STATE OF WASHINGTON

DEPARTMENT OF HEALTH

Olympia, Washington 98504

May 4, 2018

CERTIFIED MAIL # 7014 2120 0002 7590 6778

Evan Moore, Director of Special Projects
DaVita HealthCare Partners, Inc.
32275 – 32nd Avenue South
Federal Way, Washington 98001

RE: Certificate of Need Application #17-42A

Dear Mr. Moore:

We have completed review of the Certificate of Need application submitted by DaVita HealthCare Partners, Inc. proposing to relocate DaVita Ellensburg Dialysis Center and add seven new stations in Kittitas County. Enclosed is a written evaluation of the application.

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

Washington Administrative Code 246-310-210	Need
Washington Administrative Code 246-310-220	Financial Feasibility
Washington Administrative Code 246-310-240	Cost Containment

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

Appeal Option 1:
You or any person with standing may request a public hearing to reconsider this decision. The request must state the specific reasons for reconsideration in accordance with Washington Administrative Code 246-310-560. A reconsideration request must be received within 28 calendar days from the date of the decision at one of the following addresses:

Mailing Address:
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

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

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

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

Sincerely,

Nancy Tyson, Executive Director
Health Facilities and Certificate of Need
Community Health Systems

Enclosure

EVALUATION DATED MAY 4, 2018 FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY DAVITA HEALTHCARE PARTNERS, INC. PROPOSING TO RELOCATE DAVITA ELLENSBURG DIALYSIS CENTER AND ADD SEVEN NEW STATIONS

APPLICANT DESCRIPTION

DaVita, Inc. is a for-profit end stage renal care provider that was acquired by HealthCare Partners Holding, Inc. in late 2012. To reflect the combination of the two companies, DaVita, Inc. changed its name to DaVita HealthCare Partners Inc. Throughout this evaluation, DaVita HealthCare Partners Inc. will be referenced as 'DaVita.'

Currently DaVita operates or provides administrative services in approximately 2,293 dialysis facilities located in the United States. [source: Applications, p5] In Washington State, DaVita owns or operates 42[1] kidney dialysis facilities in 18 separate counties. Listed below are the names of the facilities owned or operated by DaVita in Washington State. [source: CN historical files and Application, pp5-6]

Benton
Chinook Dialysis Center
Kennewick Dialysis Center

Clark
Vancouver Dialysis Center
Battle Ground Dialysis Center

Chelan
Wenatchee Valley Dialysis Center

Douglas
East Wenatchee Dialysis Center

Franklin
Mid-Columbia Kidney Center

Island
Whidbey Island Dialysis Center

King
Bellevue Dialysis Center
Federal Way Dialysis Center
Kent Dialysis Center
Olympic View Dialysis Center (management only)
Renton Dialysis Center
Redondo Heights Dialysis Center
Westwood Dialysis Center

Pacific
Seaview Dialysis Center

Pierce
Graham Dialysis Center
Lakewood Community Dialysis Center
Parkland Dialysis Center
Puyallup Community Dialysis Center
Rainier View Dialysis Center
Redondo Heights
Tacoma Dialysis Center

Skagit
Cascade Dialysis Center

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

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

Stevens
Echo Valley Dialysis Center

[1] As of the writing of this evaluation, two of DaVita's CN approved dialysis facilities are not yet surveyed and operational. The two facilities are: Lynnwood Dialysis Center [CN #1588 issued on October 21, 2016] and Wapato Dialysis Center [CN #1611 issued on August 18, 2017].

Kittitas
Ellensburg Dialysis Center

Lewis
Centralia Dialysis Center

Mason
Belfair Dialysis Center

Thurston
Olympia Dialysis Center
Tumwater Dialysis Center

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

PROJECT DESCRIPTION

This project focuses on DaVita's Ellensburg Dialysis Center located at 2101 West Dolarway Road in Ellensburg [98373] within Kittitas County. Currently Ellensburg Dialysis Center is a seven station facility. This application proposes to relocate the facility to a new site within Ellensburg and add another seven stations, resulting in a 14-station dialysis center. The new site has not been assigned an address, but DaVita provided the following description for the site: the intersection of Triple L loop and Highway 97 in Kittitas County. The Kittitas County parcel identification number for site is # 953287. [source: DaVita Application, page 4 and Screening responses received September 15, 2017 page 2]

Services to be provided at the Ellensburg Dialysis Center include in-center hemodialysis and peritoneal dialysis, home peritoneal training and support, services for visiting hemodialysis patients, treatment shifts beginning after 5:00 p.m., a permanent bed station, and a dedicated isolation/private room. [Source: DaVita Application, page 10]

The total capital expenditure associated with the seven new stations is $2,502,805. Of that amount 65% or $1,636,150, is related to leasehold improvement; 26% or $662,655 is for fixed and moveable equipment, 8% or $204,000 is for professional services fees. [Source: Application Page 9 and Appendix 7]

If this project is approvable, DaVita Healthcare Partners, Inc. anticipates the fourteen station facility would be operational by November 2020. Under this timeline, year 2021 would be DaVita Ellensburg Dialysis Center first full calendar year of operation and year 2023 the third year of operation. [Source: DaVita Application, page 13 and Screening responses received September 15, 2017, page 2]

For ease of reference, DaVita Healthcare Partners Inc. will be referred to as "DaVita" and the existing DaVita Ellensburg Dialysis Center as "DaVita Ellensburg."

APPLICABILITY OF CERTIFICATE OF NEED LAW

DaVita HealthCare Partners, Inc. application proposes to add dialysis stations to an existing dialysis center. 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.

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

To obtain Certificate of Need approval, an applicant must demonstrate compliance with the applicable criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); and 246-310-240 (cost containment). DaVita must also demonstrate compliance with applicable kidney disease treatment center criteria outlined in WAC 246-310-280 through 289.

TYPE OF REVIEW

As directed under WAC 246-310-282(1) the department accepted this project under the year 2017 Kidney Disease Treatment Centers-Concurrent Review Cycle #2. Below is a chronologic summary of the project.

APPLICATION CHRONOLOGY

Action	Dates
Letter of Intent Submitted	April 28, 2017
Application Submitted Amended Application submitted	May 31, 2017 June 30, 2017
Department's Pre-review Activities including • DOH 1st Screening Letter • Applicant's 1st Screening Responses Received • DOH 2nd Screening Letter • Applicant's 2nd Screening Responses Received	 July 31, 2017 September 15, 2017 October 6, 2017 November 20, 2017
Beginning of Review	November 29, 2017
End of Public Comment • Public comments accepted through • Public hearing conducted[2] • Rebuttal Comments Received[3]	 January 3, 2018 N/A January 18, 2018
Department's Anticipated Decision Date	March 5, 2018
Department's Actual Decision Date	May 4, 2018

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;
(f) Any person residing within the geographic area to be served by the applicant; and
(g) Any person regularly using health care facilities within the geographic area to be served by the applicant.

For this project, one entity—Health Facilities Planning and Development sought interested person status.

[2] The department did not conduct a public hearing.
[3] There were no public comments received for this project. Therefore, DaVita did not provide rebuttal comments.

Health Facilities Planning and Development

Health Facilities Planning and Development is a healthcare consultation entity located in King County. It is hired by some applicants to prepare and submit Certificate of Need letters of intent and applications on their behalf. Health Facilities Planning and Development requested interested person status and to be informed of the department's decision. As a consultation entity located in King County, the only sub-section that Health Facilities Planning and Development could meet for this Kittitas County project is under subsection (e) above. However, as previously stated, Health Facilities Planning and Development submits letters of intent on behalf of an applicant, rather than as the applicant. Therefore, Health Facilities Planning and Development does not meet the definition of an "interested person" under WAC 246-310-010(34) and cannot meet the definition of an "affected person" under WAC 246-310-010(2).

