STATE OF WASHINGTON
DEPARTMENT OF HEALTH

March 15, 2011

CERTIFIED MAIL # 7008 1300 0000 7202 9522

Jean Stevens, Regional Vice President
Fresenius Medical Care
2121 SW Broadway, Suite 111
Portland, OR 97201

Dear Ms. Stevens:

We have completed review of the Certificate of Need application submitted on behalf of Inland Northwest Renal Care Group, LLC proposing to add four kidney dialysis stations at the Fresenius Medical Care (FMC) Colville Dialysis Center in Colville within Stevens County.

Enclosed is the written evaluation of the application. For the reasons stated in the evaluation, Inland Northwest Renal Care Group, LLC's application proposing to add four dialysis stations is not consistent with the applicable criteria of the Certificate of Need Program. However, the addition of two stations to FMC's Colville Dialysis Center is consistent with the applicable criteria, provided Inland Northwest Renal Care Group, LLC agrees to the following term.

Term
Inland Northwest Renal Care Group, LLC must provide a signed copy of the updated or amended Medical Director's agreement reflecting any re-negotiated fees for the Colville facility.

At project completion, Fresenius Medicare Care Colville Dialysis Center would be approved to certify and operate a total of eight dialysis stations. The stations are listed below.

Private Isolation Room	1
Permanente Bed Station	1
Home Training Station	1
Other In-Center Stations	5
Total	**8**

With the term stated above, the Department of Health concludes that the project satisfies the application criteria. Without the term, the project would not be consistent with applicable Certificate of Need criteria and a Certificate of Need would be denied.

Please notify the Department of Health within 20 days whether the applicant agrees to the terms attached to this approval. The applicant may send responses to the Program at one of the following addresses.

Mailing Address:	Other Than By Mail:
Department of Health	Department of Health
Certificate of Need Program	Certificate of Need Program
Mail Stop 47852	310 Israel Road SE
Olympia, WA 98504-7852	Tumwater, WA 98501

Thank you for your cooperation during the review of the application. If you have any questions, please call Janis Sigman of the Certificate of Need Program at (360) 236-2955.

Sincerely,

Steven M. Saxe, FACHE
Director, Health Professions and Facilities

Enclosure

EVALUATION OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY INLAND NORTHWEST RENAL CARE GROUP PROPOSING TO ADD FOUR KIDNEY DIALYSIS STATIONS TO THE EXISTING FRESENIUS MEDICAL CARE COLVILLE DIALYSIS CENTER IN STEVENS COUNTY

APPLICANT DESCRIPTION

Inland Northwest Renal Care Group (IN-RCG) is one of three legal entities in Washington, Oregon and Idaho owned by Renal care Group (RCG). These three entities include Pacific Northwest Renal Services (PNRS), Renal Care Group of the Northwest, Inc. (RCGNW) and IN-RCG. IN-RCG is jointly owned by RCG and Sacred Heart Medical Center. On March 31, 2006, through stock acquisition, Fresenius Medical Care Holding, Inc (FMC) became the sole owner of RCG. FMC owns or operates five subsidiaries listed below are the five subsidiaries:

QualiCenters Inc.
Inland Northwest Renal Care Group, LLC
National Medical Care, Inc.
Pacific Northwest Renal Services
Renal Care Group, Inc.

Under the four of the five subsidiaries listed above, FMC operates 1,700 outpatient dialysis centers in 45 states and the District of Columbia.[1] [Source: CN historical files and Application, Pages 2-6]

In Washington State, FMC or one of its subsidiaries owns, operates, or manages 16 kidney dialysis facilities in twelve separate counties. Below is a listing of the 16 facilities in Washington.[2] [CN historical files]

Benton County
Columbia Basin Dialysis Center

Clark County
Fort Vancouver Dialysis Facility
Salmon Creek Dialysis Facility

Lewis County
Chehalis Facility

Grant County
Moses Lake Dialysis Facility
Western Grant County Dialysis Facility

Cowlitz County
QualiCenters Longview

Adams County
Leah Layne Dialysis Center

Spokane County
Northpointe Dialysis Facility
Spokane Kidney Center
North Pines Dialysis Facility
North Spokane Dialysis Center

Mason County
Shelton Dialysis Facility

Okanogan County
Omak Dialysis Facility

Stevens County
Colville Dialysis Center

Gray Harbor County
Aberdeen Dialysis Facility

Walla Walla County
QualiCenters Walla Walla

[1] The National Medical Care, Inc. subsidiary does not operate any dialysis facilities.
[2] One facility— North Spokane Dialysis Center—was recently approved by the department and are not yet operational.

PROJECT DESCRIPTION

Under its Inland Northwest Renal Care Group subsidiary, FMC proposes to add four dialysis stations to the existing six stations at Fresenius Medical Care Colville Dialysis Center located at 147 Garden Homes Drive within the city of Colville in Stevens County. [Source: Application, Page 1]

The capital expenditure associated with the addition of four addition stations is $103,265. Of this amount, approximately 58% of the cost is related to fixed and moveable equipment, 34% is related to remodeling construction and the remaining 8% is related to taxes and fees. [Source: Application, Page 30]

IN-RCG anticipates the new 4-stations would become operational by the end of August 2010. Under this timeline, calendar year 2011 would be the first full year of operation and 2013 would be year three as ten-station dialysis center. [Source: IN-RCG Application, Page 12]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need (CN) review because it increases the number of dialysis stations at an existing kidney disease treatment facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(h) and Washington Administrative Code (WAC) 246-310-020(1)(e).

CRITERIA EVALUATION

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

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

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

- *(i) The consistency of the proposed project with service or facility standards contained in this chapter;*
- *(ii) In the event the standards contained in this chapter do not address in sufficient detail for a required determination the services or facilities for health services proposed, the department may consider standards not in conflict with those standards in accordance with subsection (2)(b) of this section; and*
- *(iii) The relationship of the proposed project to the long-range plan (if any) of the person proposing the project."*

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

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

- *(i) Nationally recognized standards from professional organizations;*
- *(ii) Standards developed by professional organizations in Washington State;*
- *(iii) Federal Medicare and Medicaid certification requirements;*
- *(iv) State licensing requirements;*
- *(v) Applicable standards developed by other individuals, groups, or organizations with recognized expertise related to a proposed undertaking; and*
- *(vi) The written findings and recommendations of individuals, groups, or organizations with recognized expertise related to a proposed undertaking, with whom the department consults during the review of an application."*

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

To obtain Certificate of Need approval, IN-RCG must demonstrate compliance with the 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)[3]. Additionally, IN-RCG must demonstrate compliance with the applicable kidney disease treatment center criteria outlined in WAC 246-310-280 through 284.

APPLICATION CHRONOLOGY

As directed under WAC 246-310-282(1) the department accepted this application under the Kidney Disease Treatment Centers Review Cycle #4. No other kidney disease treatment center applications were received for Stevens County during Cycle #4, therefore the review was converted to a regular review. A chronological summary of the review activates is shown below.

