,840</td>
<td>243,840</td>
<td>243,840</td>
</tr>
<tr>
<td><strong>$</strong></td>
<td>9,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>$</strong></td>
<td>60,261</td>
<td>112,221</td>
<td>278,014</td>
<td>243,840</td>
<td>243,840</td>
<td>243,840</td>
</tr>
<tr>
<td><strong>$</strong></td>
<td>7,743</td>
<td>7,743</td>
<td>5,162.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>6,194</td>
<td>24,778</td>
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<td>24,778</td>
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</tr>
<tr>
<td><strong>$</strong></td>
<td>7,743</td>
<td>13,937</td>
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<td>24,778</td>
<td>24,778</td>
<td>24,778</td>
</tr>
<tr>
<td><strong>$</strong></td>
<td>68,004</td>
<td>126,158</td>
<td>307,954</td>
<td>268,618</td>
<td>268,618</td>
<td>268,618</td>
</tr>
</tbody>
</table>

[Source: April 22, 2019, screening response page 10, Appendix 9A-R Relocation Pro Forma]

Based on the assumptions above, DaVita provided its current 2019 revenue and expense statement. In addition, DaVita provided its projected revenue, expenses, and net income for years 2020 through
A summary of the projections are shown in Table 3. [Source: April 22, 2019, screening response page 10, Appendix 9A-R Relocation Pro Forma]

### Department’s Table 3
**Ellensburg Dialysis Center Current Year 2019, and Projected Revenue and Expenses for Years 2021 - 2023**

<table>
<thead>
<tr>
<th></th>
<th>Current Year 2019</th>
<th>Full Year 1-2020</th>
<th>Full Year 2-2021</th>
<th>Full Year 3-2022</th>
<th>Full Year 4-2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Revenue</strong></td>
<td>$2,791,785</td>
<td>$3,076,389</td>
<td>$3,236,474</td>
<td>$3,271,275</td>
<td>$3,306,074</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$1,879,220</td>
<td>$2,069,056</td>
<td>$2,379,848</td>
<td>$2,442,694</td>
<td>$2,450,498</td>
</tr>
<tr>
<td><strong>Net Profit / (Loss)</strong></td>
<td>$911,804</td>
<td>$1,007,333</td>
<td>$856,626</td>
<td>$828,581</td>
<td>$855,576</td>
</tr>
</tbody>
</table>

The ‘Net Revenue’ line item is gross in-center treatments and home treatments minus deductions for bad debt and charity care. The ‘Total Expenses’ line item includes all expenses related to the projected operation of the projected 17-station facility in years 2019 through 2023. The expenses also include allocated costs per treatment, which is multiplied by the projected number of treatments. Medical director costs are $55,400 annually.

**Public Comments**

None

**Rebuttal comments**

None.

**Department Evaluation**

DaVita proposes to expand the existing Ellensburg Dialysis Center by adding 9 new stations to the facility. At project completion, Ellensburg Dialysis Center will be certified to operate 17 stations. DaVita based its projected utilization of Ellensburg Dialysis Center consistent with WAC 246-310-815(1)(b). Based on a review of the assumptions used for projecting utilization of the 17 station dialysis center, the department concludes they are reasonable.

Since Ellensburg Dialysis Center is currently operational, DaVita provided an executed medical director agreement currently in effect, and a lease for the existing location. The medical director costs in the pro forma are consistent with the agreement. DaVita also provided a lease agreement for the site where the facility would be relocated. The ground lease agreement for the new location is between Genesis Development, LLC and Triple L, LLC. Genesis Development, LLC will construct the building. The building lease is between Genesis Development, LLC (landlord) and Total Renal Care, Inc. It was executed in June 2017 and was valid for 15 years following commencement of the lease. The lease is eligible for two renewal terms of five years each. The costs of the lease can be substantiated in the revenue and expense statement.