SOURCE INFORMATION REVIEWED

- DaVita Healthcare Partners, Inc. application received May 31, 2017
- DaVita Healthcare Partners, Inc. amended application received June 30, 2017
- DaVita Healthcare Partners, Inc. 1st screening responses received September 15, 2017 and 2nd screening responses received November 20, 2017
- Years 2012 through 2016 historical kidney dialysis data obtained from the Northwest Renal Network
- Year end 2016 Northwest Renal Network December 2016 (4th Quarter) Utilization Data released February 7, 2017
- Licensing data provided by the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service
- DaVita website www.davita.com
- Northwest Renal Network website www.nwrn.org
- Centers for Medicare and Medicaid website www.medicare.gov/dialysisfacilitycompare
- Certificate of Need historical files

CONCLUSION

For the reasons stated in this evaluation, the application submitted by DaVita Healthcare Partners, Inc. to relocate the seven station DaVita Ellensburg Dialysis Center within the same planning area and expand it by adding seven new stations is not consistent with applicable criteria of the Certificate of Need is denied.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

Based on the source information reviewed the department determines that DaVita HealthCare Partners, Inc. did not meet the applicable need criteria in WAC 246-310-210, which includes the applicable kidney disease treatment standards.

(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 under WAC 246-310-284(4). WAC 246-310-210(1) criteria is also identified in WAC 246-310-284(5) and (6).

WAC 246-310-284 Kidney Disease Treatment Center Numeric Methodology

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 through a regression analysis of the historical number of dialysis patients residing in the planning area using verified utilization information obtained from the Northwest Renal Network (NRN).[4]

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.[5]

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. In planning areas experiencing less than 6% growth in any of the last five annual change periods, linear regression is used to project need.

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

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

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[4] 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]

[5] 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 2016.

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 projection year, 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)]

The department calculates the numeric methodology for each of the 57 planning areas and posts the results to its website. Below is a discussion of DaVita's numeric methodology.

DaVita Healthcare Partners, Inc. Numeric Need Methodology
DaVita performed each of the steps of the methodology as described above and concluded need for an additional seven stations in Kittitas County by the end of year 2020. [source: Application pp16-17]

Public Comment
None

Rebuttal Comment
None

Department Evaluation of the Numeric Methodology for Kittitas County
Based on the calculation of the annual growth rate in the planning area as described above, both DaVita and the department used the linear regression to determine numeric need. The number of projected patients was divided by 3.2 to determine the number of stations needed in Kittitas County. The result of both DaVita's and the department's numeric methodology is shown in Table 1 below.

Table 1
Kittitas Numeric Methodology Summary

	3.2 in-center patients per station		
	2020 Projected # of stations	**Minus Current # of stations**	**2020 Net Need or (Surplus)**
DaVita HealthCare Partners	14	7	7
Department of Health	14	7	7

As shown in Table 1, the department's methodology showed a need for 14 dialysis stations in Kittitas by the end of year 2020. Once the 7 existing stations are subtracted, Kittitas County shows a net need of 7 more stations. The department's methodology is included in this evaluation as Appendix A.

The department concludes DaVita **met this numeric methodology standard**.

In addition to the numeric need, the department must determine whether other services and facilities of the type proposed are not or will not be sufficiently available or accessible to meet the dialysis station need.[6] The department uses the standards in WAC 246-310-284(5) and WAC 246-310-284(6).

[6] WAC 246-310-210(1)(b).

WAC 246-310-284(5)

Before the department approves new in-center kidney dialysis stations, all certificate of need approved stations in the planning area must be operating at 4.8 in-center patients per station for all planning areas except Adams, Columbia, Douglas, Ferry, Garfield, Jefferson, Kittitas, Klickitat, Lincoln, Okanogan, Pacific, Pend Oreille, San Juan, Skamania, Stevens, and Wahkiakum counties. For these exceptions planning areas all certificate of need approved stations in the planning area must be operating at 3.2 in-center patients per station. Both resident and nonresident patients using the dialysis facility are included in this calculation. Data used to make this calculation must be from the most recent quarterly modality report or successor report from the Northwest Renal Network as of the first day of the application submission period.

For Kittitas County, WAC 246-310-284(5) requires all CN approved stations in the planning area be operating at 3.2 in-center patients per station.

DaVita HealthCare Partners, Inc.

"WAC 246-310 284(5) requires that existing kidney treatment centers must be operating at 4.8 patients per station as of the first day of the application filing period in urban areas and 3.2 patients per station in designated rural counties. The relevant data for this analysis is the facility utilization report prepared by the Northwest Renal Network. Table 15 provides current utilization levels for the existing Ellensburg Dialysis Center according to the Department methodology. The applicable standard for this planning area is 3.2 patients per station and the existing facility is over 80% utilization as shown in Table 15. [Source: Application Page 17]

Table 15 (Reproduced) *Existing Latest Quarterly Utilization of Existing Stations*			
Reporting Period		*NWRN 12/31/16*	
Existing Dialysis Facilities	*Approved Stations*	*Patients*	*Patients per station*
DVA ELLENSBURG 502552	*7*	*28*	*4.00"*

Public Comment

None

Rebuttal Comment

None

Department Evaluation of WAC 246-310-284(5)

WAC 246-310-284(5) requires the department to use the most recent quarterly modality report from the NWRN to calculate the number of patients per station at each of the planning area's dialysis facilities. This application was submitted during the 2017 ESRD concurrent review Cycle 2. The first day of the application submittal period was May 1, 2017. The most recent quarterly modality report as of May 2017 was December 31, 2016 (4th Quarter) posted by the NWRN on February 7, 2017. As shown in DaVita's Table 15 above, DaVita is the only kidney dialysis provider located in Kittitas County ESRD planning area. The department's methodology shows that DaVita Ellensburg was operating above the 3.2 patients per station. **The department concludes this criterion is met.**

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 station by the end of the third full year of operation. For Kittitas County, the requirement is 3.2 in-center patients per approved station. [WAC 246-310-284(6)(b)]

DaVita HealthCare Partners, Inc.

"The relocation and expansion of the existing Ellensburg Dialysis Center from seven (7) to fourteen (14) total stations will provide substantial relief and shift choice for ESRD patients in Kittitas County. Ellensburg is the only facility to serve this rural planning area and, without additional capacity, new or transferring ESRD patients maybe be forced to travel at great lengths and inconvenience to find treatment that can accommodate their life and work needs.

The existing Ellensburg Dialysis Center is operating at 4.0 or 100% utilization, in a 3.2 planning area. WAC 243-310-284(3) directs applicants to calculate station need for Kittitas County using a need standard of one (1) station for each 3.2 patients. Currently, the existing Ellensburg Dialysis Center is the only dialysis facility that exists in the service area to meet the needs of the county's 30 ESRD patients.

Appendix 20, Patients Transfer Assumptions, further demonstrates these negative implications, as the patients per station ratio will reach 6.73 in 2020. The relocated and expanded DaVita Ellensburg Center will serve current and future residents of Kittitas County who require chronic dialysis services.

Appendix 8 provides the five year population forecast produced by the Nielson Company for Kittitas County.

Table 9 shows, the total population base is forecasted to grow slightly less than the rate of the overall state population growth rate forecast for 2017 through 2022—at a projected annual rate of 1.17% compared to the state projection of 1.26% growth

Table 9
Population Estimates and Forecasts

Area	*2010*	*2017*	*Annual Growth*	*2022 Projection*	*Projected Annual Growth*
Washington State	*6,724,540*	*7,299,857*	*1.66%*	*7,770,459*	*1.26%*
Kittitas ESRD Planning Area	*40,915*	*44,094*	*1.51%*	*46,728*	*1.17%*
Washington State data from OFM; Kittitas Planning Area data from The Nielson Company.					

[Source: Application page 14]

Table 10 shows that Kittitas has a hemodialysis prevalence rate that is less than the prevalence rate of the state as a whole. Although Washington State will slightly outpace Kittitas in overall rate of population growth, the ESRD prevalence rate is sufficiently high to support the 5 year in-center projection showing increased in-center residents and an overall need for additional hemodialysis stations through 2020.

