



July 1, 2024

Eric Hernandez, Manager
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852

Dear Mr. Hernandez:

Enclosed please find a copy of Puget Sound Kidney Centers' (PSKC) **Certificate of Need (CN) Amendment** related to cost overruns for CN#1778 (PSKC Richmond Beach).

The appropriate review and processing fee of \$12,874.00 for an amendment to a CN was submitted separately.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Amanda Crain", is written over a light blue horizontal line.

Amanda Crain,
Chief Operating Officer

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**Certificate of Need Application
Kidney Disease Treatment Facilities
Nonspecial Circumstance Projects**

Certificate of Need applications must be submitted with a fee in accordance with Washington Administrative Code [\(WAC\) 246-310-990](#).

Application is made for a Certificate of Need in accordance with provisions in Revised Code of Washington ([RCW](#)) 70.38 and [WAC 246-310](#), rules and regulations adopted by the Washington State Department of Health. I attest that the statements made in this application are correct to the best of my knowledge and belief.

Signature and Title of Responsible Officer Chief Operating Officer Email Address amandac@pskc.net	Date July 1, 2024 Telephone Number 425-259-1827
Legal Name of Applicant Puget Sound Kidney Centers Address of Applicant 1019 Pacific Ave. Everett, WA 98201	Provide a brief project description (example: # of stations/location) Amended Certificate of Need (CN #1778) Related to Cost Overruns (PSKC Richmond Beach) Estimated capital expenditure: \$13.1 million
This application is submitted under (check one box only): <input type="checkbox"/> Concurrent Review Cycle 1 – Non Special Circumstances: <input type="checkbox"/> Concurrent Review Cycle 2 – Non Special Circumstance -----	

Identify the Planning Area for this project as defined in WAC 246-310-800(15) . King 1
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PUGET SOUND
kidney centers

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CERTIFICATE OF NEED AMENDMENT

CN#1778 COST OVER RUN

IN THE

KING 1 DIALYSIS PLANNING AREA

JULY 1, 2024

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INTRODUCTION

In June 2018, Puget Sound Kidney Centers (PSKC) submitted Certificate of Need Application #18-53 proposing to establish a new 19 station dialysis facility in the King 1 Dialysis Planning area (King 1). The estimated capital expenditure for the project was \$8,538,099. The Department of Health approved the application, granting Certificate of Need #1778 (CN #1778) to PSKC in May of 2019.

The project commenced in August of 2020. Beginning in October of 2022, PSKC indicated within its quarterly progress reports related to CN #1778, that capital costs might exceed 112% of the approved amount as a result of delays associated with permitting approval during COVID and increased capital costs due to inflation.

The project is now complete and the facility, PSKC Richmond Beach, became operational on April 1, 2024. The amended capital costs for the project are approximately \$13.1 million; more than 53% above expenditures approved in CN #1778. This CN application is the amendment for the cost overruns.

Please note that because this is an amendment application, PSKC opted to use the same application form as was submitted in 2018 to allow the CN Program to understand where the application has been amended.

SECTION 1 APPLICANT DESCRIPTION

- 1. Provide the legal name(s) and address(es) of the applicant(s)**
Note: The term “applicant” for this purpose includes any person or individual with a ten percent or greater financial interest in the partnership or corporation or other comparable legal entity.

The legal name of the applicant is Puget Sound Kidney Centers (PSKC).

- 2. Identify the legal structure of the applicant (LLC, PLLC, etc.) and provide the UBI number.**

PSKC is a private, independent, State of Washington 501(c) (3) nonprofit corporation. PSKC’s UBI number is: 600401431.

- 3. Provide the name, title, address, telephone number, and email address of the contact person for this application.**

Questions regarding this application should be addressed to:

Amanda Crain,
Chief Operating Officer,
1019 Pacific Ave
Everett, WA 98201
Email: amandac@pskc.net
Phone: (425) 259-1827

- 4. Provide the name, title, address, telephone number, and email address of the consultant authorized to speak on your behalf related to the screening of this application (if any).**

Jody Carona
Health Facilities Planning & Development
120 1st Avenue West
Suite 100
Seattle WA 98119
Email: healthfac@healthfacilitiesplanning.com
Phone: (206) 441-0971

5. Provide an organizational chart that clearly identifies the business structure of the applicant(s).

This is an amended application for cost overruns. The organizational structure was approved in the original application. There is no change with this amendment application.

6. Identify all healthcare facilities owned, operated by, or managed by the applicant. This should include all facilities in Washington State as well as out-of-state facilities, and should identify the license/accreditation status of each facility.

PSKC operates eleven outpatient centers throughout Snohomish, Skagit, Kitsap, Pierce, Jefferson, and Island Counties. PSKC also has CN approval to establish five new facilities in Arlington (Snohomish), Lynnwood (Snohomish), Silverdale (Kitsap), Vancouver (Clark), and in Richmond Beach (King 1), the subject of this amended CN. PSKC does not own or operate any facility outside of Washington State. The eleven facilities are delineated in Table 1. In addition to these eleven outpatient dialysis facilities, PSKC also provides inpatient dialysis at Providence Regional Medical Center – Everett.