Action	Dates
Letter of Intent Submitted	October 30, 2009
Application Submitted	November 30, 2009
Department's Pre-Review Activities	
Department's 1st Screening	December 30, 2009
Applicant's Response	February 16, 2010
Department's 2nd Screening	March 9, 2010
Applicant's 2nd Screening Response	April 23, 2010
Beginning of Review	May 3, 2010
End of Public Comment	June 7, 2010
Rebuttal Comments	June 21, 2010[4]
Department's Anticipated Decision Date	August 5, 2010
Department's Actual Decision Date	March 15, 2011

AFFECTED AND INTERESTED 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."

Throughout the review of this project, no entity sought ore received affected person status under WAC 246-310-010(2).

SOURCE INFORMATION REVIEWED

- Inland Renal Care Group Northwest Certificate of Need application received November 30, 2009.
- Inland Renal Care Group Northwest supplemental information received February 16, 2010

[3] Each criterion contains certain sub-criteria. The following sub-criteria are not discussed in this evaluation because they are not relevant to this project: WAC 246-310-210(3), (4), (5), (6); and WAC 246-310-240, (3); WAC 246-310-286; WAC 246-310-287; and WAC 246-310-288.

[4] The department did not receive any public or rebuttal comment

- Inland Renal Care Group Northwest supplemental information received April 23, 2010
- Year 2003 through 2008 historical kidney dialysis data obtained from Northwest Renal Network
- Year 2009 Northwest Renal Network 3rd Quarter Data
- Licensing and/or survey data provided by the Department of Health's Office of Investigation and Inspections Office
- Licensing and/or survey data provided by out of state health care survey programs
- Certificate of Need historical files
- Medical Quality Assurance compliance data

CONCLUSION

For the reasons stated in this evaluation, Inland Northwest Renal Care Group, LLC application to add four in-center dialysis stations to the existing Fresenius Medicare Care Colville Dialysis Center is not consistent with the application criteria of the Certificate of Need Program. However, the addition of two stations to Fresenius Medicare Care Colville Dialysis Center is consistent with the applicable criteria, provided Inland Northwest Renal Care Group, LLC agrees to the following term.

Term

Inland Northwest Renal Care Group, LLC must provide a signed copy of the updated or amended Medical Director's agreement reflecting any re-negotiated fees for the Colville facility.

At project completion, Fresenius Medicare Care Colville Dialysis Center would be approved to certify and operate a total of eight dialysis stations. The stations are listed below.

Private Isolation Room	1
Permanente Bed Station	1
Home Training Station	1
Other In-Center Stations	5
Total	**8**

At project completion, Fresenius Medicare Care Colville Dialysis Center would be operating eight dialysis stations. The approved capital expenditure associated with the two-station expansion is $103,265.

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

Based on the source information reviewed and agreement to the term identified in the "conclusion" section of this evaluation, the department determines that the applicant has met the need criteria in WAC 246-310-210(1) and (2) and the kidney disease treatment facility methodology and standards in WAC 246-310-284.

(1) *The population served or to be served has need for the project and other services and facilities of the type proposed are not or will not be sufficiently available or accessible to meet that need.*

WAC 246-310-284 requires the department to evaluate kidney disease treatment center applications based on the populations need for the service and determine whether other services and facilities of the type proposed are not, or will not, be sufficiently available or accessible to meet that need as required in WAC 246-310-210. The kidney disease treatment center specific numeric methodology applied is detailed in WAC 246-310-284(4). WAC 246-310-210(1) criteria is also identified in WAC 246-310-284(5) and (6).

Kidney Disease Treatment Center Methodology WAC 246-310-284

WAC 246-310-284 contains the methodology for projecting numeric need for dialysis stations within a planning area. This methodology projects the need for kidney dialysis treatment stations regression analysis of the historical number of dialysis patients residing in the planning area using verified utilization information obtained from the Northwest Renal Network.[5]

Applications for new stations may only address projected station need in the planning area in which the facility is to be located. [WAC 246-310-284(1)]. However, if there is no existing facility in an adjacent planning area, the application may also apply for the station need of that adjacent county. [WAC 246-310-284(1)(a)] In this application, IN-RCG has also applied for the projected stations from Ferry and Stevens counties.

The first step in the methodology calls for the determination of the type of regression analysis to be used to project resident in-center station need. [WAC 246-310-284(4)(a)] This is derived by calculating the annual growth rate in the planning area using the year-end number of resident in-center patients for each of the previous six consecutive years, concluding with the base year.[6] In planning areas experiencing high rates of growth in the dialysis population (6% or greater growth in each of the last five annual change periods), the method uses exponential regression to project future need. In planning areas experiencing less than 6% growth in any of the last five annual change periods, linear regression is used to project need.

Once the type of regression is determined as described above, the next step in the methodology is to determine the projected number of resident in-center stations needed in the planning area based on the planning area's previous five consecutive years NRN data, again concluding with the base year. [WAC 246-310-284(4)(b) and (c)]

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

[6] WAC 246-310-280 defines base year as "the most recent calendar year for which December 31 data is available as of the first day of the application submission period from the *Northwest Renal Network's Modality Report* or successor report." For this project, the base year is 2008.

WAC 246-310-284(5) identifies that for all planning areas except Adams, Columbia, Douglas, Ferry, Garfield, Jefferson, Kittitas, Klickitat, Lincoln, Okanogan, Pacific, Pend Oreille, San Juan, Skamania, Stevens, and Wahkiakum counties, the number of projected patients is divided by 4.8 to determine the number of stations needed in the planning area. For the specific counties listed above, the number of projected patients is divided by 3.2 to determine needed stations. Additionally, the number of stations projected as needed in the target year is rounded up to the nearest whole number.

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

IN-RCG Application of the Numeric Methodology

IN-RCG proposes to add four stations to the existing 6-station Fresenius Medical Care Colville Dialysis Center in Stevens County. IN-RCG proposes to use the station need allocation of Stevens, Ferry and Lincoln counties. IN-RCG presented two different need projections. One followed the methodology in WAC 246-310-284. The second methodology used data for a five-year period ending with the 3rd quarter 2009 data. This second methodology is not consistent with the method contained in WAC 246-310-284 and will not be considered.

The following is a summary of IN-RCG's method contained in WAC 246-310-284. To determine the type of regression analysis to be used to project station need, IN-RCG used 2004 through 2008 data for all three counties. Based on that data IN-RCG used linear regression. Tables 1, 2, and 3 show IN-RCG's application of the numeric methodology for Stevens, Ferry, and Lincoln counties. [Source: Application, Pages 19-20]

Table 1
IN-RCG Projected Year-End Resident In-Center Patients

Stevens County	**2009**	**2010**	**2011**	**2012**
Number of Patients	18	18	19	19
Ferry County	**2009**	**2010**	**2011**	**2012**
Number of Patients	2	1	1	1
Lincoln County	**2009**	**2010**	**2011**	**2012**
Number of Patients	5	6	6	6

[Source: IN-RCG]

Table 2
IN-RCG 2012 Projected Patient Census

County	**No. of Patients**	**2012 Station Need**
Ferry	1	1
Lincoln	6	2
Stevens	19	7
Total Need Station Need		10

Table 3
IN-RCG Analysis of Current Supply Vs. Net Need

	Stations
Current Supply	6
Total Supply	6
2012 Projected Need	10
Net Station Need	4

[Source: IN-RCG & Northwest Renal Network]

As shown in Tables 1, 2 and 3 above, IN-RCG projected need for four stations in year 2012.