Table 10 In-Center Hemodialysis Prevalence Rates (NWRN)			
Area	*December 31, 2016 HD Patients*	*2016 Projection*	*Rate per 100,000*
Washington State	*6,213*	*7,183,700*	*86.49*
Kittitas ESRD Planning Area	*30*	*44,094*	*68.04*
State Population from OFM and County Population data from Claritas Inc.; ESRD Data from NWRN December 31, 2016, Modality Report			

[Source: Application page 14-15]

The table below provides projected utilization summaries through completion of the fifth full year of operation. DaVita Ellensburg Dialysis Center will achieve projected patients volumes without an adverse impact on other centers, as it is presently the only dialysis facility to serve Kittitas County.

Table 3 DaVita Ellensburg Dialysis Center Projected Utilization Summary					
Treatments	***2021 (Full year 1)***	***2022 (Full year 2)***	***2023 (Full year 3)***	***2024 (Full year 4)***	***2025 (Full year 5)***
Total HD Patients	*54*	*61*	*69*	*79*	*90*
Total Chronic Treatments	*7,449*	*8,484*	*9,664*	*11,007*	*12,537*
Total Home Treatments	*829*	*1,136*	*1,289*	*1,462*	*1,658*
Total Treatments	***8,278***	***9,620***	***10,953***	***12,469***	***14,195***

[Source: Application page 11]

The utilization projections for the relocated and expanded DaVita Ellensburg Dialysis Center are shown in Table 11 below. These are based on the projected number of patient treatment at DaVita Ellensburg in year 2020 when the facility opens and reasonable growth assumption. In this case, 2023 is the third complete year of operation after project implementation. The 2023 utilization rate far exceeds 80% of 2-shift utilization of 14 general stations using a 2-shift utilization standard of 3.2 patients per station.

Table 11 (Reproduced) Ellensburg Dialysis Center Projected Utilization Summary				
Treatment	*2021 (Full year1)*	*2022 (Full year2)*	*2023 (Full year 3)*	*2024 (Full year 4)*
Total HD Patients	*54*	*61*	*69*	*79*
Total Chronic Treatments	*7,449*	*8,484*	*9,664*	*11,007*
Total Home Treatments	*829*	*1,136*	*1,289*	*1,462*
Total Treatments	***8,278***	***9,620***	***10,953***	***12,469***

Patient volume is based on a 4-year projection of Kittitas County patients using a regression of 5 years historical data[7]*. In-center treatment are based on an assumption of 3 treatments per week per patient for 52 weeks with a 5% allowances for missed treatments."* [Source: Application: Page 15]

Public Comment
None

Rebuttal Comment
None

Department Evaluation

The standard for the Kittitas County planning area is 3.2 in-center patients per approved station. DaVita Ellensburg's third full year of operation with 14 stations is projected to be year 2023. Below is a reproduction of DaVita's projected patient volumes and utilization rates from its Pro Forma Revenue and Expense Statement provided in this application. [Source: Screening responses received November 20, 2017, Appendix 9A]

Table 2
DaVita Ellensburg Projected Utilization for Years 2021-2024

	Year 1 FY 1-2021	Year 2 FY 2-2022	Year 3 FY 3-2023	Year 4 FY4-2024
# of Stations	14	14	14	14
# of Treatments[8]	8,278	9,621	10,953	12,469
# of Patients [9]	54	61	69	79
Utilization Rate	3.86	4.36	4.93	5.64

As shown in Table 2 above, DaVita's total projected patient volume in year 2021 shows that 54 inpatient and home dialysis patients will be dialyzing at the facility. For year 2023, the number of inpatient and home dialysis patients increases to 69.

A comparison of DaVita's projected total patient volumes shown in Table 2 and the department's projected patient volumes shown in the numeric methodology are significantly different. During the screening of this application, the department asked DaVita to provide the assumptions used to calculate its projected patients volumes. DaVita provided the following response. [Source: November 20, 2017, screening responses, page 3]

"Total patients is identified as the aggregate number of both in-center and home patients that would be treated at the facility. With respect to Home Patients, DaVita assumed that the percentage of Home Treatment to Total Treatment (both In-center and Home Treatments) would remain consistent from 12/31/2016 data at 13.42%..."

DaVita's response did not address the apparent over-inflation of patient volumes projected in their application. To determine whether these projections could be reasonable, the department completed

[7] Note that patient projection use 2012 through year-end 2016 existing data. A trend line using data from this period is then projected through 2020 to project station need.
[8] Includes in-center and home dialysis treatments
[9] Includes in-center and home dialysis patients

the following analysis of dialysis trends in Kittitas County and requested similar information from the Northwest Renal Network. The department's findings are summarized below.

Table 3
Projected Patients

Patients	2018	2019	2020	2021	2022	2023	5-year Growth
DaVita Projected	36	41	47	54	61	69	92%
NWRN Projected	36	38	40	42	44	46	28%
DOH Projected[10]	35	39	42	46	50	53	51%

Table 4
Projected ESRD Prevalence in Kittitas County

	2018	2019	2020	2021	2022	2023
Kittitas Population	44,190	44,722	45,255	45,794	46,333	46,871
DaVita Prevalence	0.081%	0.092%	0.104%	0.118%	0.132%	0.147%
NWRN Prevalence	0.081%	0.085%	0.088%	0.092%	0.095%	0.098%
DOH Prevalence	0.079%	0.087%	0.093%	0.100%	0.108%	0.113%

As shown above, DaVita projected significantly higher patient volumes from Kittitas County when compared to the department and the Northwest Renal Network (NRN). DaVita projects patient volumes far beyond those identified in the numeric need methodology, and did not provide any documentation to support these projections.

When DaVita's projections are analyzed using a wider timeframe, their data projects that ESRD prevalence will grow in Kittitas County by approximately 80% in the five year period between years 2020-2025. The same calculation using NRN data and DOH data shows prevalence growing by 20% and 38%, respectively. DaVita did not provide any documentation or rationale to support why dialysis prevalence would grow so substantially within a five year period.

The department completed an assessment of the surrounding planning areas to gauge whether in-migration could be the source for DaVita's projected patient volumes. The adjacent planning areas are listed below:

Planning Area	Number of Dialysis Facilities	Possible Barriers to In-Migration
Yakima	4[11]	Accessible facilities near border
Grant	1	Significant Drive Time
Douglas	1	Dialysis facilities are close to county border
Chelan	1	Dialysis facilities are close to county border
King 8	1	Cascade Mountains
King 12	1	Cascade Mountains

[10] These projections are based on the 2017 methodology. The 2018 methodology was calculated and posted in March 2018 and identifies a more conservative growth rate. Based on the submission timing of this application, the 2018 data cannot be considered in this review.

[11] There are currently four facilities operating in Yakima County. A fifth facility – DaVita Wapato – was approved in 2017 and is not yet operational.

Though it is not impossible that out of county patients would seek services in Kittitas County, there are far more practical options available to patients within their home counties.

The department is unable to substantiate DaVita's projected patient's utilization for the 14-station facility. Based on the information reviewed, the department concludes DaVita's projections are unreliable, cannot be substantiated, and therefore **did not meet this standard.**

WAC 246-310-287

The department shall not approve new stations in a planning area if the projections in WAC 246-310-284(4) show no net need, and shall not approve more than the number of stations projected as needed unless:

(1) All other applicable review criteria and standards have been met; and

(2) One or more of the following have been met:

(a) The department finds the additional stations are needed to be located reasonably close to the people they serve; or

(b) Existing dialysis stations in the dialysis facility are operating at six patients per station. Data used to make this calculation must be from the most recent quarterly modality report or successor report from the Northwest Renal Network as of the first day of the application submission period; or

(c) The applicant can document a significant change in ESRD treatment practice has occurred, affecting dialysis station use in the planning area; and

(3) The department finds that exceptional circumstances exist within the planning area and explains the approval of additional stations in writing.

Department Evaluation

This sub-criterion is not applicable to this application.