DaVita provided a copy of the current Medical Director Agreement between Total Renal Care, Inc. and Dr. J. Hamilton Licht, MD., PC dba Nephrology Associates of Yakima. The Medical Director Agreement was executed on September 5, 2018 and is valid through September 2028. The costs identified in the medical director agreement can be substantiated in the revenue and expense statement.
Based on the above information provided in the application, the department concludes that DaVita’s projected revenue and expense statement is reasonable. **This sub-criterion is met.**

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

WAC 246-310-815 outlines the financial feasibility review requirements for dialysis projects. For this project, DaVita must demonstrate compliance with the following sub-sections of WAC 246-310-815(2). Using its experience and expertise the department compared the proposed project’s costs with those previously considered by the department.

**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.

**DaVita, Inc.**

DaVita also provided the following statements.

“WAC 246-310-815(2) requires that applicants limit the costs of facility projects by creating a test of reasonableness in the construction of finished treatment floor area square footage. The treatment floor area must not exceed the maximum treatment floor area square footage defined in WAC 246-310-800(11). As outlined in response to Question Eleven under the Project Description, DaVita does not propose to construct treatment floor space in excess of the maximum treatment floor area square footage, and thus, under the WAC 246-310-815(2) test, this project does not have an unreasonable impact on costs and charges.” [Source: Application, page 20]

DaVita provided a copy of its line drawing for the relocation project. [Source: Application, pages 11-12]

Consistent with WAC 246-310-800(11), Ellensburg Dialysis Center maximum treatment floor area square footage for 16 stations and one isolation station is 5,162.5. DaVita will use 4,425 square feet. [Source: Application, page 12]

Specific to the costs and charges for health services, DaVita provided the statements below.

“Construction cost is estimated based on the non-binding contractor estimate presented in response to Question 6. Construction cost number includes sales tax. Sales tax is assumed at the Ellensburg rate of 8.3%”. [Source: Application, page 19]

**Public Comment**

None

**Rebuttal Comment**

None

**Department Evaluation**

The estimated cost for this project is $2,824,638, which includes $1,803,833 for construction. The project 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.

The projected revenue for Medicare and Medicaid reimbursements is 52% and for commercial insurance/HMO it is 48%. Given that majority of dialysis, payments are by Medicare and Medicaid reimbursement, Ellensburg Dialysis Center’s expectation that 48% of its revenue would come from commercial/HMO is reasonable. Approximately 90% of patients’ treatments at this facility are reimbursed through Medicare or Medicaid.

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 payors 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 presented by DaVita about its revenue indicate that this project would not have an unreasonable impact on charges for Medicare and Medicaid, since that revenue is dependent upon cost based reimbursement.

Based on the above information provided in the application, the department concludes that DaVita’s projected costs associated with relocating and expanding the Ellensburg facility would probably not have an unreasonable impact on the costs and charges for healthcare services in Kittitas County. **This sub-criterion is met.**

(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 DaVita’s projected source of financing to those previously considered by the department.

**DaVita, Inc.**

DaVita provided the following information about financing the $2,824,638 costs for this project.

“*DaVita Inc., via its subsidiary Total Renal Care, Inc., is solely responsible for the capital costs identified above*”. [Source: Application, page 19]

“*Construction cost is estimated based on the non-binding contractor estimate presented in response to Question 6. Construction cost number includes sales tax. Sales tax is assumed at the Ellensburg rate of 8.3%*”. [Source: Application, page 19]

DaVita provided a letter of financial commitment from the project from the Chief Operating Officer, attesting that the project would be financed out of corporate reserves.
Department’s Table 4
Ellensburg Dialysis Center Estimated Capital Costs

<table>
<thead>
<tr>
<th>Item</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Construction</td>
<td>$1,803,833</td>
</tr>
<tr>
<td>Fixed &amp; moveable equipment</td>
<td>$782,950</td>
</tr>
<tr>
<td>Washington State sales taxes and fees</td>
<td>$237,855</td>
</tr>
<tr>
<td><strong>Total Estimated Capital Costs</strong></td>
<td><strong>$2,824,638</strong></td>
</tr>
</tbody>
</table>

Public Comment
None

Rebuttal Comment
None

**Department Evaluation**
DaVita intends to finance the project with reserves and demonstrated that the funds are available. If this project is approved, the department would attach a condition requiring DaVita to finance the project consistent with the financing description provided in the application. With a financing condition, the department concludes the DaVita project meets this sub-criterion.