Department's Application of the Numeric Methodology

IN-RCG plans to expand its existing facility in Stevens County and relied on station need from adjacent planning areas as allowed under WAC 246-310-284(1)(a). Consistent with WAC 246-310-284(1)(b), numeric need is calculated separately for each planning area.

Based on the calculation of the annual growth rates of each of the planning areas of Stevens, Ferry, and Lincoln counties, the department used linear regression to project need. Since the facility is located in Stevens County, the number of projected patients is divided by 3.2 to determine the number of stations in the planning area.

Table 4
Summary of Department's Numeric Methodology—Ferry County

	Year 2009	**Year 2010**	**Year 2011**	**Year 2012**
In-center Patients	1.90	1.80	1.70	1.60
Patient: Station Conversion Factor	3.2	3.2	3.2	3.2
Total Station Need	0.593	0.562	0.531	0.500
Total Station Need Rounded Up	1	1	1	1
Minus # CN Approved Stations	0	0	0	0
Net Station Need / (Surplus)	1	1	1	1

Table 5
Summary of Department's Numeric Methodology—Lincoln County

	Year 2009	**Year 2010**	**Year 2011**	**Year 2012**
In-center Patients	3.80	3.60	3.40	3.20
Patient: Station Conversion Factor	3.2	3.2	3.2	3.2
Total Station Need	1.187	1.125	1.062	1.00
Total Station Need Rounded Up	2	2	2	1
Minus # CN Approved Stations	0	0	0	0
Net Station Need / (Surplus)	2	2	2	1

Table 6
Summary of Department's Numeric Methodology—Stevens County

	Year 2009	Year 2010	Year 2011	Year 2012
In-center Patients	17.90	18.40	18.90	19.40
Patient: Station Conversion Factor	3.2	3.2	3.2	3.2
Total Station Need	5.593	5.750	5.906	6.062
Total Station Need Rounded Up	6	6	6	7
Minus # CN Approved Stations	6	6	6	6
Net Station Need / (Surplus)	0	0	0	1

The department's full numeric methodologies for Ferry, Lincoln, and Stevens counties are attached to this evaluation as Appendices A, B, and C.

Table 7 below presents a comparison of IN-RCGs station projection results and those of the department.

Table 7
Comparison of IN-RCG Results and the Department's 2012 Patients and Station Need

	IN-RCG		Department				Net Need	
County	No. of Patients	Station Need	No. of Patients	Station Need (Unrounded)	Station Need (Rounded)	Current Capacity	IN-RCG	Department
Ferry	1	1	1.60	0.500	1	0	1	1
Lincoln	6	2	3.20	1.000	1	0	2	1
Stevens	19	7	19.40	6.062	7	6	1	1

As shown in table 7 above, Ferry and Stevens counties each show a net need for one station. For Lincoln County however, IN-RCG projected a need for two stations while the department projected a need for one station. The reason for this difference is the number of 2012 patients projected. IN-RCG projected 6 patients while the department projected 3.2. To answer the question of why this variation, the department compared the historical data used to prepare the regression analysis for IN-RCG and its own. The department and IN-RCG used the same patient numbers for years 2003 thru 2007. Where IN-RCG and the department differed was in the number of patients for 2008. IN-RCG used seven patients while the department used five. In response to a department question about the Lincoln County projections, IN-RCG responded that it believed the department had omitted the patients from zip code 98029[7] (Reardan) from its calculations. If those patients were included, two stations are projected for Lincoln County in 2012. [Source: February 16, 2010 Screening Response, pg 4]. Washington resident data is reported by NWRN in three different ways. These are by county, by facility, and by zip code. The department uses the reported county data, if the planning area is a single county, or zip code data, if the county has sub-county planning areas. Since Lincoln County has no sub-county planning areas the department used the county figure for Lincoln County as reported by NWRN as of December 31, 2008. This number was reported to be five. The department concludes it used the correct 2008 patient count for Lincoln County.

[7] The department assumes using 98029 was a typo since the zip code for Reardan is 99029.

In summary, the combined station need for Ferry, Lincoln, and Stevens counties is three, one station for each county.

WAC 246-310-284(1)(a)

As part of this application, IN-RCG uses the station need projected for Ferry County and Stevens County, two adjacent planning areas, to support its request for 4 additional stations at its Colville facility. IN-RCG asserts that WAC 246-310-284(1)(a) allows an applicant to include the need projections in an adjacent planning area even if another facility in another facility in another planning area is closer. IN-RCG further states that in a prior CoN decision, the department relied on a literal interpretation of the WAC to demonstrate conformance with this requirement. Fresenius believes that its proposal to claim Lincoln County is consistent with WAC. [Source: Supplemental Information received February 16, 2010, pgs 3 and 4]

If there is no existing facility in an adjacent planning area, WAC 246-310-284(1)(a) does allow an applicant to apply for the station need of that adjacent county and would permit the department to approve such a request but it is not required to do so. In the example cited by IN-RCG to support its current application, there were two competing applications each proposing to establish a new dialysis facility in Klickitat County[8]. In that review, the department considered the comments made by both applicants before deciding to approve additional stations using the station projections from that adjacent county.

To determine if it was reasonable to approve additional stations for the existing Colville facility using Ferry and Lincoln counties station projections, the department evaluated several different factors. These included:

- Any information known about the current Colville facility patient population;
- Distance from the Colville facility;
- Use of other Colville medical facilities by residents of Ferry and Lincoln counties.

In its application, IN-RCG provided the percentage of patients for the existing Colville facility broken down by zip code, city, and county. [Source: Application, pg 7]. A summary of that information is presented in Table 8 below along with the department's calculated number of patients using 3rd quarter 2009 NWRN data:

Table 8
Summary of Existing Colville Facility Patient Origin

County	% of Colville Facility Patients	Calculated No. of Patients
Ferry	13.6	3.3
Pend Oreille	18.1	4.3
Spokane	4.5	1.1
Stevens	59.1	14.2
Out of State	4.5	1.1
Total	100%	24

As shown in table 8 above, approximately three patients from Ferry County use the Colville facility. The projected station need for Ferry County residents (1) would not support the establishment of a dialysis facility in Ferry County. Therefore based on the historical use of the Colville dialysis facility by Ferry County residents and the small Ferry County station need, the

[8] The CoN awarded to DaVita during that review was relinquished without being executed.

department concludes it is reasonable for Ferry County's projected stations to be included for the Colville facility. Considering these same two factors for Lincoln County would not support including Lincoln County's projected stations. Therefore, additional evaluation is necessary.