WAC 246-310-289 – Kidney Disease Treatment Centers – Relocation of Facilities

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

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

(3) When an entire facility proposes to relocate within the same planning area, a new health care facility is not considered to be established under WAC 246-310-020(1) if:

(a) the existing facility ceases operation;

(b) no new stations are added to the replacement facility;

(c) there is no break in service between the closure of the existing 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 facility has not been purchased, sold or leased within the past five years.

Department Evaluation

Based on the information and the current utilization of the existing seven station facility, the department agrees with DaVita that additional stations at DaVita Ellensburg would be beneficial for the dialysis patients in the planning area. However DaVita did not provide any assumptions to support the utilization projections in the application. As a result, the station addition project cannot be approved.

This application also proposes to relocate the existing seven station DaVita Ellensburg to a new site. DaVita could have submitted a separate application to relocate the seven-station facility under WAC 246-310-289 referenced above.[12] The relocation project would have been reviewed separate from this station addition project.

However, instead DaVita elected to submit the relocation and station addition project in the same application. WAC 246-310-490(2) provides guidance in this instance. It states:

> *"Separability of application and action. When a certificate of need application is for multiple services or multiple components or the proposed project is to be multi-phased, the secretary's designee may take individual and different action on separable portions of the proposed project."*

While relocation of DaVita Ellensburg will not increase the number of dialysis stations in Kittitas County since the seven stations are currently Medicare certified and patients are being treated in them. However, in order to approve the relocation project, without the station addition portion, DaVita must provide information specific to the relocation of the seven-station facility. Specific information includes review criteria under financial feasibility, structure and process of care, and cost containment.[13] For this project, DaVita did not include the necessary information under the specific review criteria to allow the department to separately review the relocation project. As a result, the department cannot review DaVita's relocation project separately.

(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.

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[12] This section of the evaluation should not be considered a pre-determination that such a relocation project submitted by DaVita would have been approved. On January 1, 2018, the kidney dialysis rules under WAC 246-310-280 through -289 were replaced by WAC 246-310-800 through 833, with the relocation section referenced in WAC 246-310-830.

[13] WAC 246-310-220, 246-310-230, and 246-310-240, respectively.

A facility's charity care policy should show a willingness of a provider to provide services to patients who have exhausted any third-party sources, including Medicare and Medicaid, and whose income is equal to or below 200% of the federal poverty standards, adjusted for family size or is otherwise not sufficient to enable them to pay for the care or to pay deductibles or coinsurance amounts required by a third-party payer.[14] With the passage of the Affordable Care Act (ACA), the amount of charity care is expected to decrease, but not disappear. The policy should also include the process one must use to access charity care at the facility.

DaVita HealthCare Partners, Inc.
DaVita provided the following statement related to this sub-criterion:

"The Department of Health knows, based on DaVita's history of providing dialysis services at numerous locations throughout Washington State, that all ESRD patients have access to DaVita's facilities, including members of the under-served groups referenced in the regulation. Appendix 14 includes a copy of the admission, patient financial evaluation, and patient involuntary transfer policies which documents that access will not be denied at DaVita Ellensburg Dialysis Center due to indigence, racial or ethnic identity, gender or handicapped status. The pro forma shows that funds have been budgeted to provide charity care." [source: Application, p18]

DaVita provided copies of the following policies used at all DaVita dialysis centers, including the existing DaVita Ellensburg. [source: Application, Appendix 14]

- Accepting End Stage Renal Disease Patient for Treatment [Admission Policy] – Revised and Approved December 2016
- Patient Financial Evaluation Policy – Reviewed and Approved April 2014
- Patient Behavior Agreements, 30 Day Discharge, Involuntary Discharge or Involuntary Transfer Policy – Reviewed and Approved May 2017

Medicare and Medicaid Programs
DaVita Ellensburg is currently Medicare and Medicaid certified and DaVita provided the following statements and current percentages of revenues by payer and patient for the facility.

"Source of patient's revenue by type of payor are included in Table 4. Source of patient revenue outlined by percentage of patients per payor are included in Table 5". [Source: Application Page 11]

Tables 4 and 5 (Reproduced)

Table 4 DaVita Ellensburg Dialysis Center Sources of Revenue By Type of Payor			***Table 5 DaVita Ellensburg Dialysis Center Sources of Revenue Percentage of Patients per Payor***	
Revenue Source	***% of Revenue***		***Revenue Source***	***% of Patients***
Medicare	*82.75%*		*Medicare*	*51.60%*
Medicaid/State	*7.20%*		*Medicaid/State*	*3.21%*
Insurance/HMO	*10.05%*		*Insurance/HMO*	*45.19%*
Total	***100%***		***Total***	***100%***

[14] WAC 246-453-010(4).

Public Comment
None

Rebuttal Comment
None

Department Evaluation
DaVita has been providing dialysis services to the residents of Washington State for many years. The Accepting End Stage Renal Disease Patients for Treatment policy provides the assurance that DaVita would accept patients for treatment without regard to "*race, color, national origin, gender, sexual orientation, age, religion, or disability...*" provided that the patient is a candidate for dialysis services.

All DaVita dialysis centers are Medicare and Medicaid certified. Documentation provided in the application demonstrates that Ellensburg Dialysis Center would continue both Medicare and Medicaid certifications. As shown in DaVita's Tables 4 and 5 above, 89.95% DaVita Ellensburg source of revenue is Medicare and Medicaid. Pro forma financial data provided in the application shows Medicaid revenues. Under the new ESRD PPS payment system, Medicare pays dialysis facilities a bundled rate per treatment, that rate is not the same for each facility. Each facility, within a given geographic area, may receive the same base rate.

The department does not have an adopted standard on what constitutes an unreasonable impact on charges for healthcare services. Medicare and Medicaid patients typically make up the largest percentage of patients served by a dialysis facility.

However, there are a number of adjustments both at the facility and at patient-specific level that affects the final reimbursement rate each facility will receive. What a dialysis facility receives from its commercial payers will also vary. Even if two different dialysis providers billed the same commercial payers the same amount, the actual payment to each facility will depend on the negotiated discount rate obtained by the commercial payers from each individual provider.

DaVita did not provide a policy specifically entitled "Charity Care." However DaVita's Patient Financial Evaluation Policy provides the necessary information and process a patient would use to obtain charity care at a DaVita facility. DaVita further demonstrated its intent to provide charity care for patients by including a 'charity' line item as a deduction from revenue within the pro forma income statement.

Given that DaVita currently operates dialysis centers in Washington State and uses the same policies and procedures at each center, the policies provided in the application are executed policies used by DaVita in its Washington State facilities. As a result, no draft policies were provided by DaVita.

Based on the source information reviewed, the department concludes that all residents of the service area would continue to have access to the healthcare services provided at DaVita Ellensburg. **This sub-criterion is met.**

(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.*

Department Evaluation
This sub-criterion is not applicable to this application.

(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.*

Department Evaluation
This sub-criterion is not applicable to this application.

(c) *The special needs and circumstances of osteopathic hospitals and non-allopathic services.*

Department Evaluation
This sub-criterion is not applicable to this application.

(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.*

Department Evaluation
This sub-criterion is not applicable to this application.

(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.*

Department Evaluation
This sub-criterion is not applicable to this application.

(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
This sub-criterion is not applicable to this application.

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

Based on the source information reviewed the department determines that DaVita HealthCare Partners, Inc. did not meet the applicable need 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.

DaVita HealthCare Partners, Inc.

"The DaVita Ellensburg Dialysis Center Detailed Operating Statement (Pro Forma) is included in Appendix 9. No existing facility is expected to lose volume or market share below Certificate of Need standards as a results of this project. The proposed facility will operate at utilization levels consistent with required utilization levels. Reimbursements for dialysis services are not subject to or affected by capital improvements and expenditures by providers; the proposed project will have no impact on increases charges for services within the ESRD planning area". [Source: Application page 19]

"... Volume projections within the DaVita Ellensburg Dialysis Center pro forma operating statement are based on historical figures and demonstrate that the project is financially feasible. The projections presented for this Certificate of Need are developed solely for this Certificate of Need application" [Source: Application page 20]

"Total Chronic Patients were derived from 5 year compound annual growth rate of 13%, as discussed in detailed in Question #4. Total Patients are the total of "Total Chronic Patients" and "Total Home Patients", the methodology behind "Total Home Patients" being discussed in Questions #5."