Table 1
PSKC Dialysis Facilities
Planning Area, Number of Stations and Services Provided

Facility	Year Opened	Address	Planning Area	No. of Stations	Services
PSKC Bremerton (Cogen)	1980	2613 Wheaton Way Bremerton, WA 98310	Kitsap County	20	In-center hemodialysis services include maintenance hemodialysis, Acute Kidney Injury (AKI) patient and visitor dialysis, backup hemodialysis for home patients as well as peritoneal dialysis and home hemodialysis training.*
PSKC Everett	1981	1005 Pacific Avenue Everett WA 98201	Snohomish 2	25	
PSKC South	1997	21309 44th Ave W. Mountlake Terrace, WA 98043	Snohomish 3	31	
PSKC Port Orchard	2001	1476 Olney Ave SE Port Orchard, WA 98366	Kitsap County	12	
PSKC Smokey Point	2005	18828 Smokey Point Blvd Arlington, WA 98223	Snohomish 1	28	
PSKC Whidbey Island	2005	430 SE Midway Blvd, Oak Harbor, WA 98277	Island County	9	
PSKC Poulsbo	2006	19472 Powder Hill Place NE, Suite 100 Poulsbo, WA 98370	Kitsap County	11	
PSKC Port Townsend	2010	2500 W Sims WA, Suite 102 Port Townsend, WA 98368	Jefferson County	7	
PSKC Anacortes	2014	809 31 st Street Anacortes, WA 98221	Skagit County	6	
PSKC Monroe	2014	18121 149th St. SE Monroe, WA 98272	Snohomish 2	12	
PSKC Lakewood	2019	11950 47 th Ave SW Lakewood, WA 98499	Pierce 5	29	*Lakewood and Bremerton do not have home hemodialysis support and training.

Source: Applicant

SECTION 2 PROJECT DESCRIPTION

1. Provide the name and address of the existing facility.

This project proposes to amend, due to a cost overrun, CN# 1778 issued to PSKC to establish a new 19 station dialysis unit in the King 1 Planning Area. After delays associated with COVID and new dialysis construction standards regarding emergency power, the facility, known as PSKC Richmond Beach, has completed construction and began seeing patients in April 2024.

The CN approved capital expenditure was \$8,538,099. The final capital expenditure is \$13,104,029.

2. Provide the name and address of the proposed facility. If an address is not yet assigned, provide the county parcel number and the approximate timeline for assignment of the address.

The name and address of the facility is:

PSKC Richmond Beach
355 NW Richmond Beach Road
Shoreline, WA 98177

3. Provide a detailed project description of the proposed project.

In its CN approval, PSKC Richmond Beach was approved for 19 CN recognized stations and 1 exempt station. Services to be provided were included in the CN application as including in-center hemodialysis, home hemodialysis and home peritoneal dialysis training, isolation capabilities, and a permanent bed station. A patient shift starting after 5pm was also included. There are no changes to the CN approved project other than the increased capital cost. To best understand the reasoning for the cost overrun, PSKC has summarized the project history below:

The application was submitted in June of 2018, and approved by the CN Program and CN #1778 was issued in late May of 2019. The decision to issue the CN was appealed in May of 2019, and the appeal was dropped on January 13, 2020. PSKC gave notice to their architect and engineers and design and development commenced in late Q1 2020. COVID stopped all work as the entirety of the PSKC organization shifted to responding to COVID and its impact on our dialysis patients and staff.

The design was restarted, and plans were submitted to the City of Shoreline in January of 2021, and it took more than a year for the City to complete plan review; the permit was issued on March 22, 2022. The project was completed in April 2024, and final costs were available as of June 2024. The CN Program was notified regarding the cost overrun on May 31, 2024.

4. Identify any affiliates for this project, as defined in WAC 246-310-800(1).

Per WAC 246-310-800 (1) "Affiliate" or "affiliated" means:

- (a) Having at least a ten percent but less than one hundred percent ownership in a kidney dialysis facility;
- (b) Having at least a ten percent but less than one hundred percent financial interest in a kidney dialysis facility; or
- (c) Three years or more operational management responsibilities for a kidney dialysis facility.

At the time of CN approval, there were no affiliates. There are no changes with this amendment application.

5. With the understanding that the review of a Certificate of Need application typically takes 6-9 months, provide an estimated timeline for project implementation, below:

The project was delayed due to COVID, delays by the City of Shoreline in issuing the permit, and updated design requirements. The CN estimated versus actual timeline is included in Table 2 below.

Table 2
PSKC Richmond Beach Timeline

Event	CN Anticipated Date	Actual
Design Complete	June 2019	January 2021
Construction Commenced	July 2019	March 2022
Construction Completed	August 2020	February 2024
Facility Prepared for Survey	September 2020	March 2024
Additional Stations Operational	October 2020	April 2024

Source: Applicant

6. Identify the date the facility is expected to be operational as defined in WAC 246-310-800(12).

WAC 246-310-800 (12) defines operational as:

“Operational” means the date when the kidney dialysis facility provides its first dialysis treatment in newly approved certificate of need stations, including relocated stations.

Per Table 2, PSKC Richmond Beach became operational in April 2024.

7. Provide a detailed description of the services represented by this project. For existing facilities, this should include a discussion of existing services and how these would or would not change as a result of the project. Services can include but are not limited to in-center hemodialysis, home hemodialysis training, peritoneal dialysis training, a late shift (after 5:00 pm), etc.