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that the DaVita, Inc. project has met the structure and process of care criteria in WAC 246-310-230.

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

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of 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.

**DaVita, Inc.**
DaVita provided the table below showing current and projected FTE’s. DaVita also provided the statements in its application.

“Table 15 presents the staffing for the DaVita Ellensburg Dialysis Center. The salary and wage and benefit costs for the facility are detailed below. Note that historic staffing levels on a category basis are estimated based on ratios and DaVita management expertise for historic years off of a total number of known FTEs of all categories”. [Source: Application, page 23]
Department’s Table 5  
Ellensburg Dialysis Center Current Year 2019  
Through Projected Years 2020 – 2022

<table>
<thead>
<tr>
<th>FTE by Type</th>
<th>Current 2019</th>
<th>Expansion 2020</th>
<th>Expansion 2021</th>
<th>Expansion 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrator</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
</tr>
<tr>
<td>Administrative Assistant</td>
<td>0.36</td>
<td>0.40</td>
<td>0.44</td>
<td>0.48</td>
</tr>
<tr>
<td>Social Worker</td>
<td>0.33</td>
<td>0.37</td>
<td>0.40</td>
<td>0.44</td>
</tr>
<tr>
<td>Dietician</td>
<td>0.33</td>
<td>0.37</td>
<td>0.40</td>
<td>0.44</td>
</tr>
<tr>
<td>RN-In-Center</td>
<td>1.89</td>
<td>2.08</td>
<td>2.28</td>
<td>2.47</td>
</tr>
<tr>
<td>PCT</td>
<td>2.88</td>
<td>3.18</td>
<td>3.48</td>
<td>3.78</td>
</tr>
<tr>
<td>RN- PD</td>
<td>0.31</td>
<td>0.33</td>
<td>0.36</td>
<td>0.39</td>
</tr>
<tr>
<td>Biomed Tech</td>
<td>0.20</td>
<td>0.20</td>
<td>0.40</td>
<td>0.40</td>
</tr>
<tr>
<td>Other</td>
<td>0.50</td>
<td>0.59</td>
<td>0.60</td>
<td>0.71</td>
</tr>
<tr>
<td><strong>Total FTEs</strong></td>
<td><strong>7.75</strong></td>
<td><strong>7.85</strong></td>
<td><strong>9.20</strong></td>
<td><strong>9.61</strong></td>
</tr>
</tbody>
</table>

“DaVita projects FTEs based on staffing ratios for patients per shift, combined with clinical expertise. Standard ratios are noted in Table 18. Overall census estimates are based on the assumptions describing the pro forma in Appendix 9”. [Source: Application, page 23]

DaVita also provided the following clarification regarding the staffing table above.

“DaVita anticipates no difficulty in recruiting the necessary personnel to continue to staff DaVita Ellensburg Dialysis Center. Based on our experience operating facilities in the planning area, DaVita anticipates that staff from the existing DaVita Ellensburg Dialysis Center will serve patients at the relocated and expanded DaVita Ellensburg Dialysis Center. Moreover, DaVita has been repeatedly recognized as a Top Employer and a Military Friendly Employer (davita.com/about/awards) and offers a competitive wage and benefit package to employees. DaVita posts openings nationally both internally and external to DaVita”. [Source: Application, page 23]

In addition to the statements above, DaVita also provided the following clarification regarding the staffing table above.

“DaVita does not expect any significant barriers to recruiting staff for DaVita Ellensburg Dialysis Center. As outlined in its application, DaVita has been repeatedly recognized as a Top Employer and a Military Friendly Employer and offers a competitive wage and benefit package to employees, and posts openings nationally. As an expansion facility, existing staff will also staff the relocated facility. However, in the unlikely event Ellensburg Dialysis Center faces any barriers to recruiting the incremental staff needed for the expanded facility, DaVita would take a multi-faceted approach, utilizing those methods necessary to ensure timely patient care. These methods may include, but are not limited to, selective use of signing bonuses and incentives for select staff recruitments, cross-staffing with nearby DaVita facilities where possible, and if absolutely essential, limited use of agency temporary staff, with a continued focus on recruitment and retention of permanent teammates as soon as possible. As mentioned, however, DaVita does not expect any significant barriers to recruiting staff, especially given its extensive existing expertise with operating in Ellensburg”. [Source: February 14, 2019, screening response page 2]
Department Evaluation