"Please see attached Appendix 9A with an updated Detailed Projected Operating Statement (Pro Forma). This document is needed due to small calculation error relating to the number of Home Patients that under-accounted for home patients by 1-2 patients per full year."

"DaVita' 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 Kittitas County ESRD population, as of the 12/31/2016 network data, was 13.90%. (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 DVA Ellensburg yields the below for full-year, year-end census corresponding with Table 3 in the application."

[on following page]

Full Year Measurement date	*2016 12/31/16*	*2017 12/31/17*	*2018 12/31/17*	*2019 12/31/17*	*2020 12/31/17*	*2021 12/31/17*	*2022 12/31/17*	*2023 12/31/17*	*2024 12/31/24*	*2025 12/31/25*
In-Center HD Patients	*28*	*32*	*36*	*41*	*47*	*54*	*61*	*69*	*79*	*90*

[Source: Screening responses received November 20, 2017, page 4]

DaVita also provided a detailed Projected Operating Statement which is summarized below. [source: November 20, 2017, screening response, Appendix 9A]

Table 5
Summary of DaVita Ellensburg Projected Revenue and Expense Statement

	Full Year 1 2021	**Full Year 2 2022**	**Full Year 3 2023**	**Full Year 4 2024**
# of Stations	14	14	14	14
# of Total Treatments [1]	9,800	11,162	12,714	14,481
# of Patients [1]	54	61	69	79
Total Net Revenue [2]	$4,080,714	$4,710,215	$5,436,825	$6,275,524
Total Expenses [3]	$2,789,868	$3,100,475	$3,464,437	$3,883,396
NET Profit/Loss	**$1,290,846**	**$1,609,740**	**$1,972,388**	**$2,392,128**

[1] Includes both in-center and home dialysis patients.
[2] Includes deductions for bad debt, charity care.
[3] Includes allocated costs.

"Sources of patient's revenue by type are included in Table 4. Source of patients revenue outlines by percentage of patients per payor are included in Table 5." [Source: Application Page 11]

"Table 16 provides the expected sources of revenue for the DaVita Ellensburg Dialysis Center by Payor."

Table 16 (Reproduced) ***DaVita Ellensburg Dialysis Center*** ***Source of Revenue By Payor***	
Revenue Source	*Revenue %*
Medicare	*82.75%*
Medicaid	*7.20%*
Insurance/HMO	*10.05%*
Total	*100%*

[Source: Application page 20]

"DaVita Ellensburg Dialysis Center executed lease documentation is included in Appendix 15". [Source: Application page 13 and Appendix 15] *"Appendix 3 provides a copy of the executed Medical Director Agreement".* [Source: Application Page7 and Appendix 3]

Public Comments
None

Rebuttal Comments
None

Department Evaluation

DaVita currently provides dialysis services to Medicare and Medicaid eligible patients at its dialysis centers. DaVita intends to maintain this status for patients receiving treatment at the DaVita Ellensburg. DaVita projected that 54.8% of the facility's patients will be on Medicare or Medicaid. A review of the anticipated revenue shows the facility expects to receive 89.95 % of its revenue from Medicare and Medicaid reimbursements. [Source: Application page 11 and Screening responses received on November 20, 2017, Appendix 9A]

DaVita submitted its "Patient Financial Evaluation Policy" or charity care policy used by all of the dialysis centers owned, operated, or managed by DaVita. This same policy would be used at DaVita Ellensburg. The policy outlines the process a patient would use to access services when they do not have the financial resources to pay for required treatments. In addition, the pro forma operating statement for the DaVita Ellensburg includes a 'charity care' line item.

The department does not have an adopted standard on what constitutes an unreasonable impact on charges for healthcare services. Medicare and Medicaid patients typically make up the largest percentage of patients served by a dialysis facility. Under the new ESRD PPS payment system, Medicare pays dialysis facilities a bundled rate per treatment, that rate is not the same for each facility. Each facility within a given geographic area, may receive the same base rate. However, there are number of adjustments both at the facility and at patient-specific level that affects the final reimbursement rate, each facility will receive.

Regarding DaVita's payer mix percentages of patients and the revenue expected from commercial insurance and other category, the percentages of patients under insurance/other is 10.05% and the revenue is 45.19%. What a dialysis facility receives from its commercial payers varies even if two different dialysis providers were to bill 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 for each individual provider.

DaVita anticipates the proposed fourteen station DaVita Ellensburg would be operational by November 2020. Under this timeline, year 2021 would be DaVita Ellensburg first full calendar year of operation and year 2023 the third year of operation. [Source: DaVita Application, page 13]

Table 3 on the following page illustrates the projected revenue, expenses, and net income for years 2020 through 2023 for DaVita Ellensburg.

Table 6
DaVita Ellensburg Kidney Dialysis Center
Projected Revenue and Expenses Calendar Years 2020 – 2023

	Partial Year 2020	Full Year 1 2021	Full Year 2 2022	Full Year 3 2023
# of Stations	14	14	14	14
# of Total Treatments [1]	8,360	9,800	11,162	12,714
# of Patients [1]	42	54	61	69
Utilization Rate [2]	3.00	3.86	4.36	4.93
Total Net Revenue [3]	$3,435,366	$4,080,714	$4,710,215	$5,436,825
Total Expenses [4]	$2,481,341	$2,789,868	$3,100,475	$3,464,437
NET Profit/Loss	**$954,025**	**$1,290,846**	**$1,609,740**	**$1,972,388**

[1] Includes both in-center and home dialysis patients.
[2] This calculation includes in-center patients only.
[3] Includes deductions for bad debt, charity care.
[4] Includes allocated costs.

The 'Net Patient Revenue' line item is gross revenue minus any deductions for charity care, bad debt, and contractual allowances. The 'Total Expenses' line item includes such items as salaries and wages, pharmacy, repair & maintenance, depreciation, and allocated costs. DaVita's projected volumes statement shows the fourteen station facility will be profitable in the partial year of operation and each of the facility's three full years of operation.

DaVita Ellensburg would be relocated to a parcel of land at the intersection of Triple L loop and Highway 97 (Kittitas County Parcel ID #953287). The lease costs were identified in the executed lease agreement and verified in the pro-forma operating statement.

As an operational dialysis center, DaVita has an executed medical director agreement that identifies J. Hamilton Licht, MD as the medical director. The executed agreement dated November 2010 identifies the initial term of ten years with annual automatic renewals. DaVita also provided a supplemental joinder to the agreement that identifies both J. Hamilton Licht, MD and Sajal Kumar, MD as a pre-approved physicians to provide medical director services. The joinders were signed in November 2016. Compensation for medical director services is identified in the medical director agreement. These costs were verified in the pro-forma operating statement.

The department's review of DaVita's executed lease agreement and site control documentation shows that rent costs[15] identified in the lease are consistent with the financial information used to prepare DaVita's pro-forma financial income statement projections.

However, the department cannot substantiate the costs of this project because DaVita's projected patient volume cannot be substantiated. The analysis rejecting DaVita's projected patient volumes can be found under WAC 246-310-210(1). Based on that analysis, which cannot substantiate projected patient volumes, the department cannot conclude that the immediate and long-range operating costs of the project cannot be met. **This sub-criterion is not met.**

[15] DaVita's lease agreement identified costs associated with the property common areas and taxes.

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

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

DaVita HealthCare Partners, Inc.

"Appendix 7 lists the Capital Expenditure required for the project". [Source: Application, page 19]

"Table 1 provides the Projected Cost estimates for the facility.