When it issued the CN to PSKC for this project in 2019, the CN Program found that PSKC’s 2018 response to this question met all CN requirements. There are no changes with this amendment application.

8. Provide a general description of the types of patients to be served by the facility at project completion.

When it issued the CN to PSKC for this project in 2019, the CN Program found that PSKC’s 2018 response to this question met all CN requirements. There are no changes with this amendment application.

9. Provide a copy of the letter of intent that was already submitted according to WAC 246-310-080.

A copy of the letter of intent is included in Exhibit 1.

10. Provide single-line drawings (approximately to scale) of the facility, both before and after project completion. Reference WAC 246-310-800(11) for the definition of maximum treatment area square footage. Ensure that stations are clearly labeled with their square footage identified, and specifically identify future expansion stations (if applicable)

This amendment application is due to a cost overrun. There are no changes to the drawings submitted and approved with the original application.

11. Provide the gross and net square feet of this facility. Treatment area and non-treatment area should be identified separately (see explanation above re: maximum treatment area square footage).

The DOH previously found that PSKC's 2018 application met all requirements related to WAC 246-310-800(11). There are no changes to square footage with this amendment application.

12. Confirm that the facility will be certified by Medicare and Medicaid. If this application proposes the expansion of an existing facility, provide the existing facility's Medicare and Medicaid numbers.

The PSKC Richmond Beach has been certified by Medicare. A Medicaid certification application has been submitted.

SECTION 3
A. Need (WAC 246-310-210)

- 1. List all other dialysis facilities currently operating in the planning area, as defined in WAC 246-310-800(15).**

The DOH previously found that PSKC's 2018 application met all requirements related to WAC 246-310-800(15). Accordingly, PSKC understands that criteria for this question is deemed met for this amendment application.

- 2. Provide utilization data for the facilities listed above, according to the most recent Northwest Renal Network modality report. Based on the standards in WAC 246-310-812(5) and (6), demonstrate that all facilities in the planning area either:**
 - a) have met the utilization standard for the planning area;**
 - b) have been in operation for three or more years; or**
 - c) have not met the timeline represented in their Certificate of Need application.**

The DOH previously found that PSKC's 2018 application met all requirements related to WAC 246-310-812(5) and (6). Accordingly, PSKC understands that criteria for this question is deemed met for this amendment application.

- 3. Complete the methodology outlined in WAC 246-310-812. For reference, copies of the ESRD Methodology for every planning area are available on our website. Please note, under WAC 246-310-812(1), applications for new stations may only address projected station need in the planning area where the facility is to be located, unless there is no existing facility in an adjacent planning area. If this application includes an adjacent planning area, station need projections for each planning area must be calculated separately.**

The DOH previously found that PSKC's 2018 application met all requirements related to WAC 246-310-812. Accordingly, PSKC understands that criteria for this question is deemed met for this amendment application.

- 4. For existing facilities, provide the facility's historical utilization for the last three full calendar years.**

For the purposes of this amendment application, PSKC Richmond Beach is not an existing facility. This question is not applicable.

- 5. For existing facilities proposing to add one or two stations under WAC 246-310-818, provide the facility's historical utilization data for the most recent six months preceding the letter of intent period. This data should be acquired from the Northwest Renal Network.**

PSKC is not proposing a Special Circumstances application. This question is not applicable.

- 6. Provide projected utilization of the proposed facility for the first three full years of operation. For existing facilities, also provide the intervening years between historical and projected. Include all assumptions used to make these projections.**

The DOH previously found that PSKC's 2018 application met all requirements related to projected utilization. No changes are proposed with this amendment application. The pro forma financials contained in Exhibit 2 provide the utilization estimates.

- 7. For existing facilities, provide patient origin zip code data for the most recent full calendar year of operation.**

For the purposes of this amendment application, PSKC Richmond Beach is not an existing facility. This question is not applicable.

- 8. Identify any factors in the planning area that could restrict patient access to dialysis services. WAC 246-310-210(1), (2).**

The DOH previously found that PSKC's 2018 application met all requirements related to WAC 246-310-210(1) and (2). This amendment application does not change those findings.

- 9. Identify how this project will be available and accessible to low-income persons, racial and ethnic minorities, women, mentally handicapped persons, and other under-served groups. WAC 246-310-210(2)**

The DOH previously found that PSKC's 2018 application met all requirements related to WAC 246-310-812(5) and (6). This amendment application does not change those findings.

10. If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the limitations of the current site consistent with WAC 246-310-210(2).

This amendment application is due to a cost overrun. It does not propose any (partial or full) relocation. This question is not applicable.

11. If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the benefits associated with relocation consistent with WAC 246-310-210(2).

This amendment application is due to a cost overrun. It does not propose any (partial or full) relocation. This question is not applicable.

12. Provide a copy of the following policies:

- **Admissions policy**
- **Charity care or financial assistance policy**
- **Patient Rights and Responsibilities policy**
- **Non-discrimination policy**
- **Any other policies directly associated with patient access (example, involuntary discharge)**

This amendment application is due to a cost overrun. This amendment application does not propose any changes to the policies submitted and approved in the 2018 application.

