



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

March 18, 2021

Rebecca Fox
Northwest Kidney Centers
Sent via email: rebecca.fox@nwkidney.org

RE: Certificate of Need Application #21-78A- NKC Rainier Beach Kidney Center Project

Dear Ms. Fox:

The review of the Certificate of Need application submitted by Northwest Kidney Centers (NKC) proposing to relocate seven dialysis stations from NKC Elliot Bay Kidney Center to NKC Rainier Beach Kidney Center, both within King Two ESRD Planning Area has been completed. Attached is a written evaluation of the application.

For the reasons stated in this evaluation, the project is consistent with applicable criteria of the Certificate of Need Program, provided that Northwest Kidney Centers agrees to the following in its entirety.

Project Description:

This certificate approves the relocation of seven dialysis stations from NKC Elliott Bay Kidney Center to NKC Rainier Beach Kidney Center, both located in King County ESRD planning area #2. NKC Rainier Beach Kidney Center will continue to provide the following services: in-center hemodialysis, home hemodialysis, home peritoneal dialysis, training and support for dialysis patients, a dialysis station for patients requiring treatment in a private room (non-exempt isolation station), a dedicated bed dialysis station, and shifts beginning after 5:00 pm. The tables below show a breakdown of the dialysis stations at each facility after project completion.

NKC Rainier Beach Kidney Center-Project Completion

Station Type	CMS Certified Stations	Station Counted for Station Use and Methodology
General Use In-Center Stations	16	16
Permanent Bed Station	1	1
Exempt Isolation Station	0	0
Isolation Station	2	2
Total Stations	19	19

NKC Elliot Bay Kidney Center-Project Completion

Station Type	CMS Certified Stations	Station Counted for Station Use and Methodology
General Use In-Center Stations	6	6
Permanent Bed Station	0	0
Exempt Isolation Station	0	0
Isolation Station	1	1
Total Stations	7	7

Conditions:

1. Approval of the project description as stated above. Northwest Kidney Centers further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Northwest Kidney Centers shall finance this project using existing reserves as described in the application.
3. Prior to completion of this project, Northwest Kidney Centers shall notify the Certificate of Need Program when Ms. Erin-Kay Morales' credential is listed as 'active.'

Approved Costs:

The approved capital expenditure to establish this seven-station relocation is \$137,955, which includes construction, equipment and various fees and taxes. All costs will be funded by Northwest Kidney Centers.

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

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

Send your written response to the Certificate of Need Program at this e-mail address:

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

Sincerely,



Eric Hernandez, Program Manager
Certificate of Need
Office of Community Health Systems

YEAR 2021 CYCLE 1 NON-SPECIAL CIRCUMSTANCE EVALUATION DATED MARCH 18, 2022, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY NORTHWEST KIDNEY CENTERS PROPOSING TO RELOCATE SEVEN DIALYSIS STATIONS FROM ELLIOTT BAY KIDNEY CENTER TO RAINIER BEACH KIDNEY CENTER, BOTH LOCATED IN KING COUNTY ESRD PLANNING AREA TWO

APPLICANT DESCRIPTION

Northwest Kidney Centers

Northwest Kidney Centers (NKC) is a private, not-for-profit corporation, incorporated in the state of Washington. Founded in Seattle in 1962, NKC operates as community-based dialysis program working to meet the needs of dialysis patients and their physicians. A volunteer Board of Trustees governs NKC and is comprised of medical, civic, patient, and business leaders from the community. The Board of Trustees appoints an Executive Committee which oversees operating policies, performance, and approves major capital expenditures for all of its facilities. [source: Amendment Application, pdf 5, Exhibit 1, and NKC’s website, About Us]

NKC provides dialysis services through its facilities located in Clallam, King, Pierce, and Snohomish counties. NKC does not own or operate any healthcare facilities outside of Washington State. [source: Amendment Application, Exhibit 3]

For ease of reference in this evaluation, the applicant, Northwest Kidney Centers is referred to as ‘NKC.’ NKC Elliott Bay Kidney Center is referenced as ‘Elliott Bay,’ and NKC Rainier Beach Kidney Center is referenced as ‘Rainier Beach.’

PROJECT DESCRIPTION

Northwest Kidney Centers

As of the writing of this evaluation, Elliott Bay operates a total of 14 incenter dialysis stations and Rainier Beach operates a total of 12 dialysis stations.¹ Both dialysis centers are located in King County planning area #2. This project proposes relocation of 7 of the 14 stations from Elliott Bay to Rainier Beach. Tables 1 below show the current number of operational stations at each facility.

**Department’s Tables 1
Current Number of Stations**

NKC Elliott Bay Kidney Center		
Station Type	CMS Certified Stations	Stations Counted in Methodology
General In-Incenter Stations*	14	14
Total Stations	14	14

*=includes one permanent bed station and one non-exempt isolation station.

NKC Rainier Beach Kidney Center		
Station Type	CMS Certified Stations	Stations Counted in Methodology
General In-Incenter Stations*	12	12
Total Stations	12	12

*=includes one permanent bed station and one non-exempt isolation station.

¹ Neither Elliott Bay nor Rainier Beach operate an exempt isolation station as defined in WAC 246-310-800(9).

Tables 2 below show the projected number of operational stations at each facility if this station relocation project is approved.

**Department's Tables 2
Current Number of Stations**

NKC Elliott Bay Kidney Center		
Station Type	CMS Certified Stations	Stations Counted in Methodology
General In-Incenter Stations*	7	7
Total Stations	7	7

*=includes one permanent bed station and one non-exempt isolation station.