Table 1 ***DaVita Ellensburg Dialysis Center*** ***Project Cost Summary***	
Expenditure Category	***Allocated Project Cost***
Leasehold Improvements	*$1,636,150*
Professional Service Fees	*$204,000*
Fixed & Moveable Equipment's	*$662,655*
Total Direct Project Costs	***$2,502,805***
Total Capital Expenditure	***$2,502,805***

[Source: Application page 9]

"The capital expenditures for the relocated and expanded DaVita Ellensburg Dialysis Center have been estimated based on DaVita's historical experience. DaVita has constructed many dialysis facilities locally and throughout the United States. DaVita has an extensive history of effectively managing construction costs and capital expenditures". [Source: Application page 19]

Department Evaluation

DaVita has a history of developing kidney dialysis facilities within Washington. Information within the application stated the estimated capital expenditure for this project was developed using DaVita's experience The department comparison of the estimated construction costs for this project with similar projects by DaVita in Yakima County and Pierce County are comparable.

DaVita identified the location of the new site at the intersection of Triple L loop and Highway 97 (Kittitas County Parcel ID #953287). A copy of an executed lease agreement between Genesis KC Development (landlord) and Total Renal Care, Inc. (tenant) was provided in the application. The lease identifies the specific facility site, lease costs, terms, and certain requirements for use of the facility by the tenant. The lease outlines roles and responsibilities of both tenant and landlord.

The department does not have an adopted standard on what constitutes an unreasonable impact on charges for health services. Medicare and Medicaid patients typically make up the largest percentage of patients served by a dialysis facility. For DaVita Ellensburg Dialysis Center 89.95% of the patients are projected to be Medicare and Medicaid. Revenue from these two sources are projected to equal 54.8%. The remaining 45.2% of revenue will come from a variety of sources including private insurance.

CMS has implemented an ESRD Prospective Payment System (PPS). Under this ESRD PPS, Medicare pays dialysis facilities a bundled rate per treatment. The rate is not the same for each facility. Each facility, within a given geographic area, may receive the same base rate. However, there are a number of adjustments both at the facility and at patient-specific level that affects the final reimbursement rate each facility will receive. What a dialysis facility receives from its commercial payers will also vary. Even if two different dialysis providers billed the same commercial payer the same amount, the actual payment to each facility will depend on the negotiated discount rate obtained by the commercial payer from each individual provider.

As previously stated, the department cannot substantiate DaVita's projected patient volume; therefore the department does not have the complete information to determine whether the costs of the project, including any construction costs, could result in an unreasonable impact on the costs and charges for health services. **This sub-criterion is not 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.

DaVita HealthCare Partners, Inc.

"The project will be funded from DaVita capital expenditure budget. DaVita operations in the Pacific Northwest have experienced continued growth. Accordingly, capital budgeting reflects appropriate allocations of funds.

A letter of Operational and Financial commitment is included as Appendix 6. Appendix 7 lists the Capital Expenditures required for the project." [Source: Application, page 19]

Public Comment

None

Rebuttal Comment

None

Department Evaluation

As previously stated, DaVita's project includes a relocation of the seven-station DaVita Ellensburg and the addition of seven stations, for a facility total of 14 stations. DaVita identified the total cost of the project is $2,502,805 and amount is for leasehold improvements, fixed moveable equipment and professional fees.

Within the application, DaVita provided a letter of financial commitment. The letter from DaVita's Chief Operating Officer of kidney care demonstrates the board's financial commitment to this project. DaVita also provided it SEC 10k years 2014, 2015, and 2016 statements. [Source: Application Appendix 10]

As previously stated, the costs identified above do not include costs to relocate DaVita Ellensburg to the new site, either with or without, the station addition. Therefore, any conclusion regarding the

relocation of the existing facility is not included in this evaluation. Based on the information provided in this application, the department concludes that DaVita could finance the station addition project as proposed. **This sub criterion is met.**

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

Based on the source information reviewed the department concludes DaVita Healthcare Partners, Inc. 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 HealthCare Partners, Inc.

DaVita provided the following information related to current and projected staffing of DaVita Ellensburg.

"Table 17 presents the staffing for DaVita Ellensburg Dialysis Center. The salary and wages and benefits costs for the facility are detailed below". [Source: Application, page 20]

DaVita anticipates no difficulty in recruiting the necessary personnel to start the DaVita Ellensburg Dialysis Center. Based on our experience operating in Ellensburg, DaVita anticipates that staff from the existing Ellensburg Dialysis Center and geographic adjacent facilities will serve patients at the expanded DaVita Ellensburg Dialysis Center. Additionally, DaVita implemented a national staffing program STAR, that has resulted in a 10% rise in overall retention for new hires". [Source: Application page 21-22]

Below is a summary of Table 17, referenced in DaVita's comments above above, that shows the staffing table provided by DaVita in its application.

DaVita's Table 17 – Summarized

FTE by Type	Full Year 2021	Full Year 2022	Full Year 2023	Full Year 2024
Administrator	1.00	1.00	0.98	1.00
Administrative Assistant	0.55	0.63	0.72	0.81
Medical Social Worker	0.51	0.58	0.66	0.75
Dietician	0.51	0.58	0.66	0.75
RN-InCenter/PD/HHD	6.35	7.22	8.23	9.37
Biomed Tech	0.35	0.35	0.35	0.35
Other	0.76	0.86	0.98	1.12
Total FTEs	**10.03**	**11.22**	**12.58**	**14.15**

Public Comments
None

Rebuttal Comments
None

Department Evaluation
When the expanded facility opens in November 2020, DaVita is expected to have 10.03 FTEs. DaVita is the only dialysis provider in Kittitas County and has five kidney dialysis facilities within the adjacent geographic area in Yakima County. As stated by DaVita, there is opportunity to recruit and retain additional staff if there is need. As a major dialysis provider in Washington, it is expected that DaVita has the resources to recruit and retain sufficient supply of qualified staff for its dialysis facilities across the state. Therefore, the department expects the expanded facility to have sufficient FTEs.

The medical directors for the current dialysis center are J. Hamilton Licht, MD and Sajal Kumar, MD. DaVita provided an executed medical director agreement and the executed joinders identifying both physicians. The initial term of the agreement is ten years with annual automatic renewals. [Source: Application, page 7, and Appendix 3] Based on the information, 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 HealthCare Partners, Inc.
"Ancillary services such as social services, nutrition services, financial counseling, pharmacy access, patient education, staff education, information services human resources, material management administration and biomedical technical services are provided on site. Additional services are coordinated through DaVita's main office in Denver, Colorado, and support offices in Federal Way and Tacoma, Washington and elsewhere.

Appendix 12 includes a copy of the affiliation letters between DaVita Ellensburg Dialysis Center and its area partners". [Source: Application Page 22]

Public Comments
None

Rebuttal Comments
None

Department Evaluation
DaVita Ellensburg is an existing seven station facility located in Ellensburg within Kittitas County. This project requests relocation and expansion of the existing facility. The new site is also located

in Ellensburg, within Kittitas County. Within the application, DaVita stated that ancillary and support services are coordinated through its main office in Federal Way and Tacoma. As the only dialysis provider in Kittitas County, the department acknowledges that ancillary and support services already in place for the facility would remain after the relocation.

DaVita provided a copy its Patient Transfer Agreement with Yakima Regional Medical and Cardiac Center. The department also acknowledges that a relocation of DaVita Ellensburg or a station addition would likely not change the existing agreement. The information reviewed in this application suggests that ancillary and support services will be available. The department concludes there is reasonable assurance DaVita Ellensburg will continue to have the necessary ancillary and support services. **This sub-criterion is met.**

(3) *There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or Medicare program, with the applicable conditions of participation related to those programs.*
WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2)(a)(i). There are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the applicant's history in meeting these standards at other facilities owned or operated by the applicant.

The 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. Finally, the department focused on its own state survey data performed by the Department of Health's Investigations and Inspections Office. Below is an overview of the CMS star rating review. The department's Washington State survey data is include in each applicant's separate review under this sub-criterion.