SECTION 4

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

1. **Financial feasibility of a dialysis project is based on the criteria in WAC 246-310-220 and WAC 246-310-815.**
 - **Provide documentation that demonstrates the immediate and long-range capital and operating costs of the project can be met. This should include but is not limited to:**
 - **Utilization projections. These should be consistent with the projections provided under the Need section. Include all assumptions.**
 - **Pro Forma financial projections for at least the first three full calendar years of operation. Include all assumptions.**
 - **For existing facilities proposing a station addition, provide historical revenue and expense statements, including the current year. Ensure these are in the same format as the pro forma projections. For incomplete years, identify whether the data is annualized.**

The DOH previously found that PSKC's 2018 application met all requirements related to WAC 246-310-220 and WAC 246-310-815. As part of this amended application, **a revised pro forma financial statement and assumptions are included as Exhibit 2.** Please note that PSKC has made only minor changes to the pro forma financial statements from the ones that were originally approved in order to demonstrate the impact of the cost overrun on the overall financial feasibility of the project. These include:

1. **Patient revenue rates:** Consistent with WAC 246-310-815, PSKC used the three closest facilities to determine an updated incenter rate.
2. **Salaries and Wages:** As no changes in utilization are proposed for this amendment application, all staffing FTEs are consistent with Table 12 of the original application. However, PSKC has utilized updated salary rates and, therefore, this line item is higher than the costs included in the originally approved application.
3. **Employee Benefits & Taxes:** PSKC used the same percentage (24.6%) as the original application, but this line item has increased expenses due to the higher salaries and wages line item.
4. **Interest:** Due to the increased capital expenditure, PSKC has financed a larger portion of the project costs. However, the actual interest rate is lower than the rate assumed in the approved application. Therefore, by 2027, the 3rd full year of operation, the interest expense is actually **lower** than the amount in the approved application. For example, the 2027 interest expense is \$268,992 while the approved application had assumed an interest expense of \$337,346 by the 3rd full year of operation.
5. **Depreciation Expense:** The depreciation expense is higher than the approved application due to the increased capital expenditure.

6. **Depreciation & Amortization:** The depreciation and amortization expense line item is also higher than the approved application due to the increased capital expenditure.

2. Provide the following agreements/contracts:

- **Management agreement.**
- **Operating agreement**
- **Medical director agreement**
- **Development agreement**
- **Joint Venture agreement**

The DOH previously found that PSKC's 2018 application met all requirements related to agreements/contracts. **The approved application only included a Medical Director agreement. While the previously identified Medical Director has changed, there are no changes to the previously submitted and approved agreement including the compensation.**

3. Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site. If a lease agreement is provided, the terms must be for at least five years following project completion.

The DOH previously found that PSKC's 2018 application met all requirements related to site control. The Purchase and Sales Agreement and King County Assessor's documentation were submitted with the original application as Exhibits 8 and 9, respectively. Accordingly, PSKC understands that criteria for this question is deemed met for this amendment application.

4. Provide county assessor information and zoning information for the site. If zoning information for the site is unclear, provide documentation or letter from the municipal authorities showing the proposed project is allowable at the identified site.

The DOH previously found that PSKC's 2018 application met all requirements related to zoning. Documentation from the city of Shoreline confirming the zoning, and permissible use as a kidney center, was submitted with the original application as Exhibit 10. Accordingly, PSKC understands that criteria for this question is deemed met for this amendment application.

5. Complete the table below with the estimated capital expenditure associated with this project. Capital expenditure for the purposes of dialysis applications is defined under WAC 246-310-800(3). If you have other line items not listed below, include the definition of the line item. Include all assumptions used to create the capital expenditure estimate.

Original and revised capital expenditures for PSKC Richmond Beach are included in Table 3:

Table 3
PSKC Richmond Beach Kidney Center
Revised Capital Expenditure

Item	Original Filing Cost	Revised Application Cost
a. Land Purchase		\$1,647,317
b. Utilities to Lot Line		
c. Land Improvements		
d. Building Purchase	\$3,110,000	\$490,679
e. Residual Value of Replaced Facility		
f. Building Construction	\$3,193,750	\$7,220,087
g. Fixed Equipment (not already included in the construction contract)	\$426,690	\$426,690
h. Movable Equipment	\$634,379	\$634,379
i. Architect and Engineering Fees	\$505,000	\$514,324
j. Consulting Fees		
k. Site Preparation		
l. Supervision and Inspection of Site		
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)		\$785,950
1. Land		
2. Building	\$319,375	\$693,379
3. Equipment (fixed, moveable)	\$76,715	\$76,715
4. Other		\$342,317
i. City permits, meters, sidewalks, PUD	\$272,190	\$272,190
ii. PUD line extensions		
iii. Construction Testing		
iv. Construction period legal fees		
v. Printing, signage		
n. Washington Sales Tax ¹	\$396,090	\$396,090
Total Estimated Capital Expenditure	\$8,538,099	\$13,104,029

Source: Applicant

¹ There is no sales tax on dialysis machines.

6. Identify the entity responsible for the estimated capital costs identified above. If more than one entity is responsible, provide breakdown of percentages and amounts for all.

The DOH previously found that PSKC's 2018 application met all requirements related to preparing estimated capital costs. Consistent with the 2018 application, PSKC's architect, Botesch, Nash & Hall Architects, P.S. provided the estimates for building construction, fixed equipment and architectural and engineering fees. PSKC was responsible for providing the other costs.