Lincoln County is located immediately south and west of Stevens County. It's population is spread throughout the county. Several highways intersect the larger towns of Davenport, Harrington, Odessa, Wilbur and Sprague. Many towns have only one major road (Almira, Creston and Lamona). The department took a two-step approach evaluating the question of approving Lincoln County's projected stations. First, the department looked at the distance and estimated travel times from the larger towns in Lincoln County to Colville in Stevens County. The department also looked at this same information but to Spokane in Spokane County where the largest number of dialysis facilities are located. Table 9 summarizes that information.

Table 9
Comparison of Distance and Travel Times between Selected Towns in Lincoln County to Colville in Stevens County and To Spokane in Spokane County

Towns in Lincoln County	Population	Distance in Miles to Colville (shortest distance)	Travel Time Colville	Distance in Miles to Spokane (shortest distance)	Travel Time Spokane
Almira	285	103.09	2 hrs 16 mins	77.07	1 hr 32 mins
Creston	250	82.09	1 hr 51 mins	56.07	1 hr 7 mins
Davenport	1,740	84.26	1hr 41 mins	35.47	44 mins
Harrington	425	97.6	1 hr 58 mins	58.91	1 hr 2 mins
Odessa	960	121.89	2 hrs 30 mins	91.61	1 hr 33 mins
Reardan	630	72.16	1 hr 27 mins	22.63	29 mins
Sprague	495	103.94	2 hrs 6 mins	64.88	1 hr 17 mins
Wilbur	895	113.57	2 hrs 14 mins	64.88	1 hr 17 mins
Rest of Co.	4,770				
Total	10,450				

(Source: OFM County Profile and MapQuest)

As shown in table 9, all travel distances and times are longer to Colville than to Spokane. For many of them it would increase travel time one-way by an hour or more. This mileage and travel time information would not support inclusion of the projected Lincoln County stations at the Colville facility.

Finally, the department looked at hospital discharge data for 2009 to see if any Lincoln County residents had used the Colville hospital for any care. The data is readily available and gives some indication whether Lincoln County residents seek care in Colville. According to the 2009 hospital discharge data, there were no reported discharges for Lincoln County residents. The discharge data also would not support including Lincoln County's projected stations at the Colville facility.

Based on the additional evaluation by the department for Lincoln County, the department concludes it is not reasonable to include Lincoln County's projected stations at the Fresenius Medical Care Colville Dialysis Center in Stevens County.

Based on the results of the department's numeric need method, evaluation of the reasonableness of including both Ferry and Lincoln counties station projections for the Colville facility the department concludes that a two-station addition has been demonstrated.

WAC 246-310-284(5)

WAC 246-310-284(5) requires all CN approved stations in the planning area be operating at 3.2 in-center patients per station before new stations can be added. Fresenius Medicare Care Colville Dialysis Center is the only facility operating in Stevens County planning area. The most recent quarterly modality report, or successor report, from the Northwest Renal Network (NRN) as of the first day of the application submission period is to be used to calculate this standard. The first day of the application submission period for this project is November 1, 2009. [WAC 246-310-282] The quarterly modality report from NRN available at that time was September 30, 2009, which became available on November 1, 2009. Table 10 below shows Fresenius Medical Care Colville Dialysis Center's utilization as of September 30, 2009.

Table 10
2009 3rd Quarter NWRN Facility Utilization

Facility Name	#of Stations	# of Pts	Pts/Station Standard	Pts/Station
Fresenius Medical Care Colville Dialysis Center	6	24	3.2	4.0

Fresenius Medical Care Colville Dialysis Center meets this sub-criteria.

WAC 246-310-284(6)

WAC 246-310-284(6) requires new in-center dialysis stations be operating at a required number of in-center patients per approved station by the end of the third full year of operation. The Fresenius Medical Care Colville Dialysis Center is located in Stevens County; therefore, the standard for this criterion is 3.2 in-center patients per approved station. IN-RCG states that year 2013 would be the third year of operation with ten stations. IN-RCG's projected utilization for year 2013 is shown in Table 11 below.

Table 11
Fresenius Medical Care Colville Dialysis Center
Third Full Year Projected (2013) Facility Utilization

Facility Name	#of Stations	# of Pts	Pts/Station
Fresenius Medical Care Colville Dialysis Center	10	34	3.4

As shown in Table 11 above, Fresenius Medical Care Colville Dialysis Center would be operating at 3.4 patients per station by year 3 using their information. [Source: Application, Page 21, Appendix 9 and Supplemental Information February 16, 2010, Attachment 3] This sub-criterion would also be met with approval of only two additional stations.

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

To determine whether all residents of the Stevens County service area would have access to an applicant's proposed services, the department requires applicants to provide a copy of its current or proposed admission policy. The admission policy provides the overall guiding principles of

the facility as to the types of patients that are appropriate candidates to use the facility and any assurances regarding access to treatment.

To demonstrate compliance with this sub-criterion, IN-RCG provided a copy of its current Admission Policy used at the dialysis center. The Admission Policy outlines the process/criteria that IN-RCG uses to admit patients for treatment at the dialysis center. The policy shows that patients will receive appropriate care at the facility. The Admission Policy also states that any patient needing treatment will be accepted to any FMC facility without regard to race, creed, color, age, sex, or national origin. [Source: Application, Exhibit 10]

To determine whether low-income residents would have access to the proposed services, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination. IN-RCG currently provides services to Medicaid eligible patients at the existing dialysis center. The applicant intends to continue to provide services to Medicaid patients at the Fresenius Medical Care Colville Dialysis Center. A review of the anticipated revenue sources indicates that the facility expects to continue to receive Medicaid reimbursements.

To determine whether the elderly would have access or continue to have access to the proposed services, the department uses Medicare certification as the measure to make that determination. IN-RCG currently provides services to Medicare patients at the existing dialysis center. IN-RCG intends to continue to provide services to Medicare patients at the existing facility. A review of the anticipated revenue sources indicates that it expects to continue to receive Medicare reimbursements.

A facility's charity care policy should confirm that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to healthcare services of the applicant. The policy should also include the process one must use to access charity care at the facility.

IN-RCG demonstrated its intent to continue to provide charity care to patients receiving treatment at the facility by submitting its current charity care policy that outlines the process one would use to access this service. IN-RCG also included a 'charity care' line item as a deduction from revenue within the pro forma income statements documents. [Source: Application, Exhibit 12]

Based on the above information and standards, the department concludes this sub-criterion is met.

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

Based on the source information reviewed and the applicant's agreement to the term identified in the conclusion section of this evaluation, the department determines that the applicant has met the financial feasibility criteria in WAC 246-310-220.