Centers for Medicare & Medicaid Services (CMS) Star Ratings
On January 22, 2015, the Centers for Medicare & Medicaid Services (CMS) released a media statement with the following information related to its dialysis facility compare website.

> *"Today, the Centers for Medicare & Medicaid Services (CMS) added star ratings to the Dialysis Facility Compare (DFC) website. These ratings summarize performance data, making it easier for consumers to use the information on the website. These ratings also spotlight excellence in health care quality. In addition to posting the star ratings, CMS updated data on individual DFC quality measures to reflect the most recent data for the existing measures.*
>
> *"Star ratings are simple to understand and are an excellent resource for patients, their families, and caregivers to use when talking to doctors about health care choices," said CMS Administrator Marilyn Tavenner. "CMS has taken another step in its continuous commitment to improve quality measures and transparency."*
>
> *DFC joined Nursing Home Compare and Physician Compare in expanding the use of star ratings on CMS websites. The DFC rating gives a one to five-star rating based on information about the quality of care and services that a dialysis facility provides.*

Currently, nine DFC quality measures are being used collectively to comprise the DFC star ratings. In the future, CMS will add more measures.

In related news, CMS plans to add the Standardized Readmission Ratio (SRR) for dialysis facilities to the publicly reported quality outcome measures available on the Compare website. SRR is a measure of care coordination. SRR is not included in DFC's star rating at this time.

DFC quality measure data is either updated quarterly or annually. CMS plans to update the DFC's star rating on an annual basis beginning in October 2015."

CMS provided the following overview regarding its star rating for dialysis centers. [source: CMS website]

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

CMS assigns a one to five 'star rating' in two separate categories: best treatment practices and hospitalizations and deaths. The more stars, the better the rating. Below is a summary of the data within the two categories.

- Best Treatment Practices
  This is a measure of the facility's treatment practices in the areas of anemia management; dialysis adequacy, vascular access, and mineral & bone disorder. This category reviews both adult and child dialysis patients.
- Hospitalization and Deaths
  This measure takes a facility's expected total number of hospital admissions and compares it to the actual total number of hospital admissions among its Medicare dialysis patients. It also takes a facility's expected patient death ratio and compares it to the actual patient death ratio taking into consideration the patient's age, race, sex, diabetes, years on dialysis, and any co-morbidities.

The Dialysis Facility Compare website currently reports on 9 measures of quality of care for facilities. These measures are used to develop the star rating. Based on the star rating in each of the two categories, CMS then compiles an 'overall rating' for the facility. As with the separate categories: the more stars, the better the rating. The star rating is based on data collected from January 1, 2012 through December 31, 2015.[16]

The measures used in the star rating are grouped into three domains by using a statistical method known as Factor Analysis. Each domain contains measures that are most correlated. This allows CMS to weight the domains rather than individual measures in the final score, limiting the possibility of overweighting quality measures that assess similar qualities of facility care. The three domains are as follows:

[16] The information or data on Dialysis Facility Compare comes from two key sources: 1) CMS Statistical Analytical Files (Medicare Claims); and 2) Consolidated Renal Operations in a Web-enabled Network (CROWN). Some ratios are calculated annually based on the information that facilities send Medicare each month; other ratios are calculated quarterly.

- "Standardized Outcomes (SHR, SMR, and STrR)" – This first domain combines the three outcome measures for hospitalization, mortality and transfusions (SHR, SMR, and STrR).
- "Other Outcomes 1 (AV fistula, tunneled catheter)" – The arteriovenous fistula and catheter measures forms the second domain.
- "Other Outcomes 2 (Kt/V, hypercalcemia)" – The All Kt/V and hypercalcemia measures forms the third domain.

Facilities are rated as long as they have at least one measure in each of the three domains. Because the vascular access measures in the "Other Outcomes 1 (AV fistula, tunneled catheter)" domain do not apply to peritoneal dialysis patients, peritoneal dialysis-only facilities are rated based on the other two domains. They receive ratings as long as they have scores for at least one of the two domains not related to vascular access.

DaVita HealthCare Partners, Inc.
"The applicant has no adverse history of license revocation or decertification in Washington State." [source: Application, p22]

"DaVita Ellensburg Dialysis Center will provide comprehensive in-center dialysis services. As previously described DaVita is committed to its highly effective Continuous Quality Improvement program and seeks to assure the appropriate structure and process of care through uncompromising quality goals on an ongoing, continuous basis. DaVita has demonstrated industry leading performance in both of the CMS performance ranking system, the Quality Incentive Program (QIP) (see Appendix 21) and Dialysis Facility Compares or Five-Star ranking program (davita.com, News Release January 11, 2016). Based on 2014 performance, DaVita had five times fewer facilities receive a revenue penalty for 2016 than its competitors as well as the highest number of centers to receive four or five stars in the Five-Star metric. Further, the Department of Health surveys dialysis centers to ensure compliance with federal and state laws." [Source: Application Page 23]

Public Comment
None

Rebuttal Comment
None

Department Evaluation
The department completed a review of DaVita's quality and compliance with state and federal requirements below.

CMS Star Rating for Out-of-State Centers
DaVita reports dialysis services to CMS for more than 2,293 facilities in 45 states and the District of Columbia.[17] Of the 2,488 facilities reporting to CMS by DaVita, 295 had no star rating. For the remaining 2,193 facilities with a star rating, 85.9%% had a rating of three or better.

[17] The five states where DaVita does not operate are: Alaska, Delaware, Mississippi, Vermont, and Wyoming.

CMS Star Rating for Washington State Centers

DaVita owns, operates, or manages 42 facilities in 18 separate counties. Of the 42 centers, 40 of them are currently operating. Of the 40 centers, 8 do not have the necessary amount of data to compile a star rating.[18] The department reviewed the star rating for the remaining 32 centers.[19]

Table 7
DaVita Washington State Dialysis Facilities

Facility Name	CMS Certification Number	CMS Star Rating
OLYMPIC VIEW DIALYSIS CENTER	502525	3
KENT COMMUNITY DIALYSIS CENTER	502526	4
MID-COLUMBIA KIDNEY CENTER	502504	4
NORTH SPOKANE RENAL CENTER	502538	3
SPOKANE VALLEY RENAL CENTER	502537	5
PARKLAND DIALYSIS CENTER	502566	3
PUYALLUP COMMUNITY DIALYSIS CENTER	502534	3
SEAVIEW DIALYSIS CENTER	502562	5
ELLENSBURG DIALYSIS CENTER	502552	4
FEDERAL WAY COMMUNITY DIALYSIS CENTER	502513	4
EVERETT DIALYSIS CENTER	502560	5
MT ADAMS KIDNEY CENTER	502514	5
WENATCHEE VALLEY DIALYSIS	502568	5
EAST WENATCHEE DIALYSIS	502569	5
UNION GAP DIALYSIS CENTER	502543	5
VANCOUVER DIALYSIS CENTER	502550	3
WHIDBEY ISLAND DIALYSIS CENTER	502564	3
KENNEWICK DIALYSIS	502572	4
BELLEVUE DIALYSIS CENTER	502542	3
CHINOOK KIDNEY CENTER	502559	5
MILL CREEK DIALYSIS CENTER	502561	5
ZILLAH DIALYSIS	502571	4
DAVITA MT BAKER KIDNEY CENTER	502501	5
DOWNTOWN SPOKANE RENAL CENTER	502547	3
TACOMA DIALYSIS CENTER	502551	3
PILCHUCK DIALYSIS	502577	4
WESTWOOD DIALYSIS CENTER	502544	4
LAKEWOOD COMMUNITY DIALYSIS CENTER	502519	4
GRAHAM DIALYSIS CENTER	502554	5
OLYMPIA DIALYSIS CENTER	502555	5
YAKIMA DIALYSIS CENTER	502541	4

[18] The eight centers are: Battleground Dialysis Center, Belfair Dialysis Center, Cascade Dialysis Center, Echo Valley Dialysis Center, Rainier View Dialysis Center, Redondo Beach Dialysis Center, Renton Dialysis Center, and Tumwater Dialysis Center.