NKC Rainier Beach Kidney Center		
Station Type	CMS Certified Stations	Stations Counted in Methodology
General In-Incenter Stations*	19	19
Total Stations	19	19

*=includes one permanent bed station and one non-exempt isolation station.

With the additional stations, the following services would be available at Rainier Beach:

- Stable outpatient maintenance hemodialysis patients.
- Patients whose medical conditions requires isolation in a private room.
- Patients whose medical condition requires treatment in a bed.
- Training for home hemodialysis and home peritoneal dialysis patients.
- Home hemodialysis patients who require occasional facility backup treatments.
- Home peritoneal dialysis patients who require clinic support.
- Visiting hemodialysis patients on a case by case basis as capacity allows.
- Stable institutionalized hemodialysis patients transported for outpatient treatments.
- Patients who work or go to school during the day and require treatments that begin after 5:00 PM.

[source: Amendment Application, pdf 8]

To clarify the isolation station for this project, NKC provided the following statements. [source: Amendment Application, pdf 111]

“NKC is not requesting an “exempt isolation station” (outlined in WAC 246-310-800(9)) for this center as based on our care delivery model, an exempt station can limit how we can provide safe and appropriate care to our patients.

NKC Rainier Beach will operate 16 in-center stations, 2 private isolation stations and 1 permanent bed for a total of 19 stations. This mirrors the application showing the existing 12 station clinic and with approval, relocating the 7 stations from Elliott Bay Kidney Center for a total of 19 stations. In this configuration, NKC is able to provide medically necessary isolation when needed and also provide support to patients who may benefit from use of an isolation / private room who may not qualify under the definition of “medically necessary” care. It allows NKC to use the stations with the very best available outcomes for our patients.”

If this project is approved on March 1, 2022, NKC expects the seven stations would be relocated and operational at Rainier Beach on June 1, 2022.² [source: Amendment Application, pdf 7] The estimated capital expenditure for this project is \$137,855, which includes construction, fixed and movable equipment, permits, and other fees. [source: Amendment Application, pdf 18]

APPLICABILITY OF CERTIFICATE OF NEED LAW

NKC proposes to relocate seven dialysis stations from Elliott Bay to Rainier Beach, both located in King County ESRD planning area #2. This project is subject to review as an increase in the number of dialysis stations in a kidney disease center under the provisions of RCW 70.38.105(4)(h) and WAC 246-310-020(1)(e), and WAC 246-310-830(3).

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.

In the event chapter 246-310 WAC 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. 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).

This project must also demonstrate compliance with applicable kidney disease treatment center criteria outlined in WAC 246-310-800 through 833. The following review criteria do not apply to applications submitted under WAC 246-310-806 Nonspecial Circumstance. These criteria will not be discussed in this evaluation.

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

WAC 246-310-803 Kidney Disease Treatment Facilities – Data Reporting Requirements

WAC 246-310-803 requires an applicant to submit specific data elements to the Certificate of Need Program. For the 2021 concurrent review cycles, the data must be received before February 15, 2021.

TYPE OF REVIEW

As directed under WAC 246-310-806, the department accepted this application under the Kidney Disease Treatment Facilities-Nonspecial Circumstances Concurrent Review Cycle #1 for calendar year 2021. Since there were no competing projects submitted for King County planning area #2, consistent

² March 1 to June 1 is 92 days. The June 1, 2022, dates assumes that the CN decision is timely and the approval is not legally contested.

with WAC 246-310-806(8), the department converted the review to a regular review timeline. A chronologic summary of this application’s review is shown beginning below.

APPLICATION CHRONOLOGY

Action	Northwest Kidney Centers
Letter of Intent Submitted	May 3, 2021
Initial Application Submitted	June 1, 2021
Department’s pre-review activities <ul style="list-style-type: none"> • DOH 1st Screening Letter • Applicant's 1st Screening Responses Received • DOH 2nd Screening Letter • Applicant’s 2nd Screening Responses Received 	June 30, 2021 August 16, 2021 September 7, 2021 September 28, 2021
Beginning of Review of Initial Application ³	October 5, 2021
Amendment Application Submitted	November 19, 2021
Beginning of Review of Amendment Application ⁴	December 14, 2021
End of Public Comment <ul style="list-style-type: none"> • Public comments accepted through the end of public comment • No public hearing requested or conducted 	January 18, 2022
Rebuttal Comments Due	February 2, 2022
Department's Anticipated Decision Date	March 18, 2022
Department's Actual Decision Date	March 18, 2022

AFFECTED PERSONS

“*Affected persons*” are defined under WAC 246-310-010(2). In order to qualify as an affected person, someone must first qualify as an “*interested person*,” defined under WAC 246-310-010(34). For this project, one entity sought affected person status.

DaVita, Inc.

DaVita Inc. (DaVita) is a national and Washington State provider of dialysis services. Within King County ESRD planning area #2, DaVita operates one dialysis center—DaVita Olympic View Dialysis Center. On July 12, 2021, DaVita, Inc. submitted its request for interested person status for NKC’s initial application, which also applies to this amendment application. DaVita did not provide comments on this application; therefore, DaVita does not qualify for affected person.

PUBLIC COMMENT AND REBUTTAL

There was no public comment submitted for this application; as a result, NKC did not submit rebuttal comments. This fact is stated here and is not restated throughout this evaluation.

³ The initial decision date for this project was January 10, 2021.

⁴ NKC’s initial application was screened twice and NKC incorporated responses to both screenings in the amendment application. On December 8, 2021, CN staff notified NKC that there were no screening questions for the amendment application and provided the timeline for formal review of the project.