Information provided in the application demonstrates that DaVita is a well-established provider of dialysis services in Washington State. Ellensburg Dialysis Center is currently operational in Kittitas County. As an existing provider with a fully operational facility located in Kittitas County, the department does not expect that DaVita will have difficulty recruiting FTE’s based on its experience operating facilities in the planning area. Currently Ellensburg Dialysis Center has 7.75 FTEs this number is projected to increase to 9.61 FTEs.

A review of DaVita’s historic, current and projected FTE increase shows that most of the increase is expected to occur by year 2022. By that year, DaVita anticipate it will add 1.86 new FTEs. DaVita expects the patient care technician (PCT) and in-center RN category to increase by 1.00 and for the other category consisting of FTEs who provide patient education, inventory management roles, and training hours this category would increase by 0.44 FTE.

DaVita’s medical director is under contract at $55,400 annually, and is not DaVita’s employee so the medical director’s information is not included in the table above. DaVita provided a copy of the current Medical Director Agreement between Total Renal Care, Inc. and Dr. J. Hamilton Licht, MD., PC dba Nephrology Associates of Yakima. The Medical Director Agreement was executed on September 5, 2018 and is valid through September 2028. [Source: Application, page 23 and Appendix 3]

The department notes that DaVita has a history of recruiting staff for its dialysis facilities in Washington therefore, it does did not expect the addition of 1.86 FTE’s to Ellensburg Dialysis Center to be unreasonable or problematic. Based on the information reviewed, the department concludes 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.

DaVita, Inc.

To comply with this sub-criterion the applicant states, “DaVita Ellensburg Dialysis Center has a number of strong working relationships that tie it to its community, including a Patient Transfer Agreement with Yakima Regional Medical Center, and Yakima Memorial Hospital. Please find a listing of these relationships in Table 16 below.” [Source: Application, page 25]

DaVita also provided the following statements.
“The proposed relocation and expansion of DaVita Ellensburg Dialysis Center will have an appropriate relationship to the service area’s existing health care system. DaVita Ellensburg Dialysis Center is a key component of the existing health care system in the service area, and the project will enable enhanced patient access in an already highly utilized facility with a census of more than 3.2 patients per station. Furthermore, DaVita Ellensburg Dialysis Center has a long track record of working with area providers to provide the highest possible quality of care to patients, as evidenced by its CQI process outlined in Appendix 17. [Source: Application page 27]

Public Comment
None

Rebuttal Comment
None

Department Evaluation
As an established provider of dialysis services in Washington, including the existing Ellensburg Dialysis Center; DaVita has existing relationships with the service area existing health care system. If this project is approved DaVita proposes to relocate the entire facility and add nine new stations to the facility. Upon project completion, Ellensburg Dialysis Center would be operating 17 kidney dialysis stations.

For ancillary and support services at Ellensburg Dialysis Center, DaVita states that it will provide social services, nutrition, financial counseling, pharmacy access, patient and staff education, human resources, material management, administration and biomedical technical services on site. Additional services are coordinated through DaVita’s corporate offices in Denver, Colorado and support offices in Federal Way and Tacoma, Washington and elsewhere. [Source: Application, page 24]

Based on the information reviewed, the department concludes that all required ancillary and support agreements and relationships are already in place and should transfer to the new location without issue. **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).

**DaVita, Inc.**
DaVita provided the following statement in response to this sub-criterion.

“The applicant has no adverse history of license revocation or decertification in Washington State. DaVita has no criminal convictions related to DaVita’s competency to exercise responsibility for the
ownership or operation of its facilities. As previously reported, a DaVita facility in Tennessee was decertified and closed ten years ago (2007) and DaVita voluntarily temporarily shut down a facility in Texas nine years ago (2008). DaVita has also supplied, in Appendix 13, a list of all state regulatory agencies with which it interacts.” [Source: Application pages 26 and 27]

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.