7. Provide a non-binding contractor's estimate for the construction costs for the project.

This amendment application is due to a cost overrun. The project is now complete and PSKC Richmond Beach is operational. Final construction costs have been included in Table 3. PSKC believes that this requirement has been met.

8. Provide a detailed narrative regarding how the project would or would not impact costs and charges for services. WAC 246-310-220.

The DOH previously found that PSKC's 2018 application met all requirements related to the project's impact on the costs and charges for services. As noted in the approved application, PSKC's capital costs do not impact its costs and charges for services. Accordingly, PSKC believes that this requirement is deemed met for this amendment application.

9. Provide documentation that the costs of the project, including any construction costs, will not result in an unreasonable impact on the costs and charges for health services in the planning area. WAC 246-310-220.

The DOH previously found that PSKC's 2018 application would not have an unreasonable impact on the costs and charges for health services in the planning areas. PSKC does not believe that this amendment application would change that finding. Accordingly, PSKC believes that this requirement is deemed met for this amendment application.

10. Provide the projected payer mix by revenue and by patients using the example table below. If “other” is a category, define what is included in “other.”

The DOH previously found that PSKC’s 2018 application met all requirements related to payer mix. This amendment application did not assume any change in payer mix for the approved application. For reader ease, Table 4 provides the original payer mix information.

Table 4
PSKC Richmond Beach Kidney Center
Projected Payer Mix

Payer Mix	Percentage by Revenue	Percentage by Patient
Medicare	48.7%	59.7%
Medicare Managed Care	15.4%	15.9%
Medicaid	7.8%	12.1%
Other: Commercial	28.1%	12.3%
Total	100.0%	100.0%

Source: Applicant, Table 10 from the 2018 application.

11. If this project proposes the addition of stations to an existing facility, provide the historical payer mix by revenue and patients for the existing facility. The table format should be consistent with the table shown above.

This project does not propose an addition of stations to an existing facility. Therefore, this question is not applicable.

12. Provide a listing of all new equipment proposed for this project. The list should include estimated costs for the equipment. If no new equipment is required, explain.

The DOH previously found that PSKC’s 2018 application met all requirements related to new equipment. No changes are proposed with this amendment application. Accordingly, PSKC believes that this requirement is deemed met for this amendment application.

13. Provide a description of any equipment to be replaced, including cost of the equipment, and salvage value (if any) or disposal, or use of the equipment to be replaced.

No equipment will be replaced as a result of this project.

14. Identify the source(s) of financing (loan, grant, gifts, etc.) and provide supporting documentation from the source. Examples of supporting documentation include: a letter from the applicant's CFO committing to pay for the project or draft terms from a financial institution.

The DOH previously found that PSKC's 2018 application met all requirements related to financing. Supporting documentation was provided as Exhibit 5 to the original application. As noted in response to an earlier question, PSKC did obtain financing for the project at a lower interest rate but for a larger loan amount. This change reduced the interest expense for the amendment application; thereby resulting in a positive impact on the project.

15. If this project will be debt financed through a financial institution, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized. WAC 246-310-220

The DOH previously found that PSKC's 2018 application met all requirements related to repayment scheduling. A payment schedule was provided as Exhibit 13 to the original application. As noted in response to previous questions, the annual interest expense is less with the amendment application. If a revised repayment schedule is required, PSKC requests that the CN Program allow it to be provided in screening.

16. Provide the applicant's audited financial statements covering at least the most recent three years. WAC 246-310-220

The DOH previously found that PSKC's 2018 application met all requirements related to audited financial statements and PSKC has incurred the increased capital expenditure associated with this amendment application. Therefore, PSKC believes that no additional audited financial statements are needed.

SECTION 5
C. Structure and Process (Quality) of Care (WAC 246-310-230)

- 1. Provide a table that shows FTEs [full time equivalents] by category for the proposed facility. If the facility is currently in operation, include at least the last three full years of operation, the current year, and the first three full years of operation following project completion. There should be no gaps in years. All staff categories should be defined.**

As noted in response to a previous question, PSKC has made no changes to utilization or FTEs from the approved application. Staffing FTEs were provided in Table 12 of the approved application. PSKC has, however, included current salaries in the revised pro forma provided in Exhibit 2.

- 2. Provide the assumptions used to project the number and types of FTEs identified for this project.**

As noted in response to a previous question, PSKC has made no changes to the estimated FTEs from the approved application. DOH previously found that PSKC's 2018 application met all requirements related to its staffing assumptions and projections. Therefore, PSKC believes that no additional information is needed.

- 3. Identify the salaries, wages, and employee benefits for each FTE category.**

As noted in response to an earlier question, PSKC has not changed any FTE assumptions and has also held the benefit percentage consistent with the approved 2018 application. PSKC has, however, in the pro forma financials, increased salaries to current levels. As this amendment application is for a cost overrun only, PSKC believes that this is a sufficient response to this question.

- 4. Provide the name and professional license number of the current or proposed medical director. If not already disclosed under 210(1) identify if the medical director is an employee or under contract.**

The medical director at the time the facility became operational and met the conditions of the Certificate of Need was Dr. Rebecca Morales. Dr. Morales' license number is MD61072054. The current medical director (interim) is Dr. Raghu Durvasula. Dr. Durvasula's license number is MD00039253.