SOURCE INFORMATION REVIEWED

- Northwest Kidney Center’s amended Certificate of Need application received November 19, 2021⁵
- Historical kidney dialysis utilization data from Comagine Health ESRD Network 16 (formerly Northwest Renal Network)
- Licensing data provided by the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service
- NKC’s website at <https://www.nwkidney.org/>
- Centers for Medicare and Medicaid, Dialysis Facility – Listing by Facility Report last updated September 17, 2020 at <https://data.cms.gov/provider-data/search?theme=Dialysis%20facilities>
- Centers for Medicare and Medicaid, Quality, Certification, and Oversight Reports at <https://qcor.cms.gov/>

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Northwest Kidney Centers is consistent with applicable criteria of the Certificate of Need Program, provided that the applicant agrees to the following in its entirety.

Project Description:

This certificate approves the relocation of seven dialysis stations from NKC Elliott Bay Kidney Center to NKC Rainier Beach Kidney Center, both located in King County ESRD planning area #2. NKC Rainier Beach Kidney Center will continue to provide the following services: in-center hemodialysis, home hemodialysis, home peritoneal dialysis, training and support for dialysis patients, a dialysis station for patients requiring treatment in a private room (non-exempt isolation station), a dedicated bed dialysis station, and shifts beginning after 5:00 pm. The tables below show a breakdown of the dialysis stations at each facility after project completion.

NKC Rainier Beach Kidney Center-Project Completion

Station Type	CMS Certified Stations	Station Counted for Station Use and Methodology
General Use In-Center Stations	16	16
Permanent Bed Station	1	1
Exempt Isolation Station	0	0
Isolation Station	2	2
Total Stations	19	19

NKC Elliot Bay Kidney Center-Project Completion

Station Type	CMS Certified Stations	Station Counted for Station Use and Methodology
General Use In-Center Stations	6	6
Permanent Bed Station	0	0
Exempt Isolation Station	0	0
Isolation Station	1	1
Total Stations	7	7

⁵ When a Certificate of Need application is amended, the initial application is no longer considered in the review.

Conditions:

1. Approval of the project description as stated above. Northwest Kidney Centers further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Northwest Kidney Centers shall finance this project using existing reserves as described in the application.
3. Prior to completion of this project, Northwest Kidney Centers shall notify the Certificate of Need Program when Ms. Erin-Kay Morales' credential is listed as 'active.'

Approved Costs:

The approved capital expenditure to establish this seven-station relocation is \$137,955, which includes construction, equipment and various fees and taxes. All costs will be funded by Northwest Kidney Centers.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that the NKC project has met the need criteria in WAC 246-310-210, which includes the applicable sub-criteria in WAC 246-310-812(5) and (6).

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

WAC 246-310-812 requires the department to evaluate kidney disease treatment centers applications based on the population's need for the service and determine whether other services and facilities of the type proposed are not, or will not, be sufficiently available or accessible to meet that need as required in WAC 246-310-210. The kidney disease treatment center specific numeric methodology is applied and detailed under WAC 246-310-812(4). WAC 246-310-210(1) criteria and also identified in WAC 246-310-812(5) and (6).

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

WAC 246-310-812 contains the methodology for projecting numeric need for dialysis stations within a planning area. This methodology projects the need for kidney dialysis treatment stations through a regression analysis of the historical number of dialysis patients residing in the planning area using verified utilization information obtained from the Comagine Health ESRD Network 16, formerly Northwest Renal Network.⁶

⁶Comagine (formerly known as NWRN) was established in 1978 and is a private, not-for-profit corporation independent of any dialysis company, dialysis unit, or transplant center. It is funded by Centers for Medicare and Medicaid Services, Department of Health and Human Services. Northwest Renal Network collects and analyzes data on patients enrolled in the Medicare ESRD programs, serves as an information resource, and monitors the quality of care given to dialysis and transplant patients in the Pacific Northwest. [source: Northwest Renal Network website]

This application does not propose the addition of stations to the planning area – simply a relocation of stations from one facility to another within the planning area. **As a result, this sub-criterion does not apply.**

- (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. One of the exceptions is Medicare coverage for patients with permanent kidney failure. Patients of any age with permanent kidney failure are eligible for Medicare coverage. Medicaid certification is a measure of an agency’s willingness to serve low income persons and may include individuals with disabilities.

A facility’s charity care policy should show a willingness of a provider to provide services to patients who have exhausted any third-party sources, including Medicare and Medicaid, and whose income is equal to or below 200% of the federal poverty standards, adjusted for family size or is otherwise not sufficient to enable them to pay for the care or to pay deductibles or coinsurance amounts required by a third-party payer.⁷ The policy should also include the process one must use to access charity care at the facility.

Northwest Kidney Centers

NKC provided the following statements related to this sub-criterion. [source: Amendment Application, pdf 15]

“NKC has a long-established history of developing and providing services that meet the dialysis needs of the communities it serves. NKC Rainier Beach, as with all other NKC facilities, is committed to providing services to all patients regardless of race, color, ethnic origin, religious belief, sex, age or lack of ability to pay.

Copies of the admission policies and procedures and the charity care policy for the existing NKC Rainier Beach Kidney Center are included in Exhibit 6.”

⁷ WAC 246-453-010(4).