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

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

As stated in the project description portion of this evaluation, if this project is approved, IN-RCG anticipates that the new stations would become operational by the end of August 2010. Under this timeline, year 2011 would be the facility's first full calendar year of operation with 10 stations. Year 2013 would be the third full year of operation. [Source: Application, Page 12] IN-RCG provided its projected 3-year revenue and expense statement for the Fresenius Medical Care Colville Dialysis Center as a 10-station facility. Table 12 below summarizes that information. [Source: Supplemental Information February 16, 2010, Attachment 3]

Table 12
Fresenius Medical Care Colville Dialysis Center
Projected Revenue and Expenses Years (1 through 3)

	Partial Year 2010	Full Year 2011	Full Year 2012	Full Year 2013
# of Stations	10	10	10	10
# of Treatments [1]	4,436	4,608	4,896	5,184
# of Patients [2]	28	30	32	34
Utilization Rate [2]	3.8	3.0	3.2	3.4
Net Patient Revenue[1]	$1,645,863	$1,722,686	$1,828,921	$1,935,156
Total Operating Expenses [1, 3]	$1,383,091	$1,440,926	$1,513,758	$1,576,735
Net Profit or (Loss)[1]	$262,772	$281,760	$315,163	$358,421
Operating Revenue / Treatment [1]	$371.02	$373.85	$373.55	$373.29
Operating Exp./ Treatment [1]	$311.79	$312.70	$309.18	$304.15
Net Profit per Treatment [1]	$59.24	$61.15	$64.37	$69.14

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

As shown in Table 12 above, Fresenius Medical Care Colville Dialysis Center would be operating at a profit in partial year 2010 though the third year of the facility operation or year 2013 with 10 stations. Based on its experience, the department expects IN-RCG would meet is operating costs as an eight station facility rather than a ten station facility.

As an existing facility, the applicant provided an executed lease agreement between Columbia Associates of Colville, LLC ("Landlord") and Inland Northwest Renal Care Group, LLC d/b/a/ Fresenius Medical Care Colville ("Tenant"). [Source: Application, Exhibit 8]

The department's review of the executed lease agreement shows that rent costs identified in the lease are consistent with the pro-forma financial projections used to prepare the information in Table 13. IN-RCG provided a copy of its current Medical Director's Services Agreement. The 3rd amendment to this agreement relates specifically to the Colville facility and runs through December 31, 2012. The 3rd amendment also identifies the annual compensation for the Medical Director position. IN-RCG's pro-forma financial statement identified the annual compensation for the Medical Director. The Medical Director's services contract is consistent with the stated amount in the applicant's pro-forma income statement. The 3rd amendment includes a provision that states, in part, beginning no later than ninety (90) days prior to October 31, 2010, the parties agree to meet and in good faith, negotiate new Othello fees. [Source: Application, Page 53 and Exhibit 3] While the financial statements provided in this application are consistent with the current fee structure of the executed 3rd amendment, if this project is approved, the department would include a term requiring IN-RCG to provide a signed copy of the updated or amended Medical Director's agreement reflecting the re-negotiated fees for this facility.

Based on the information, the department concludes that the proposed project is financially feasible. This sub-criterion is met.

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

WAC 246-310 does not contain specific source of financing criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs how a project of this type and size should be financed. Therefore, using its experience and expertise the department compared the proposed project's source of financing to those previously considered by the department.

IN-RCG identified the capital expenditure associated with the addition of 4 new stations to the Fresenius Medical Care Colville Dialysis Center to be $103,265, which is summarized in Table 13 below.

Table 13
Fresenius Medical Care Colville Dialysis Center Capital Cost

Item	Cost	% of Total
Building Construction	$35,000	34%
Fixed & Moveable Equipment	$60,000	58%
Sales Tax and Fees	$8,265	8%
Total Project Cost	**$103,265**	**100%**

To further demonstrate compliance with this sub-criterion, IN-RCG provided the sources of its patient revenue shown in Table 14 below. [Source: Application, Page 32]

Table 14
IN-RCG/Fresenius Source of Revenue

Source of Revenue	% of Revenue
Medicare	81.5%
State (Medicaid)	8.4%
Commercial	8.8%
Other	1.3%
Total	100%

The existing Fresenius Medical Care Colville is expected to have 89.9% of its revenue from Medicare and Medicaid entitlement programs. These programs are not cost based reimbursement and are not expected to have an unreasonable impact on the charges for services. Based on the department's review of the application materials, this same conclusion can be made for those with insurance or HMO patients that make up 10.1% of the project's revenue. Therefore, the department concludes that this project would probably not result in an unreasonable impact on the costs and charges for health services. 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 the proposed project's source of financing to those previously considered by the department.

The capital expenditure associated with the addition of stations to Fresenius Medical Care Colville Dialysis Center is $103,265. IN-RCG states the project will be funded from it own reserves. A letter from Jayanta Ray, Vice President Finance, Fresenius Medical Care, was provided confirming the corporate funding. [Source: Supplemental Information received February 16, 2010, Attachment 2] A review of IN-RCG's financial statements shows the funds necessary to finance the project are available. [Source: Application, Appendix 2]

Based on the information provided, the department concludes that IN-RCG's application, proposing to expand the existing Fresenius Medical Care Colville Dialysis Center can be appropriately financed. This sub-criterion is met**.**

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

Based on the source information reviewed and the applicant's agreement to the term identified in the conclusion section of this evaluation, the department determines that the applicant has met the structure and process (quality) of care criteria in WAC 246-310-230.

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

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

As an existing facility, Fresenius Medical Care Colville currently has 6.11 FTE's and by the third full calendar of operation, the applicant proposes that it will have 8.75 FTE's. The applicant's existing and proposed staffing pattern is summarized in Table 15 below.

Table 15
Fresenius Medical Care Colville Dialysis Center FTE's 2009 – 2013

Category	Current 2009	Partial 2010 Increase	Year 1 2011 Increase	Year 2 2012 Increase	Year 3 2013 Increase	Total FTEs
Medical Director	Professional Services Contract					
Nurse Manager	1.00	0.00	0.00	0.00	0.00	1.00
Out-Patient Nurse	1.00	0.50	0.5	0.00	0.25	2.25
Patient Care Tech	2.75	0.00	0.25	0.00	0.2	3.20
Social Worker	0.19	0.04	0.01	0.01	0.02	0.27
Dietician	0.17	0.04	0.01	0.01	0.02	0.25
Bio-Med	0.50	0.00	0.10	0.00	0.00	0.60
Total FTE's	**6.11**	**0.68**	**0.87**	**0.17**	**0.74**	**8.57**

As shown in Table 15 above, IN-RCG expects a steady increase in FTEs for the Fresenius Medical Care Colville Dialysis Center through year 2013.

The applicant states, *"Despite the fact that census has grown much faster than anticipated, IN-RCG has not had significantly difficulty recruiting staff. However, as census continues to grow, Fresenius Colville believes that staff recruitment would be easier if it is only staffing 2 shifts per*

day. Therefore, it has submitted this expansion request. In addition, because some of the anticipated staff needed is expansions of current positions, IN-RCG does not anticipate any difficulty recruiting staff for those positions. IN-RCG does and will continue to offer competitive wage and benefit packages to ensure that the facility has the staff it needs". [Source: Application, Page 34]

The applicant identified John Musa, MD as the current medical director for Fresenius Medical Care Colville Dialysis Center and provided an executed medical director service agreement between Renal Care Group, Inc. referred to as the ("Company") and Rockwood Clinic, PS referred to as (the "Consultant") a Washington professional corporation which includes several physicians collectively known as (Member Physicians). The Medical Director's agreement outlines the roles and responsibilities of Company and Consultant.