5. Identify key staff, if known. (nurse manager, clinical director, etc.)

As a new facility, key staff were unknown at the time of PSKC's 2018 application submission. As of the filing of this amendment (June 2024), current key staff include:

- Medical Director (Interim): Dr. Raghu Durvasula (MD00039253)
- RN-in-charge: Theresa Tofflemire (RN60867601)
- Regional Director: Laura Ulam (RN00154056)
- Dietician: Nikki Stevenson (DI60102415)
- Social Worker: Dan Blatnik (LW60102415)
- Biomed: Mike Teske (CCNT20321684R)
- Home RN: Olga Berger (RN00165120)

6. For existing facilities, provide names and professional license numbers for current credentialed staff.

For the purposes of this amendment application, PSKC Richmond Beach is not an existing facility. This amendment application is due to a cost overrun. However, key staff were provided in response to Question 5.

7. Describe your methods for staff recruitment and retention. If any barriers to staff recruitment exist in the planning area, provide a detailed description of your plan to staff this project.

The DOH previously found that PSKC's 2018 application met all requirements related to staff recruitment and retention. Accordingly, PSKC understands that criteria for this question is deemed met for this amendment application.

8. Provide a listing of proposed ancillary and support agreements for the facility. For existing facilities, provide a listing of the vendors.

The DOH previously found that PSKC's 2018 application met all requirements related to ancillary and support agreements. No change is proposed with this amendment application. Accordingly, PSKC understands that criteria for this question is deemed met for this amendment application.

9. For existing facilities, provide a listing of ancillary and support service vendors already in place.

For the purposes of this amendment application, PSKC Richmond Beach is not an existing facility. This question is not applicable.

10. For new facilities, provide a listing of ancillary and support services that will be established.

The DOH previously found that PSKC's 2018 application met all requirements related to ancillary and support services. No change is proposed with this amendment application. Accordingly, PSKC understands that criteria for this question is deemed met for this amendment application.

11. Provide a listing of ancillary and support services that would be provided on site and those provided through a parent corporation off site.

The DOH previously found that PSKC's 2018 application met all requirements related to onsite and offsite ancillary services. No change is proposed with this amendment application. Accordingly, PSKC understands that criteria for this question is deemed met for this amendment application.

12. Identify whether any of the existing ancillary or support agreements are expected to change as a result of this project.

PSKC Richmond Beach was not an existing facility at the time of the initial 2018 application. Therefore, this question was not applicable. This amendment application does not change PSKC's response.

13. If the dialysis center is currently operating, provide a listing of healthcare facilities with which the dialysis center has working relationships.

PSKC Richmond Beach was not an existing facility at the time of the initial 2018 application. Therefore, this question was not applicable. This amendment application does not change PSKC's response.

14. For a new facility, provide a listing of healthcare facilities that the dialysis center would establish working relationships.

The DOH previously found that PSKC's 2018 application met all requirements related to working relationships. No change is proposed with this amendment application. Accordingly, PSKC understands that criteria for this question is deemed met for this amendment application.

15. Clarify whether any of the existing working relationships would change as a result of this project.

PSKC Richmond Beach was not an existing facility at the time of the initial 2018 application. Therefore, this question was not applicable. This amendment application does not change PSKC's response.

16. Fully describe any history of the applicant concerning the actions noted in Certificate of Need rules and regulations WAC 246-310-230(5)(a). If there is such history, provide documentation that the proposed project will be operated in a manner that ensures safe and adequate care to the public to be served and in conformance with applicable federal and state requirements. This could include a corporate integrity agreement or plan of correction.

The DOH previously found that PSKC's 2018 application met all requirements related to CN regulation WAC 246-310-230(5) (a). PSKC does not believe that this amendment application changes this finding.

17. Provide documentation that the proposed project will promote continuity in the provision of health care services in the planning area, and not result in an unwarranted fragmentation of services. WAC 246-310-230

The DOH previously found that PSKC's 2018 application met all requirements related to continuity in the provision of health care services and would not result in any unwarranted fragmentation of services. However, if this amendment application is not approved, fragmentation of services could occur if PSKC is required to close the facility and relocate patients to other locations for dialysis.

18. Provide documentation that the proposed project will have an appropriate relationship to the service area's existing health care system as required in WAC 246-310-230.

The DOH previously found that PSKC's 2018 application met all requirements related to WAC 246-310-230. PSKC does not believe that this amendment application changes this finding.

- 19. Provide documentation to verify that the facility would be operated in compliance with applicable state and federal standards. The assessment of the conformance of a project to this criterion shall include, but not be limited to, consideration as to whether:**
- a. The applicant or licensee has no history, in this state or elsewhere, of a criminal conviction which is reasonably related to the applicant's competency to exercise responsibility for the ownership or operation of a health care facility, a denial or revocation of a license to operate a health care facility, a revocation of a license to practice a health profession, or a decertification as a provider of services in the Medicare or Medicaid program because of failure to comply with applicable federal conditions of participation; or**
 - b. If the applicant or licensee has such a history, whether the applicant has affirmatively established to the department's satisfaction by clear, cogent and convincing evidence that the applicant can and will operate the proposed project for which the certificate of need is sought in a manner that ensures safe and adequate care to the public to be served and conforms to applicable federal and state requirements.**

The DOH previously found that PSKC's 2018 application met all requirements related to applicable state and federal standards. PSKC does not believe that this amendment application changes this finding.