NKC also provided the following policies and procedures for Rainier Beach. [source: Amendment Application, Exhibit 6]

- New Patient Admission Policy
- Charity Policy
- Patient Compliance Policy

Medicare and Medicaid Programs

Since Rainier Beach is currently operational, the facility is both Medicare and Medicaid certified. NKC provided the dialysis center’s CMS numbers below. [source: Amendment Application, pdf 10]

- Medicare: 502601
- Medicaid: 2156824

NKC provided the table on the following page showing historical and projected revenues by payer mix for Rainier Beach. [source: Amendment Application, pdf 20]

Applicant’s Table

Payer Mix	Historical		Projected	
	Percentage by Revenue	Percentage by Patient	Percentage by Revenue	Percentage by Patient
Medicare	70.3%	85.3%	70.3%	85.3%
Medicaid	6.9%	8.7%	6.9%	8.7%
Commercial	22.8%	6.0%	22.8%	6.0%
Total	100%	100%	100%	100%

NKC notes that there are no expected changes in payer mix with the additional seven stations at Rainier Beach. [source: Amendment Application, pdf 20]

Department Evaluation

NKC has been providing dialysis services to the residents of Washington State for many years. NKC provided its New Patient Admission Policy which documents the policy’s application, procedure, and relevant NKC contacts. This policy contains the following nondiscrimination language to ensure all residents of the planning area are able to access NKC’s proposed services, “*NKC will provide treatment to all medically-appropriate patients without regard to race, color, religion, sex, national origin, or age.*” [Source: Application, Exhibit 6]

All operational NKC dialysis centers are Medicare and Medicaid certified. Rainier Beach’s Medicare and Medicaid certification numbers are below.

- Medicare #: 502601
- Medicaid #: 2156824

NKC stated that there would be no change in the percentage of Medicare and Medicaid revenue with the addition of stations.

NKC provided its Charity Policy which documents the applicant’s dedication to serve all compliant patients. NKC 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. [Sources: Application, Exhibit 6 and Application, Exhibit 8]

This applicant provided copies of the necessary policies used at all NKC dialysis centers, including Rainier Beach. These policies reflect NKC's commitment to provide adequate access to all residents of the planning area. The policies are consistent with those reviewed and approved by the department in the past. The department concludes NKC's proposed project **meets this sub-criterion**.

- (3) The applicant has substantiated any of the following special needs and circumstances the proposed project is to serve.
 - (a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both, to individuals not residing in the health service areas in which the entities are located or in adjacent health service areas.
 - (b) The special needs and circumstances of biomedical and behavioral research projects designed to meet a national need and for which local conditions offer special advantages.
 - (c) The special needs and circumstances of osteopathic hospitals and non-allopathic services.
- (4) The project will not have an adverse effect on health professional schools and training programs. The assessment of the conformance of a project with this criterion shall include consideration of:
 - (a) The effect of the means proposed for the delivery of health services on the clinical needs of health professional training programs in the area in which the services are to be provided.
 - (b) If proposed health services are to be available in a limited number of facilities, the extent to which the health professions schools serving the area will have access to the services for training purposes.
- (5) The project is needed to meet the special needs and circumstances of enrolled members or reasonably anticipated new members of a health maintenance organization or proposed health maintenance organization and the services proposed are not available from nonhealth maintenance organization providers or other health maintenance organizations in a reasonable and cost-effective manner consistent with the basic method of operation of the health maintenance organization or proposed health maintenance organization.

Department Evaluation

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

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

Based on the source information reviewed, the department concludes that the NKC project has met the financial feasibility criteria in WAC 246-310-220 and WAC 246-310-815.

- (1) The immediate and long-range capital and operating costs of the project can be met.
WAC 246-310-815 outlines the financial feasibility review requirements for dialysis projects. For this project, NKC must demonstrate compliance with specific sub-sections of WAC 246-310-815(1).

WAC 246-310-815(1)

(1) The kidney dialysis facility must demonstrate positive net income by the third full year of operation.

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

Northwest Kidney Centers

Given that Rainier Beach currently operational, sub-sections (a) and (b) of WAC 246-310-815(1) apply to this project.

As previously stated, NKC anticipates that the additional seven stations would be operational at Rainier Beach on June 1, 2022, assuming a department decision date on March 1, 2022. [source: Amendment Application, pdf 7] NKC operates Rainier Beach on a July 1 – June 30 fiscal year. Using the timeline in the application, fiscal year 2022 is the implementation year and the first full year is the 12 months ending June 30, 2023; full year three is the 12 months ending June 30, 2026.

Once the seven stations are relocated from Elliott Bay, Rainier Beach would be operating with a total of 19 in-center dialysis stations, including one permanent bed station and one isolation station. Following are NKC's assumptions used to project in-center treatments and patients. [source: Amendment Application, Exhibit 8]

"NKC Rainier beach Kidney Center Pro Forma Assumptions

- 1. The Pro forma is completed based on a June 30 fiscal year. The implementation year is assumed to be the 1 month ending June 30, 2022.*
- 2. Volumes*
 - a. Patient In-Center Census: In-Center Census is expected to reach 110 by June 30, 2025 with the center supporting 18 home patients. The Rainier Beach Kidney center is located in the neighborhood in which significant number of current downtown patients reside. The stations moving from Elliott Bay are currently supporting 38 patients who would likely relocate to the center.*
 - b. Treatments are calculated based on 13 treatments per month and a 5% no-show rate.*

Using these assumptions, NKC projected the number of dialysis treatments and patients for Rainier Bed with 19 stations. The projections are summarized in the table below. [source: Amendment Application, Exhibit 8]

**Department’s Table 3
Rainier Beach Kidney Center Projected Utilization**

	Fiscal Year June 2022 (one month)	Fiscal Year 1 June 2023	Fiscal Year 2 June 2024	Fiscal Year 3 June 2026
Incenter Stations*	19	19	19	19
In-center Patients	90	100	105	110
Home Patients	9	12	15	18
Total Patients	99	112	120	128
In-center Treatments	7,706	14,079	15,191	15,932
Home Treatments	1,037	1,778	2,223	2,668
Total Treatments	1,667	6,076	9,115	11,115

*=For Rainier Beach, 19 stations are also counted in the numeric methodology.