Based on the information evaluated, 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.

IN-RCG states, *"As this project proposes the expansion of an existing unit, Fresenius Colville already has the appropriate ancillary and support services in place".* [Source: Application, Page 34] The department agrees that as an existing dialysis facility it already has ancillary and support services in place. The proposed station addition identified by the department is not expected to change these services.

Based on the evaluation of supporting documents provided, the department concludes that there is reasonable assurance that Fresenius Medical Care Colville Dialysis Center will continue to have appropriate ancillary and support services with a healthcare provider in Stevens County. This sub-criterion is met.

(3) There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or Medicare program, with the applicable conditions of participation related to those programs.

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2)(a)(i). There are known 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.

To comply with this sub-criterion, within the application IN-RCG provided a contact list of the regulatory agencies responsible for surveying its facilities in Washington and the United States. [Source: Application, Exhibit 2] Fresenius Medical Care is the parent company of IN-RCG. Information available at Fresenius Medical Care North America's website stated that Fresenius is a provider of dialysis and related renal services in the United States with more than 1,700

outpatient centers located in 46 states (including Washington State), the District of Columbia, and Puerto Rico. [Source: http://www.fmcna.com/company.html and Application, Exhibit 2]

As part of its review, the department must conclude that the proposed services would be provided in a manner that ensures safe and adequate care to the public. To accomplish this task, in February 2010 the department requested quality of care compliance history from the state licensing and/or surveying entities responsible for conducting surveys where Fresenius Medical Care or any of its subsidiaries have healthcare facilities. Of the 45 states[9] and the 2 non-state entities surveyed, the department received 26 responses or 55% of those surveyed[10].

Six of the 26 states responding to the survey indicated that non-compliance deficiencies were cited at Fresenius facilities in the past three years, but none was reported to have resulted in fines or enforcement action. Fresenius submitted and implemented acceptable plans of correction. Given the results of the out-of-state compliance history of the facilities own or operated by Fresenius**,** the department concludes that considering that it owns or operates more than 1,700 facilities; the number of out-of-state non-compliance surveys is acceptable. [Source: Licensing and/or survey data provided by out of state health care survey programs]

Within the application, IN-RCG stated that it is jointly own by RCG and Providence Sacred Heart Medical Center. In Washington State, Fresenius or its subsidiaries, including IN-RCG, currently owns, operates and/or manages 19 kidney dialysis treatment facilities in fourteen separate counties. The IN-RCG/Fresenius facilities in Washington have collectively been surveyed 33 times within the last six years. Of the 33 surveys, one survey revealed potentially hazardous condition that was promptly corrected; nine surveys revealed no deficiencies. The remaining 23 surveys revealed minor non-compliance issues and the facilities submitted plans of corrections for the non-compliance issues within the allowable response time. [Source: compliance survey data provided by Office of Health Care Survey (OHCS)]

According to the applicant, IN-RCG is 80% owned by RCG and 20% by Providence Sacred Heart Medical Center a healthcare provider in Spokane County. [Source: Application, Page 2] The department also reviewed Providence Sacred Heart Medical Center's quality of care compliance history. That review shows that five compliance surveys were completed for Providence Sacred Heart Medical Center between 1999 and 2010. The compliance surveys revealed deficiencies typical for the type of facility and Providence Sacred Heart Medical Center submitted plan of corrections and implemented the required corrections. [Compliance survey data provided by Investigation and Inspection's Office]

IN-RCG identified John Musa, MD, as the medical director for Fresenius Medical Care Colville and provided a medical director services agreement within the application. A review of Dr. Musa's compliance history with the Department of Health's Medical Quality Assurance Commission did not revealed any recorded sanctions. [Source: Compliance history provided by Medical Quality Assurance Commission]

Based on recent surveys of Fresenius Medical Care and its affiliates and Providence Sacred Heart Medical Center, it is reasonable to expect that Fresenius Medical Care Colville Dialysis Center would continue to operate in compliance with the applicable standards and regulations of Washington State.

[9] This figure excludes Washington. The department did not send a survey to itself for compliance.

[10] Those not responding were: Alabama, Arkansas, District of Columbia, Georgia, Indiana, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, New Jersey, New York, Oklahoma, Pennsylvanian, Rhode Island, Texas, Vermont, Wisconsin, and Puerto Rico.

(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.

The applicant stated, "*As this project proposes an expansion of an existing facility, no change in the provision of health care services is planned. All existing working relationships will continue. Fresenius Colville provides a collaborative, comprehensive, and patient-centered approached to the provision of dialysis services in the community. With the expansion of our facility, we will continue to maintain all existing working relationships with other providers in our service area, including: Providence Mt. Carmel Hospital, Pinewood Terrace Nursing Center, Buena Vista, Special Mobility Services, Rural Resources, Catholic Charities and Volunteer Chores. Fresenius Colville also has a transfer agreement with Sacred Heart Medical center".* [Source: Application, Page 35 and Exhibit 13]

The department also considered IN-RCG's history of providing care in the planning area and concluded that it has been providing dialysis services to the residents of Washington for several years and has been appropriately participating in relationships with community providers. There is nothing in the material reviewed by staff that suggests the approval of this project would change those relationships.

Based on this information, the department concludes the applicant has demonstrated it has, and will continue to have, appropriate relationships to the service area's existing health care system within the planning area. This sub-criterion is met.

(5) *There is reasonable assurance that the services to be provided through the proposed project will be provided in a manner that ensures safe and adequate care to the public to be served and in accord with applicable federal and state laws, rules, and regulations.*

For this project, this sub-criterion is addressed in sub-section (3) above and is considered met.

D. Cost Containment (WAC 246-310-240) and WAC 246-310-288 (Tie Breakers)

Based on the source information reviewed the department determines that the applicant has met the cost containment criteria in WAC 246-310-240.

(1) *Superior alternatives, in terms of cost, efficiency, or effectiveness, are not available or practicable.*

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 met WAC 246-310-210 thru 230 criteria, the department would move to step two in the process and assess the other options the applicant or applicants considered prior to submitting the application under review. If the department determines the proposed project is better or equal

to other options the applicant considered before submitting their application, the determination is either made that this criterion is met (regular or expedited reviews), or in the case of projects under concurrent review, move on to step three.

Step three of this assessment is to apply any service or facility specific criteria (tiebreaker) contained in WAC 246-310. The tiebreaker criteria are objective measures used to compare competing projects and make the determination between two or more approvable projects, which is the best alternative. If WAC 246-310 does not contain any service or facility criteria as directed by WAC 246-310-200(2) (a) (i), then the department would look to WAC 246-310-240(2) (a) (ii) and (b) for criteria to make the assessment of the competing proposals. If there are no known recognized standards as identified in WAC 246-310-200(2) (a) (ii) and (b), then using its experience and expertise, the department would assess the competing projects and determine which project should be approved.