SECTION 6
D. Cost Containment (WAC 246-310-240)

1. Identify all alternatives considered prior to submitting this project.

Given the cost overrun, there was no other option available to PSKC other than submitting this amendment. The facility that the CN Program originally concluded was needed is now operational. And, even with the additional capital costs, the project is still financially feasible.

2. Provide a comparison of the project with alternatives rejected by the applicant. Include the rationale for considering this project to be superior to the rejected alternatives. Factors to consider can include, but are not limited to: patient access to healthcare services, capital cost, legal restrictions, staffing impacts, quality of care, and cost or operation efficiency.

The DOH previously found that PSKC's 2018 application met all requirements related to comparison of alternatives. As noted in response to Question 1, no other options were available other than submitting this amendment application.

3. For existing facilities, identify your closest two facilities as required in WAC 246-310-827(3)(a).

PSKC Richmond Beach was not an existing facility at the time of the initial 2018 application. Therefore, this question was not applicable. This amendment application does not change PSKC's response.

4. For new facilities, identify your closest three facilities as required in WAC 246-310-827(3)(b).

The three PSKC facilities closest to the proposed PSKC Richmond Beach were and continue to be:

- PSKC South
- PSKC Monroe
- PSKC Everett

Given that this is an amendment application for a cost overrun, PSKC believes that this response is a sufficient answer to this question.

- 5. Identify whether any aspects of the facility's design could lead to operational efficiency. This could include but is not limited to: LEED building, water filtration, or the methods for construction, etc. WAC 246-310-240(2) and (3).**

The DOH previously found that PSKC's 2018 application met all requirements related to operational efficiency and WAC 246-310-240(2) and (3). No changes resulted from this amendment application. PSKC believes that this is a sufficient response to this question.

Exhibit 1
Letter of Intent



May 31, 2024

Eric Hernandez, Manager
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852

Dear Eric:

Puget Sound Kidney Centers (PSKC) submits this letter of intent to amend CN #1778, which approved the establishment of a new 19 station dialysis center in the King 1 Dialysis Planning Area. The amendment is due to a change in the capital cost of the project.

Pursuant to both WAC 246-310-080 and WAC 246-310-100, the following information is provided:

1. A description of the services proposed:

CN#1778 approved the establishment of a new 19 station dialysis center. The construction of the center is now completed. There are no changes to the approved project other than the increased capital cost.

2. The estimated cost of the proposed project:

The original cost of the facility was estimated at \$8,538,099. Cost overruns related to delays associated with permitting approval during COVID and inflation increased the capital costs above 112% of the approved amount. The amended capital cost for the project is approximately \$13.1 million.

3. Description of the Service Area:

Per WAC 246-310-280, the service area is the King County 1 Dialysis Planning Area.

Thank you for your support in this matter. Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Amanda Crain", is written over a light blue circular stamp.

Amanda Crain,
Chief Operating Officer

Exhibit 2
Pro Forma Financial, Utilization, and Financial Assumptions

PSKC Richmond Beach Pro Forma Assumptions

1. Volumes

- A. Patients – In-Center. Census was based on the assumptions outlined below: PSKC has assumed that 18 patients transfer from PSKC South upon opening; and an additional 8 new patients are added (due to the increase projected, in part, from application of the methodology). In 2025, an additional 28 patients are added due to the full operation of PSKC Richmond Beach. In 2026 and in 2027, 19 new patients are expected in each year.
- B. Patients – Home Program. Increases in patient census by modality were projected based upon PSKC’s historical experience.
- C. Treatments – In-Center. Treatments were assumed to average 148 treatments per patient annually to account for missed treatments.
- D. Treatments – Home Program. Treatments were based on PSKC experience and assumed an average of 360 treatments per PD patient per year and 156 treatments per HHD patient per year.

2. Revenues

- A. Revenues and current payer mix were based on the current experience of three closest PSKC facilities (PSKC Everett, PSKC South, and PSKC Monroe) for all modalities. Payer mix by patient and revenue was provided in Table 10 of the application. Net revenue per treatment is assumed to be \$357.60 for in-center treatments and per WAC 246-310-812 (c)(i) is the average of the three closest facilities. The rate was determined using the net revenue per treatment for the three closest facilities average for 2022-2023. Net revenue per treatment for home treatments is based upon the net revenue per treatment by modality for home hemodialysis (\$393.12) and peritoneal dialysis treatments (\$167.59).
- B. Charity care is assumed to be 0.88% of net revenue based on the three closest facilities.
- C. Bad debts are assumed to be 1.1% of net revenue based on the three closest facilities.

3. Direct Expenses

Per the requirement of WAC 246-310-815 (1)(iii) unless otherwise stated, ‘all other expenses’ have been calculated based on the average cost per treatment of the three closest facilities (total expenses/total treatments) to the proposed PSKC Richmond Beach.

- A. Salaries and wages: information regarding the number of FTEs and average salary was provided in Table 12 of the 2018 original application. No change in FTEs has been assumed.
- B. Benefits were assumed to be 24.63%, which is based on the average benefit percentages of the three closest facilities.