NKC provided the following assumptions for its projected financial statements. [source: Amendment Application, Exhibit 8]

“NKC Rainier beach Kidney Center Pro Forma Assumptions

3. Net Revenue Per Treatment

a. Gross Revenue

- i. Medicare: The modeled weighted average charge per treatment for all billable services is reflective of the actual average amount for the existing facility for the first 10 months of fiscal year 2021.*
- ii. Medicaid: The modeled weighted average charge per treatment for all billable services is reflective of the actual average amount for the existing facility for the first 10 months of fiscal year 2021.*
- iii. Commercial: The modeled weighted average charge per treatment for all billable services is reflective of the actual average amount for the existing facility for the first 10 months of fiscal year 2021.*
- iv. Total Gross Revenue is the weighted average of the above gross revenue relative to the patient payer mix which is reflective of the actual average payer mix for the existing facility for the first 10 months of fiscal 2021.*

b. Deductions from Gross Revenue

- i. Total Contractual Deductions is the weighted average reflective of the actual average payer mix for the existing facility for the first 10 months of fiscal year 2021.*
- ii. Bad Debt is reflective of the actual average bad debt write-off for existing facility per treatment for the first 10 months of fiscal year 2021.*
- iii. Charity is reflective of the actual average bad debt write-off for the facilities per treatment for the first 10 months of fiscal year 2021.*

c. Net Revenue is the actual net revenue per treatment for the existing facility for the first 10 months of fiscal year 2021. Net Revenue per treatment remains consistent throughout the forecast period.

4. *Direct Expenses: All direct expenses are modeled based on the actual average amount per treatment for the existing facility for the first 10 months of fiscal year 2021 unless otherwise indicated.*
 - a. *No inflation has been assumed in the forecast period*
 - b. *Salary and wages as based on the actual per treatment amount for the clinic and would not be expected to equate to optimal staffing compliments provided in the application staffing table which represents the optimal staffing needed for the patient census projected at the end of the indicated period.*
 - c. *Medical Director is based on contracted amount.*
 - d. *Depreciation is based on the budgeted construction and equipping of the existing facility plus the cost to expand the unit to accommodate 7 additional stations. The life of improvements are based on the American Hospital Guide for depreciable assets.*
 - e. *Other Supplies refers to office supplies, janitorial supplies, building and plant supplies*
 - f. *Other Purchased Services refers to language interpretation services, freight, landscaping, window washing and pest control.*
 - g. *Interest expense is based on the allocated interest related to the financing to initially build and equip the clinic. The interest rate is fixed in the model at the actual amount for FY 2021.*
5. *Overhead: is based on the facilities allocation of overhead for the facility’s cost report as filed fiscal year 2020. Overhead includes administrative, support services, shared facility employees such as dieticians and social workers and home program nursing as well as technical and facility support staff.”*

NKC provided table on the following page to show historical and projected revenues by payer mix. [source: Amendment Application, pdf 20]

Applicant’s Table

Payer Mix	Historical		Projected	
	Percentage by Revenue	Percentage by Patient	Percentage by Revenue	Percentage by Patient
Medicare	70.3%	85.3%	70.3%	85.3%
Medicaid	6.9%	8.7%	6.9%	8.7%
Commercial	22.8%	6.0%	22.8%	6.0%
Total	100%	100%	100%	100%

NKC notes that there are no expected changes in payer mix with the additional seven stations at Rainier Beach. [source: Amendment Application, pdf 20]

During screening of the initial application, staff questioned the payer mix percentages shown in the table above and NKC provided the following clarification. [source: Amendment Application, Exhibit 16]⁸

*“For clarity we have restated Table 9 on page 21 of the original application below. To be very clear –Table 9 shows percentage by **Net Revenue** of 70.3%, 6.9%, and 22.8%; the percentage cited by the Program in the above question is focused on the **Percentage by Patient**. This distinction is important as we will outline below.*

⁸ CN staff had no screening questions for the amendment application because NKC provided included its screening responses in the amendment application under Exhibit 16.

NKC Rainier Beach Kidney Centers historical payer mix is detailed in Table 9.

Table 9
NKC Rainier Beach Kidney Center

Payer Mix	Historical		Projected	
	Percentage by Revenue	Percentage by Patient	Percentage by Revenue	Percentage by Patient
Medicare	70.3%	85.3%	70.3%	85.3%
Medicaid	6.9%	8.7%	6.9%	8.7%
Commercial	22.8%	6.0%	22.8%	6.0%
Total	100%	100%	100%	100%

As has been the case in a number of recent NKC applications, an interested party has apparently confused the Program such that it is comparing a payer mix that is based on “Net Revenue” (as is requested in the application in this section and is commonly used in healthcare accounting reflected in Table 9 of our application) with percentages in the Proforma taken specifically from the “Gross Revenue” section. This comparison is meaningless; - much like saying 2 + 2 = blue. The section of the Proforma is copied below for easy reference with a blue arrow showing it clearly listed as “total gross revenue”.