[19] CMS Star Rating Data updated as of January 24, 2018.

As shown on the previous page, all of DaVita's Washington State dialysis facilities show a three or better star rating.

Washington State Survey Data

For Washington State, DaVita owns, operates, or manages 42 facilities in 18 separate counties. Two of the 42 are CN approved, but not yet state surveyed and operational. The department reviewed the compliance history for the 40 operational DaVita dialysis centers listed above. For the Washington State facilities, on behalf of Centers for Medicare and Medicaid (CMS), the department has conducted and completed at least 40 surveys in the most recent three years. All surveys resulted in no significant non-compliance issues. [source: DOH IIO survey data]

DaVita identified J. Hamilton Licht, MD and Sajal Kumar, MD as pre-approved medical directors for DaVita Ellensburg and provided an executed medical director agreement with executed joinders. [Source: Application page 7, and Appendix 3] Using data from the Medical Quality Assurance Commission, the department found that both physicians have no enforcement actions on their respective licenses.

DaVita is currently operating under a Corporate Integrity Agreement (CIA) with the Office of the Inspector General of the Department of Health and Human Services that was signed on October 22, 2014. DaVita provided a copy of the signed agreement. [source: Application, Appendix 4] The department notes that the agreement focuses on DaVita's joint ventures with nephrologists to operate dialysis clinics; rather than patient care or billing practices.

DaVita's CIA has 16 specific sections under 'Term and Scope' that requires DaVita to:

- establish and maintain a Compliance Program that includes a Chief Compliance Officer and Management Compliance Committee;
- establish written standards for covered persons (as defined in the CIA);
- establish training and education for covered persons;
- ensuring compliance with anti-kickback statute;
- provide notice to joint venture partners and medical directors of specific information related to patient referrals and ownership information;
- unwind specific joint venture clinics;
- retain an independent monitor selected by OIG;
- establish compliance audits;
- establishment of a risk assessment and mitigation process;
- establish a financial recoupment process;
- cooperate with all OIG investigations;
- maintain its disclosure program;
- removal of 'ineligible persons' as defined in the CIA;
- notify the OIG of government investigation or legal proceedings;
- repayment of overpayments; and
- report all reportable events as defined in the CIA.

Appendix B of the CIA identifies the eleven separate joint ventures that must be unwound, which includes a total of 26 dialysis clinics in five different states.[20] None of the joint ventures or dialysis clinics are located in Washington State.
For this specific CIA, DaVita would not be excluded from participation in Medicare, Medicaid or other Federal health care programs provided that DaVita complies with the obligations outlined in the CIA.

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 medical directors associated with the facility. The department concludes that DaVita Ellensburg has been operating in compliance with applicable state and federal licensing and certification requirements. The department concludes there is reasonable assurance that DaVita Ellensburg would continue to be operated in conformance with applicable state and federal licensing and certification requirements if this project is approved. **This sub criterion is met.**

(4) *The proposed project will promote continuity in the provision of health care, not result in an unwarranted fragmentation of services, and have an appropriate relationship to the service area's existing health care system.*
WAC 246-310 does not contain specific WAC 246-310-230(4) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that 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 HealthCare Partners, Inc.
"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 and 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 (DQI0 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 affiliation letters between DaVita Ellensburg Dialysis Center and its area care partners." [Source: Application Page 22]

Public Comment
None

Rebuttal Comment
None

[20] The five states are: California (9); Colorado (7); Florida (5); Kentucky (1); and Ohio (4).

Department Evaluation
DaVita Ellensburg is an existing facility owned and operated by DaVita and documentation provided within the application shows the facility has maintained appropriate relationships with the healthcare providers located in or adjacent to the planning area. Nothing in the materials reviewed by the department suggest that approval of the relocation and expansion of DaVita Ellensburg Dialysis Center will change the relationships DaVita has with those providers. The department concludes **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.

DaVita HealthCare Partners, Inc.
"The applicant has no adverse history of license revocation or decertification in Washington State."
[source: Application, p22]

Public Comment
None

Rebuttal Comment
None

Department Evaluation
This sub-criterion is evaluated in sub-section (3) above. The department concludes that DaVita **met this sub-criterion**.

D. Cost Containment (WAC 246-310-240)
Based on the source information reviewed the department concludes DaVita Healthcare Partners, Inc. did not 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 superiority 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 type superiority criteria as directed by WAC 246-310-200(2) (a)(i), then the department would use 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, DaVita did not meet the applicable review criteria under WAC 246-310-210 and 220. Therefore, DaVita's project will not be evaluated further under Step Two or Step Three or the remainder of this sub-criterion.

APPENDIX A

Washington State Department of Health

2017
Kittitas County
ESRD Need Projection Methodology

	Planning Area	6 Year Utilization Data - Resident Incenter Patients					
	Kittitas	2011	2012	2013	2014	2015	2016
	Kittitas County	16	15	16	18	23	30
	TOTALS	16	15	16	18	23	30
246-310-284(4)(a)	Rate of Change		-6.25%	6.67%	12.50%	27.78%	30.43%
	6% Growth or Greater?		FALSE	TRUE	TRUE	TRUE	TRUE
	Regression Method:	Linear					
246-310-284(4)(c)				Year 1	Year 2	Year 3	Year 4
				2017	2018	2019	2020
Projected Resident Incenter Patients	from 246-310-284(4)(b)			31.50	35.20	38.90	42.60
Station Need for Patients	Divide Resident Incenter Patients by 3.2			9.8438	11.0000	12.1562	13.3125
	Rounded to next whole number			10	11	13	14
246-310-284(4)(d)	subtract (4)(c) from approved stations						
Existing CN Approved Stations				7	7	7	7
Results of (4)(c) above			-	10	11	13	14
Net Station Need				-3	-4	-6	-7
Negative number indicates need for stations							

Planning Area Facilities

Name of Center	# of Stations
DaVita Ellensburg	7
Total	7

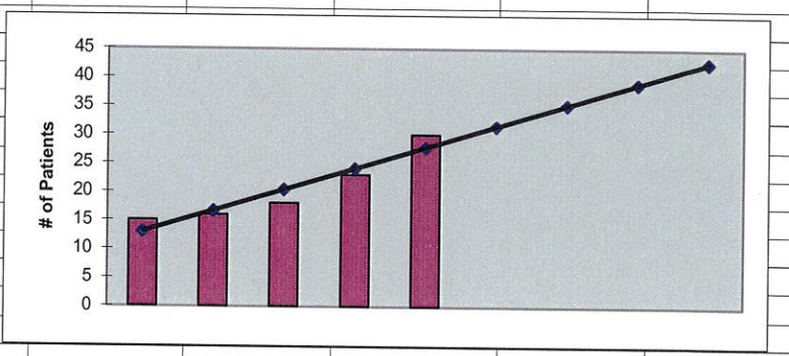
Source: Northwest Renal Network data 2011-2016
Most recent year-end data: 2016 posted 02/07/2017

Prepared by CN Program Staff - March 2017

Washington State Department of Health

2017
Kittitas County
ESRD Need Projection Methodology

x	y	Linear
2012	15	**13**
2013	16	**17**
2014	18	**20**
2015	23	**24**
2016	30	**28**
2017		**31.500**
2018		**35.200**
2019		**38.900**
2020		**42.600**



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.945305841
R Square	0.893603133
Adjusted R Square	0.858137511
Standard Error	2.330951165
Observations	5

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	136.9	136.9	25.19631902	0.015228245
Residual	3	16.3	5.433333333		
Total	4	153.2			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-7431.4	1484.542886	-5.00585067	0.015343169	-12155.87802	-2706.92198	-12155.87802	-2706.92198
X Variable 1	3.7	0.73711148	5.019593511	0.015228245	1.354182295	6.045817705	1.354182295	6.045817705

RESIDUAL OUTPUT

Observation	*Predicted Y*	*Residuals*
1	11.4	-0.4
2	12.7	-0.7
3	14	2
4	15.3	-0.3
5	16.6	-0.6