- C. Medical Director fees are based on medical director agreement applicable to PSKC Richmond Beach (see Exhibit 7 of the original application; \$50,000/year).
- D. Medical supplies: average cost per treatment based on the three closest facilities (\$29.74 for in-center and \$52.04 for home treatments).
- E. Pharmacy and EPO: based on the average cost per treatment of the three closest facilities.
- F. Office and miscellaneous expenses include office supplies, small equipment, information technology expenses (including licenses, software maintenance, and IT-related supplies), equipment rent, and other miscellaneous expenses. These expenses were based on the cost per treatment experience for PSKC's three closest facilities. In year 2024, the first partial year of operation for PSKC Richmond Beach, the expense was increased to include the cost of small equipment not eligible for capitalization.
- G. Repairs and Maintenance include maintenance agreements and parts for various operating equipment. These expenses were based on the cost per treatment experience of PSKC's three closest facilities.
- H. Housekeeping: These expenses were based on the cost per treatment experience of PSKC's three closest facilities.
- I. Building repairs and maintenance, and utilities. Building maintenance was estimated using the cost per square foot average of PSKC's three closest facilities.
- J. Utilities were based on the cost per treatment experience of PSKC's three closest facilities.
- K. Communication expenses include telephone (both land and cell), postage, connectivity, and internet costs. They were estimated based on the average costs of PSKC's three closest facilities.
- L. Laboratory expenses were based on the rate charged for each bundled patient and was assumed to be \$750/patient.
- M. Training: These expenses were based on the cost per treatment experience at PSKC's three closest facilities.
- N. Interest: PSKC financed the proposed facility construction. The required interest expense incurred for this project is consistent with the actual financing.
- O. Depreciation expenses were estimated based on the actual useful lives PSKC assigned to certain equipment classifications. Classifications are as follows:

1. Building	40 years
2. Building improvements	15 years
3. Medical equipment	7 years
4. Furniture and office equipment	7 years

4. Overhead

- A. Indirect expenses are allocated based on a cost per patient treatment (equivalent in-center treatments) for the proposed PSKC Richmond Beach using most recent actuals.

B. The Corporate Medical Director fees are allocated based on a cost per patient treatment (equivalent in-center treatments).

PUGET SOUND KIDNEY CENTERS
PSKC-RICHMOND BEACH
FORECASTED STATEMENTS OF OPERATIONS
For the Years Ending December 31, 2024 Through 2027

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
PATIENTS:				
In-center	26	54	73	92
Home	4	5	8	10
TREATMENTS:				
In-center Treatments	962	7,992	10,804	13,616
Home Treatments - HHD	67	301	379	446
Home Treatments - PD	170	1,070	1,780	2,500
Home Training - HHD	11	11	11	22
Home Training - PD	10	10	20	20
Total Treatments	<u>1,220</u>	<u>9,384</u>	<u>12,994</u>	<u>16,604</u>
PATIENT SERVICE REVENUE:				
In-center dialysis	\$ 344,011	\$ 2,857,939	\$ 3,863,510	\$ 4,869,082
Home treatments - HHD	26,339	118,329	148,992	175,332
Home treatments - PD	28,490	179,321	298,310	418,975
Home training - HHD	4,324	4,324	4,324	8,649
Home training - PD	1,676	1,676	3,352	3,352
Mobile	-	-	-	-
	<u>404,840</u>	<u>3,161,589</u>	<u>4,318,488</u>	<u>5,475,390</u>
Charity Care	(3,563)	(27,822)	(38,003)	(48,183)
Bad Debts	(4,453)	(34,777)	(47,503)	(60,229)
	<u>396,824</u>	<u>3,098,990</u>	<u>4,232,982</u>	<u>5,366,978</u>
OPERATING EXPENSES:				
Salaries and wages	330,785	882,044	1,329,059	1,602,114
Employee benefits & taxes	81,472	217,247	327,347	394,602
Medical director (direct)	37,500	50,000	50,000	50,000
Medical supplies	42,036	310,122	435,279	560,436
Pharmacy	8,552	65,782	91,088	116,394
EPO/Aranesp	24,193	186,085	257,671	329,257
Office & miscellaneous	34,968	16,539	22,902	29,265
Repairs & maintenance	2,188	16,830	23,303	29,777
Housekeeping	4,589	35,303	48,883	62,464
Occupancy - Maintenance	22,532	29,880	33,129	36,378
Occupancy - Utilities	5,661	43,541	60,292	77,042
Communications	31,350	41,800	41,800	41,800
Laboratory	16,875	44,250	60,750	76,500
Training	505	3,881	5,374	6,868
Interest	263,436	315,841	292,943	268,992
Depreciation (new building)	183,214	265,146	265,146	277,968
Depreciation & amortization	107,576	203,968	203,968	203,968
	<u>1,197,432</u>	<u>2,728,259</u>	<u>3,548,934</u>	<u>4,163,825</u>
Corporate MD OH Allocation	462	3,185	4,077	4,878
Overhead Allocation	74,182	530,128	710,823	881,145
Income from Operations	<u>\$ (875,252)</u>	<u>\$ (162,582)</u>	<u>\$ (30,852)</u>	<u>\$ 317,130</u>
Overhead per treatment	61.18	56.83	55.02	53.36