REVENUES									
Medicare	2,730,668	85.3%	15,897,225	16,439,729	1,991,511	18,431,240	33,426,146	36,706,282	39,205,433
Medicaid	668,830	8.8%	1,871,043	1,728,068	206,338	1,637,407	3,513,602	3,858,395	4,121,004
Commercial Plans	532,205	6.0%	1,057,865	1,069,759	132,498	1,226,257	2,223,889	2,442,121	2,608,363
Total Gross Revenues	3,831,704		18,825,933	19,261,556	2,333,348	21,594,903	39,163,638	43,006,799	45,934,921

The comparison the Program is trying to make is not appropriate, not accurate and does not reflect appropriate accounting principles. No conclusions can be made by the comparison. In order to validate the percentage by Revenue (within the Proforma), the Program would need to deduct “contractual deductions, bad debt and charity” to arrive at a percentage by revenue (which no provider is required to provide as this is confidential). The gross revenues that show the percentages on the Proforma are reflected as just that - percentage before deductions – which will appear to be similar to “percentages by patient” as these are also raw percentages without deductions – simply a count of what percentage of patients may be covered by what insurance. Neither of these percentages are out of line and no errors exist in our Table 9 or the Proforma.

NKC has been providing information in our Proforma that other providers do not share and unfortunately this added information, added with the Department’s incorrect understanding of Proforma’s, has caused harm to NKC. This point of confusion (gross vs net revenue), and the misreading of our proforma, has impacted multiple applications this year for our organization, so we would like to be sure that the Program has the information it needs to validate our submission.

If any questions or concerns remain, please reach out through a second screening or via a technical call so that we may help clarify any confusion that continues to exist. NKC has always made accurate projections in clinic profitability, has met the requirements of WAC and has attempted to provide all the information that the Program needs to validate that our proposal is sound.”

Based on the assumptions and clarifications above, NKC projected the revenue, expenses, and net income for fiscal years ending June 30, 2022 through June 30, 2025 which are summarized in the table on the following page. [source: Amendment Application, Exhibit 8]

**Department’s Table 4
NKC Rainier Beach-Projected Revenue and Expenses**

	Fiscal Year June 2022 (one month)	Fiscal Year 1 June 2023	Fiscal Year 2 June 2024	Fiscal Year 3 June 2025
Net Revenue	\$3,124,411	\$5,666,305	\$6,222,344	\$6,645,993
Total Expenses	\$3,474,684	\$5,793,676	\$6,254,639	\$6,589,075
Net Profit / Loss	\$350,273	\$127,371	\$32,295	\$56,918

The “*Net Revenue*” line item is gross dialysis revenue, minus deductions for contractual allowances, charity care, and bad debt. The “*Total Expenses*” line item includes all expenses related to the operations of Rainier Beach with the additional seven stations and based on the assumptions described above.

During the screening of the initial application, staff noted that Rainier Beach is projected to operate at a net loss in projection years 2022 through 2024. Further, a review of the historical operations of Rainier Beach shows that the dialysis center has consistently operated at a loss since opening in mid-year 2020. [source: Amendment Application, Exhibit 8] NKC provided the following responses to staff’s inquiry regarding the historical net loss and any actions NKC intends to implement to ensure net profits for Rainier Beach in the future. [source: Amendment Application, Exhibit 16]

“As the Department knows, the original Rainier Beach CN application was submitted in May 2017, and it projected an initial operating loss through year 2. Rainier Beach became operational on January 13, 2020—about 60 days prior to the Governor’s stay at home mandate. We have been operating for 18 months as of this screening response and are only mid-way to the “3-year mark” for being profitable. In part, due to COVID, the growth over the last 18 months, while steady, has been slower than originally projected. We are not concerned by these numbers at all. Like all new clinics, it takes careful coordination of services to fully engage the potential the new clinic provides, and we continue to focus in this area.

Going forward in our current application, the modeling of costs and revenue show this expansion as profitable by year three as outlined in the Proforma and required by WAC.

Specific start-up activities include: NKC connecting with the community through outreach, in addition to reminding the physicians in the community of the resource that we have provided for current and future patients. We also continue to outreach to the community, connect with the Rainier Beach Action Coalition (and other community groups) to connect with and support the people living in this wonderful community. To summarize:

- 1. We will continue to promote this resource to the community.*
- 2. We will continue to encourage our physician community to refer patients living in the Rainier Valley for treatment in our clinic.*
- 3. We will continue to promote recruitment for staff as the clinic grows.*
- 4. As we are relocating 7 stations from Elliott Bay Kidney Center, as requested in this Certificate of Need, we will be encouraging those patients who live in this area to take advantage of this added capacity with the Rainier Beach clinic. Patients will find these new options for treatment helpful in scheduling.*
- 5. We know that as patients (and family of patients) recognize the value a healing environment provided at Rainier Beach Kidney Center, more patients will self-select for care in this setting.*

In addition to NKC Rainier Beach being located in the center of where care is needed, the building has been designed specifically to promote healing, infusion of views of nature, reduced noise and a really outstanding care environment. With recognition of this work, our design team from Mahlum Architects have recently won two national awards for our NKC Rainier Beach clinic. The “AIA Committee on the Environment Top Ten Award” and the “AIA Healthcare Design Award” – both are national recognition of high achievement across thousands of submitted designs. Our patients and staff benefit from this well-planned LEED Silver design to aid in restorative care environments in combination with our quality care team. Below is a picture showing why our dialysis center is simply not like all the others.”

[Note: while the picture is considered in this review, it is not recreated below.]