CMS Star Rating for Out-of-State Centers
In the application, DaVita states that it provides outpatient dialysis centers and services approximately 185,000 patients in 45 states and the District of Columbia. DaVita reports dialysis services to CMS for approximately 2,728 facilities in 46 states and the District of Columbia. Of the 2,728 facilities reporting to CMS by DaVita, 371 do not have the necessary amount of data to compile a star rating. For the remaining 2,357 facilities with a star rating, the national average rating is 3.71.

CMS Star Rating for Washington State Centers
For Washington State, DaVita owns, operates, or manages 42 facilities in 19 separate counties. All of the 42 centers are operational, however, three do not have the necessary amount of data to compile a star rating. For the remaining 39 centers with a star rating, the Washington State average rating is 4.08

The department also reviewed survey data performed by the Department of Health’s Office of Health Systems Oversight on behalf of CMS.

Washington State Survey Data
While all 42 of DaVita facilities are operational, in the most recent three years, 24 facilities have been surveyed. All surveys resulted in no significant non-compliance issues. [Source: DOH OHSO survey data]

DaVita provided a copy of the current Medical Director Agreement between Total Renal Care, Inc. and Dr. J. Hamilton Licht, MD., PC dba Nephrology Associates of Yakima. The Medical Director Agreement was executed on September 5, 2018 and is valid through September 2028. Using data from the Medical Quality Assurance Commission, the department found the physician is compliant with state licensure and have no enforcement actions on their license.

10 The three centers are: Belfair Dialysis Center in Mason County, Cooks Hill Dialysis Center in Lewis County, and Renton Dialysis Center in King County.
In review of this sub-criterion, the department considered the total compliance history of the dialysis facilities owned and operated by DaVita. The department also considered the compliance history of the two physicians associated with the facility. The department concludes that DaVita has been operating in compliance with applicable state and federal licensing and certification requirements. The department also concludes there is reasonable assurance that the addition of dialysis stations to Ellensburg Dialysis Center would not cause a negative effect on DaVita’s compliance history. The department concludes that DaVita’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.

DaVita, Inc.

To comply with this sub-criterion DaVita provided supporting documentation to demonstrate compliance with this sub-criterion. The documents focuses on DaVita’s Continuous Quality Improvement (CQI) program and the April 2018 press release for Top Clinical Outcomes.

Specifically DaVita states, “Appendix 17 provides a summary of quality and continuity of care indicators used in DaVita’s quality improvement program. The DaVita Continuous Quality Improvement (CQI) program incorporates all areas of the dialysis program. The program monitors and evaluates all activities related to clinical outcomes, operations management, and process flow. Dialysis-specific statistical tools (developed by DaVita) are used for measurement, analysis, communication, and feedback. Continuing employee and patient education are integral parts of this program. Appendix 17 includes an example of DaVita Quality Index (DQI) data.

Appendix 18 includes an example of DaVita’s Physician, Community and Patient Services offered through DaVita’s Kidney Smart Education Program. Appendix 12 includes a copy of the transfer agreement between DaVita Ellensburg Dialysis Center and both medical centers in Yakima. DaVita has been honored as one of the World’s Most Admired Companies® by FORTUNE® magazine since 2006, confirming its excellence in working effectively with the communities it serves (davita.com/about/awards).

The proposed relocation and expansion of DaVita Ellensburg Dialysis Center will have an appropriate relationship to the service area’s existing health care system. DaVita Ellensburg Dialysis Center is a key component of the existing health care system in the service area, and the project will enable enhanced patient access in an already highly utilized facility with a census of more than 3.2 patients per station. Furthermore, DaVita Ellensburg Dialysis Center has a long track record of working with area providers to provide the highest possible quality of care to patients, as evidenced by its CQI process outlined in Appendix 17”. [Source: Application pages 26 and 27]

Public Comment

None
Rebuttal Comment
None

Department Evaluation
DaVita has been a provider of dialysis services in Washington State for many years. DaVita has a history of establishing relationships with existing healthcare networks in Kittitas County. In the application, DaVita provided documentation of its current ancillary and support agreements between local vendors and Ellensburg Dialysis Center. DaVita also provided a copy of the dialysis facility existing Patient Transfer Agreement with Yakima Regional Medical Center, and Yakima Memorial Hospital.