Step One
For this project, IN-RCG met the review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two below.

Step Two
IN-RCG stated it considered two other options before submitting this application. These options were: 1) to wait for its facility located in Pend Oreille County to open and 2) Wait until the department's 2010 need projections were finalized to submit its expansion project.

IN-RCG rejected option 1. IN-RCG stated that Pend Oreille County patients that are currently choosing to use its Fresenius Medical Care Colville Dialysis Center live physically closer to city of Colville than the applicant's proposed new dialysis facility in the city of Newport within Pend Oreille County. IN-RCG states, as noted in our 2007 application, there are limited number of patients from adjoining Ferry and Pend Oreille counties that may choose to use a facility located in Stevens County. For the stated reasons, IN-RCG rejected this option.

IN-RCG also rejected option 2. IN-RCG states it considered waiting until February 2010 for new dialysis data to be available in Stevens County before submitting an application, but chose not to wait because waiting will delay the station addition in Stevens County. [Source: Application, Page 36]

The department considered the information provided by the applicant identifying the options to submitting this application and the reasoning for rejecting those options. As of the writing of this analysis, the Certificate of Need previously issued for the establishment of six-station dialysis facility in Pend Oreille County has been relinquished. The projected station need for Pend Oreille County was sufficient to support the development of a dialysis facility in that county. Changes made to the department rules were specifically designed encourage development of dialysis facilities within the county. While the department ultimately agrees, submitting the current application is the best alternative for Ferry and Stevens county residents, the department also concludes the best alternative for the residents of Pend Oreille County is to have a dialysis facility developed in their own county. This sub-criterion is met.

Step Three
This step is used to determine the best available alternative between two or more approvable projects. There was no other project submitted to add dialysis stations in Stevens County during the Kidney Disease Treatment Centers Review Cycle #4. This step is not applicable to the project.

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

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

WAC 246-310 does not contain specific WAC 246-310-240(2)(a) criteria as identified in WAC 246-310-200(2)(a)(i). There are known minimum building and engergy standards that healthcare facilities must meet to be licensed or certified to provide care. If built to only the minimum stanardards all construction projects could be determined to be resonable. However, the department, through its experience knows that construction projects are usually built to exceed these minimum standards. Therefore, the department considered information in the application that addressed reasonableness of their constuction projects that exceeded the minimum standards

To comply with this sub-criterion, IN-RCG states, it would add the new stations to existing space within the facility and only minor construction is required. [Source: Application, Page 37] The existing facility's lease costs are reflected in the negotiated lease provided by the applicant. The lease costs were evaluated in the financial feasibility section of this analysis. The department concluded the overall project met the financial feasibility criterion. Based on the information, the department concludes that this sub-criterion is met

(b) *The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.*

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

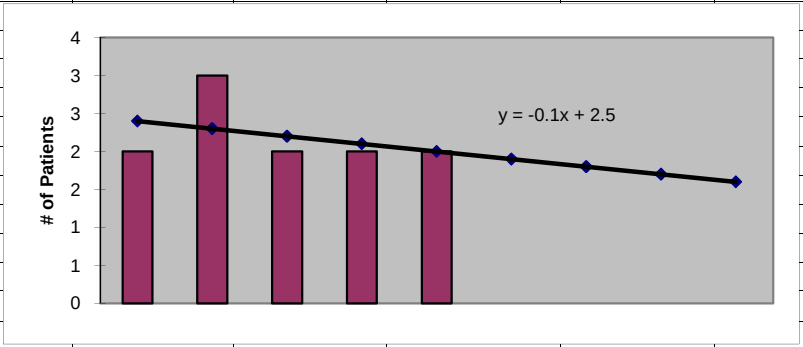
APPENDIX A

2009 Ferry County							
ESRD Need Projection Methodology							
	Planning Area	**6 Year Utilization Data - Resident Incenter Patients**					
	Ferry	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
	Ferry County	**2**	**3**	**2**	**2**	**2**	**2**
	TOTALS	**2**	**3**	**2**	**2**	**2**	**2**
246-310-284(4)(a)	**Rate of Change**		**50.00%**	**-33.33%**	**0.00%**	**0.00%**	**0.00%**
	6% Growth or Greater?		**TRUE**	**FALSE**	**FALSE**	**FALSE**	**FALSE**
	Regression Method:	**Linear**					
246-310-284(4)(c)				Year 1	Year 2	Year 3	**Year 4**
				2009	2010	2011	**2012**
Projected Resident Incenter Patients	from 246-310-284(4)(b)			1.90	1.80	1.70	1.60
Station Need for Patients	**Divide Resident Incenter Patients by 3.2**			0.5938	0.5625	0.5312	0.5000
	Rounded to next whole number			**1**	**1**	**1**	**1**
246-310-284(4)(d)	subtract (4)(c) from approved stations						
Existing CN Approved Stations				0	0	0	**0**
Results of (4)(c) above			-	1	1	1	**1**
Net Station Need				-1	-1	-1	**-1**
Negative number indicates need for stations							
246-310-284(5)							
Name of Center	**# of Stations**	**Patients**	**Utilization (Patients per Station)**				
None	**0**	**0**	**0.00**				
Total	**0**	**0**					
Source: Northwest Renal Network data 2003-2008							
Most recent year-end data: 2008 year-end data as of 01/26/2009							
Most recent quarterly data as of the 1st day of application submission period: 3rd quarter 2009 as of 11/01/2009							

2009 Ferry County

ESRD Need Projection Methodology

x	y	Linear
2004	2	**2**
2005	3	**2**
2006	2	**2**
2007	2	**2**
2008	2	**2**
2009		**1.900**
2010		**1.800**
2011		**1.700**
2012		**1.600**



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.353553391
R Square	0.125
Adjusted R Square	-0.166666667
Standard Error	0.483045892
Observations	5

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.1	0.1	0.428571429	0.559404344
Residual	3	0.7	0.233333333		
Total	4	0.8			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	202.8	306.4216376	0.661833158	0.55537471	-772.3704084	1177.970408	-772.3704084	1177.970408
X Variable 1	-0.1	0.152752523	-0.654653671	0.559404344	-0.586126703	0.386126703	-0.586126703	0.386126703

RESIDUAL OUTPUT

Observation	*Predicted Y*	*Residuals*
1	2.4	-0.4
2	2.3	0.7
3	2.2	-0.2
4	2.1	-0.1
5	2	0