Department Evaluation

The proposed project is the relocation of seven stations from NKC Elliot Bay to NKC Rainier Beach. WAC 246-310-815(1)(b) requires existing facilities to provide revenue and expense projections that are based on that facility's current payor mix and current expenses.

Applicant’s Table

Payer Mix	Historical		Projected	
	Percentage by Revenue	Percentage by Patient	Percentage by Revenue	Percentage by Patient
Medicare	70.3%	85.3%	70.3%	85.3%
Medicaid	6.9%	8.7%	6.9%	8.7%
Commercial	22.8%	6.0%	22.8%	6.0%
Total	100%	100%	100%	100%

NKC expect that there will be no changes in payer mix with the additional seven stations at Rainier Beach. This assumption by NKC is reasonable because Rainier Beach is already operational.

The department’s Table 6 above shows that NKC expects Rainier Beach to continue to operate at a net loss through the first two fiscal years of the project (FYE June 2023 and FYE June 2024) and a net profit by the third full year of the project (FYE June 2025). NKC provided the rationale for Rainier Beach’s slower than anticipated growth that resulted in the historical net losses. NKC also based its projected utilization on historical data, which would result in a continued slower than expected growth in utilization. This approach is reasonable. The department notes that NKC projected net profits at Rainier Beach in the third full operation with the additional seven stations.

NKC owns the site for Rainier Beach and provided a copy of the deed to demonstrate ownership.

NKC provided a copy of the current Medical Director Agreement used at Rainier Beach. The agreement is , signed by all three entities identified in the agreement. The Medical Director Agreement includes all necessary elements for the department’s review including; involved entities, those entities’ responsibilities, the agreement’s term of one year with automatic renewals annually in perpetuity, and all costs associated with the agreement. NKC also included the Medical Director expense in its pro forma revenue and expense statement as “*Medical Director Fees*” and these amounts are consistent with the Exhibit A of the Medical Director Agreement in the application.

Based on the above information provided by the applicant, the department concludes that NKC’s projected revenue and expense statements are reasonable. **This sub-criterion is met.**

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

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

WAC 246-310-815(2)

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

Northwest Kidney Centers

For this sub-criterion, NKC provided single line drawings of Rainier Beach showing both current configuration and proposed configuration after the seven stations are added to the dialysis center. Additionally, NKC provided the two tables to demonstrate compliance this sub-criterion. [source: Amendment Application, pdfs 910 and Exhibit 5]

Applicant's Tables

Rainier Beach Kidney Center	
Category	Square Footage
Actual Square Footage	
Treatment Floor Space- Stations Actual	
In-center Dialysis Station (16 stations x 80 sqft)	1,280
Isolation/Private Station (1 stations x 90 sqft and 1 station at 145 sqft)	235
Permanent Bed Station (1 station at 100 sqft)	100
Future Stations (0 stations at 80 sqft)	0
Sub-Total Treatment Floor Space (19 stations)	1,615
Other treatment Floor Space	1,965
Non Incenter Floor Space (home training, lobby, waiting, toilets, reception, support, water	7,550
Total Square Footage	11,130

Maximum Allowable Treatment Area Square Footage Calculation		
Maximum Treatment Area Square Footage		Actual Areas from Clinic (See above)
In-Center (16 stations) x 150	2,400	1,280
Permanent bed station (1 station) x 200 and Isolation/Private station (2 station) x 200	600	335
0 Future Stations x 150	0	0
Total Station Space per MTASF	3,000	1,615
Other Treatment Floor Space @75% of Station Space per MTASF	2,250	1,965
Total	5,250	3,580

Source: NKC

NKC also provided the following clarification regarding the two tables provided. [source: Amendment Application, pdf 10]

“The gross square feet of the NKC Rainier Beach Kidney Center building is 12,073. The net square feet of the building is 11,130. See Table 2 above.

<i>Treatment Area:</i>	<i>1,615</i>
<i>Other Treatment Floor Space:</i>	<i>1,965</i>
<i>Non-Incenter floor space</i>	<i>7,550</i>
<i>Total Net Area:</i>	<i>11,130</i>

NKC also provided a line drawing of Rainier Beach with the additional seven stations. Consistent with WAC 246-310-800(11), Rainier Beach’s allowable maximum treatment floor area square footage for 19 stations is 5,250 square feet. NKC’s project will use 3,580 square feet. [source: Amendment Application, pdf 10]

Rainier Beach does not currently operate with an exempt isolation station as defined in WAC 246-310-800(9). NKC provided the following clarification regarding the isolation services and stations at Rainier Beach. [source: Amendment Application, Exhibit 16]

“NKC is not requesting an “exempt isolation station” (outlined in WAC 246-310-800(9)) for this center as based on our care delivery model, an exempt station can limit how we can provide safe and appropriate care to our patients.

NKC Rainier Beach will operate 16 in-center stations, 2 private isolation stations and 1 permanent bed for a total of 19 stations. This mirrors the application showing the existing 12 station clinic and with approval, relocating the 7 stations from Elliott Bay Kidney Center for a total of 19 stations. In this configuration, NKC is able to provide medically necessary isolation when needed and also provide support to patients who may benefit from use of an isolation / private room who may not qualify under the definition of “medically necessary” care. It allows NKC to use the stations with the very best available outcomes for our patients.”

Specific to this project’s impact the costs and charges for health services in the planning area, NKC provided the following statements. [source: Amendment Application, pdf 19]

“This project will have no impact on the costs and charges for services. The capital costs for this project will not negatively impact payers or patients. NKC’s charges for services are not determined

by capital expenditures. The pro forma operating assumptions and statement, which include the impact of the depreciation expense on operations, is included in Exhibit 8.