The documents provided by DaVita provided in the application demonstrated that after the facility is relocated and new stations are added to capacity, Ellensburg Dialysis Center would continue to promote continuity in the provision of health care services in the community and not result in unwarranted fragmentation. Based on the information above, the department concludes that DaVita’s project meets this sub-criterion.

(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 for DaVita, Inc.
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 and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that the DaVita, Inc. project has met the cost containment criteria in WAC 246-310-240.

(1) Superior alternatives, in terms of cost, efficiency, or effectiveness, are not available or practicable.
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. The department completes step three under WAC 246-310-827.
Step One
DaVita, Inc.
For this project, DaVita met the applicable review criteria under WAC 246-310-210, 220, and 230.

Step Two
DaVita, Inc.
For this sub-criterion, DaVita considered one option before submitting this application. Below is the option DaVita considered.

Alternative 1: Do nothing, that is do not apply for nine (9) additional stations in Kittitas County to expand DaVita Ellensburg Dialysis Center. It has been established that Kittitas County is growing in ESRD population. Currently, DaVita Ellensburg Dialysis Center is a very busy facility, with utilization of 3.86 patients per station as of June 30, 2018. The Department’s methodology shows substantial patient demand for dialysis services in Kittitas County, beyond that which could be provided for by DaVita Ellensburg’s current configuration. Without expansion, patients will be forced to dialyze at less convenient times, or even out of the planning area entirely. This alternative was rejected.

Alternative 2: Expand the DaVita Ellensburg Dialysis Center by nine (9) stations. The existing DaVita Everett Dialysis facility is operating at 3.86 patients per station as of December 31, 2017. Expansion, however, was not a realistic option. After a thorough architectural and lease review and assessment of the existing DaVita Ellensburg Dialysis Center site, it became clear expansion was not feasible. This alternative was rejected.

Alternative 3: Relocate and Expand the DaVita Ellensburg Dialysis Center from seven (7) to sixteen (16). Given the clear need for additional capacity at DaVita Ellensburg Dialysis Center in Kittitas County and existing site challenges with expansion, this was the clear alternative from a cost, efficiency, and patient service and access perspective. This alternative was selected. [Source: Application, page 28]

Public Comment
None

Rebuttal Comment
None

Department Evaluation
DaVita considered two alternatives before choosing to submit an application – no project, and an expansion at the current site. No project was rejected, as it wasn’t responsive to community need. An expansion at the current site is not feasible due to architectural and lease restrictions at that site. Therefore, the department concludes that DaVita appropriately rejected the alternatives before selecting the relocation and expansion option as submitted.

Step Three
WAC 246-310-827 states: For purposes of determining which of the competing applications should be approved, the criteria in this section will be used as the only means for comparing two or more applications to each other. No other criteria or measures will be used in comparing two or more applications to each other under any of the applicable sub-criteria within WAC 246-310-210, 246-310-220, 246-310-230 or 246-310-240.
**Department Evaluation**
DaVita is the provider located in the county and the only applicant to submit an application for Kittitas County. Based on the information, the department concludes that the project submitted by DaVita is the best available alternative for the community. **This sub-criterion is not met**

(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 DaVita, Inc.**
This sub-criterion was evaluated in conjunction with WAC 246-310-220 above and is considered met.

(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.

**DaVita, Inc.**
In compliance with this sub-criterion the applicant states, “DaVita Ellensburg Dialysis Center meets all current energy conservation standard requirements. In addition, expansion will allow full use of the expanded facility designed to meet current energy utilization requirements”. [Source: Application page 29]

**Public Comment**
None

**Rebuttal Comment**
None

**Department Evaluation**
As the only provider in the county DaVita project may have the potential to improve delivery of dialysis services to the residents of Kittitas County when the facility is relocated and nine new station are added to capacity. **This sub-criterion is met**