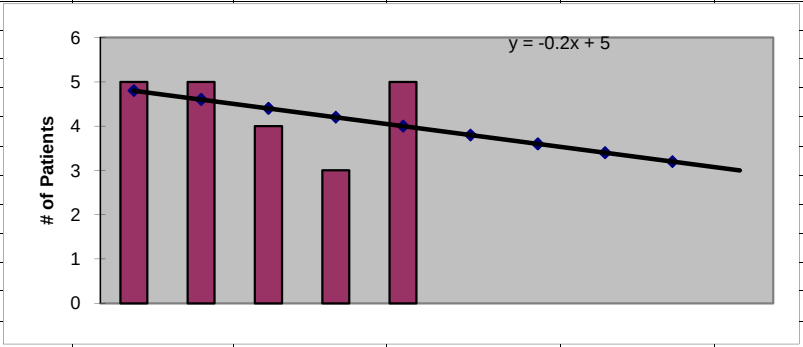
APPENDIX B

2009 Lincoln County							
ESRD Need Projection Methodology							
	Planning Area	**6 Year Utilization Data - Resident Incenter Patients**					
	Lincoln	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
	Lincoln	**5**	**5**	**5**	**4**	**3**	**5**
	TOTALS	**5**	**5**	**5**	**4**	**3**	**5**
246-310-284(4)(a)	**Rate of Change**		**0.00%**	**0.00%**	**-20.00%**	**-25.00%**	**66.67%**
	6% Growth or Greater?		**FALSE**	**FALSE**	**FALSE**	**FALSE**	**TRUE**
	Regression Method:	**Linear**					
246-310-284(4)(c)				Year 1	Year 2	Year 3	**Year 4**
				2009	2010	2011	**2012**
Projected Resident Incenter Patients	from 246-310-284(4)(b)			3.80	3.60	3.40	3.20
Station Need for Patients	**Divide Resident Incenter Patients by 3.2**			1.1875	1.1250	1.0625	1.0000
	Rounded to next whole number			**2**	**2**	**2**	**1**
246-310-284(4)(d)	subtract (4)(c) from approved stations						
Existing CN Approved Stations				0	0	0	**0**
Results of (4)(c) above			-	2	2	2	**1**
Net Station Need				-2	-2	-2	**-1**
Negative number indicates need for stations							
246-310-284(5)							
Name of Center	**# of Stations**	**# of Patien**	**Utilization (Patients per Station)**				
None	**0**	**0**	**0.00**				
Total	**0**	**0**					
Source: Northwest Renal Network data 2003-2008							
Most recent year-end data: 2008 year-end data as of 01/26/2009							
Most recent quarterly data as of the 1st day of application submission period: 3rd quarter 2009 as of 11/01/2009							
		Appendix B					
		Page B1 of 2					

2009 Lincoln County

ESRD Need Projection Methodology

x	y	Linear
2004	5	**5**
2005	5	**5**
2006	4	**4**
2007	3	**4**
2008	5	**4**
2009		**3.800**
2010		**3.600**
2011		**3.400**
2012		**3.200**



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.353553391
R Square	0.125
Adjusted R Square	-0.166666667
Standard Error	0.966091783
Observations	5

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.4	0.4	0.428571429	0.559404344
Residual	3	2.8	0.933333333		
Total	4	3.2			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	405.6	612.8432752	0.661833158	0.55537471	-1544.740817	2355.940817	-1544.740817	2355.940817
X Variable 1	-0.2	0.305505046	-0.654653671	0.559404344	-1.172253406	0.772253406	-1.172253406	0.772253406

RESIDUAL OUTPUT

Observation	*Predicted Y*	*Residuals*
1	4.8	0.2
2	4.6	0.4
3	4.4	-0.4
4	4.2	-1.2
5	4	1

APPENDIX C

2009 Stevens County							
ESRD Need Projection Methodology							
	Planning Area	**6 Year Utilization Data - Resident Incenter Patients**					
	Stevens	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
	Stevens	**15**	**17**	**18**	**11**	**15**	**21**
	TOTALS	**15**	**17**	**18**	**11**	**15**	**21**
246-310-284(4)(a)	**Rate of Change**		**13.33%**	**5.88%**	**-38.89%**	**36.36%**	**40.00%**
	6% Growth or Greater?		**TRUE**	**FALSE**	**FALSE**	**TRUE**	**TRUE**
	Regression Method:	**Linear**					
246-310-284(4)(c)				Year 1	Year 2	Year 3	**Year 4**
				2009	2010	2011	**2012**
Projected Resident Incenter Patients	from 246-310-284(4)(b)			17.90	18.40	18.90	19.40
Station Need for Patients	**Divide Resident Incenter Patients by 3.2**			5.5937	5.7500	5.9062	6.0625
	Rounded to next whole number			**6**	**6**	**6**	**7**
246-310-284(4)(d)	subtract (4)(c) from approved stations						
Existing CN Approved Stations				6	6	6	**6**
Results of (4)(c) above			-	6	6	6	**7**
Net Station Need				0	0	0	**-1**
Negative number indicates need for stations							
246-310-284(5)							
Name of Center	**# of Stations**	**# of Patient**	**Utilization (Patients per Station)**				
RCG-NW	**6**	**24**	**4.00**				
	0	**0**					
	0	**0**					
	0	**0**					
Total	**6**	**24**					
Source: Northwest Renal Network data 2003-2008							
Most recent year-end data: 2008 year-end data as of 01/26/2009							
Most recent quarterly data as of the 1st day of application submission period: 3rd quarter 2009 as of 11/01/2010							
		Appendix C					
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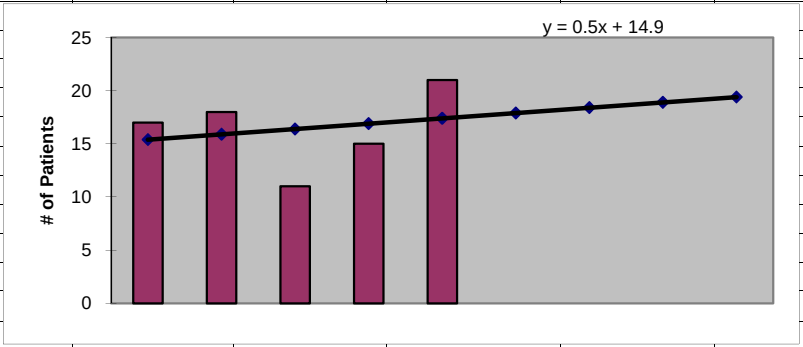
2009 Stevens County
ESRD Need Projection Methodology

x	y	Linear
2004	17	**15**
2005	18	**16**
2006	11	**16**
2007	15	**17**
2008	21	**17**
2009		**17.900**
2010		**18.400**
2011		**18.900**
2012		**19.400**



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.212814133
R Square	0.045289855
Adjusted R Square	-0.27294686
Standard Error	4.191260749
Observations	5

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	2.5	2.5	0.142314991	0.731096071
Residual	3	52.7	17.56666667		
Total	4	55.2			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-986.6	2658.739066	-0.37107816	0.735235185	-9447.894316	7474.694316	-9447.894316	7474.694316
X Variable 1	0.5	1.325393023	0.377246591	0.731096071	-3.71799213	4.71799213	-3.71799213	4.71799213

RESIDUAL OUTPUT

Observation	*Predicted Y*	*Residuals*
1	15.4	1.6
2	15.9	2.1
3	16.4	-5.4
4	16.9	-1.9
5	17.4	3.6