In addition, WAC 246-310-815 (Financial Feasibility) provides a 'test' on the impact of costs and charges for health care services by limiting the cost of the project to less than the maximum floor treatment space. As noted in Table 2, NKC's project expansion is less than the maximum floor treatment space and therefore, the project does not have an unreasonable impact on the costs and charges of health care services."

Department Evaluation

The total estimated cost of this project is \$137,855. NKC's proposal includes a commitment from its Vice President of Finance & CFO, Carrie McCabe to finance the project with NKC reserves. The estimated capital costs include all costs associated with the relocation of the seven dialysis stations, including construction costs, equipment, professional services and fees, and state sales tax. The costs are comparable to those reviewed in past applications for similar type projects and similar sized facilities. The department does not consider the capital expenditure to be excessive for the scale of this project.

As discussed in an earlier section of this evaluation, NKC expects its patient and payer mix to remain unchanged and expects that Medicare and Medicaid percentages of patients and revenue will remain higher than that of commercial payers after the project's completion.

The department notes that Medicare and Medicaid patients typically make up the largest percentage of patients served by a dialysis facility. CMS implemented an ESRD Prospective Payment System (PPS). Under the 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 impacts the final reimbursement rate each facility will receive. What a dialysis facility receives from its commercial payers will also vary.

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

Based on WAC 246-310-800(11), the maximum floor space for a 19-station facility is 5,250 square feet. NKC plans that Rainier Beach's actual treatment floor space is will be 3,580 square feet. NKC's project does not exceed the maximum treatment floor area square footage allowable.

Based on the above information provided in the application, the department concludes that NKC's projected costs associated with this project would not have an unreasonable impact on the costs and charges for healthcare services in planning area #2 in King County. **This sub-criterion is met.**

(3) *The project can be appropriately financed.*

Chapter 246-310 WAC 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 each applicant's projected source of financing to those previously considered by the department.

Northwest Kidney Centers

The estimated capital expenditure for the relocation of seven stations from Elliott Bay to Rainier Beach is \$137,855. NKC provided the following information regarding the assumptions used to determine the costs for this project. [source: Amendment Application, pdf 19]

"The equipment (moveable) costs were based on NKC's experience purchasing dialysis equipment over the past decades. This expansion requires minimal construction and plumbing work, and we based our costs estimates on bids from our contractors."

NKC also provided the following statements related to the funding for this project. [source: Amendment Application, pdf 21]

"As discussed earlier in this section, NKC will use reserves to fund this project. Included in Exhibit 7 is a letter from Carrie McCabe, CFO documenting the intent of NKC to use reserves for the project."

Included in the amendment application is a letter signed by Carrie McCabe, Vice President of Finance & CFO of NKC committing NKC reserves to this seven station relocation project. The letter is dated May 20, 2021. [Source: Amendment Application, Exhibit 7]

NKC also provided audited financial statements demonstrating the availability of funds for this project. [source: Amendment Application, Appendix 1]

Department Evaluation

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

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

Based on the source information reviewed, the department concludes that the NKC project has met the structure and process of care criteria in WAC 246-310-230.

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

Chapter 246-310 WAC does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of full time equivalents (FTEs) that should be employed for projects of this type or size. Therefore, using its experience and expertise the department determined whether the proposed staffing would allow for the required coverage.

Northwest Kidney Centers

Given that this project proposes to relocate operational stations from Elliott Bay to Rainier Beach, NKC provided the following assumptions in estimating the staff for Rainier Beach. [source: Amendment Application, pdfs 22 and 24]

“The staffing in Table 11 is based on standard optimal staffing ratios for the projected census on the last day of the period and is not intended to mathematically calculate to the staffing dollars reflected in the proforma. Certain positions are directly costed to a unit and certain positions are shared resources across units as indicated above.

Dialysis technicians are staffed 1 technician up to 4 patients being treated. Registered Nurses are staffed 1 RN up to 12 patients being treated in-center. NKC units generally operate 3 shifts, 18 productive staff hours per day, 6 days per week and incur on average 13% non-productive time. By way of example: One RN can cover up to 12 operating stations at a time. Each station operates 18 hours per day. 18 hours x 6 days a week x 52 weeks a year \ 2080 hours per FTE x 1.13 nonproductive = 3.05 RN FTEs to cover 12 operating stations. 12 operating stations can accommodate up to 72 patients. NKC Rainier Beach operating a full 18 stations would have 5 pods thus 5 dialysis techs. An 18-station unit would necessitate the addition of a mid-shift RN.

Home RNs are assigned up to 22 patients to case manage, thus their FTE is dependent on the growth of home patients attributed to the clinic.

WAC 246-310-815(c)(iii) states that known expenses must be used in the pro forma income statement. Given that NKC has known actual cost per treatment the proforma is based on the actual cost per treatment of the facility. Using the actual cost per treatment approximates the expected variance to optimal staffing that occurs due among other things to missed patient treatments, patient census not accommodating perfect 4 patient pod staffing, variation in staff pay, and RNs occasionally covering for dialysis technicians.

For centers that are expanding (through this transfer) like NKC Rainier Beach Kidney Center, we will not have any issues with making any necessary new hires. In most cases – staff will transfer with the patients moving from Elliott Bay.”

If this project is approved, NKC expects the additional seven stations would be operational at Rainier Beach by June 2022. Under this timeline, full year one is the 12 months ending June 30, 2023 and full year three is the 12 months ending June 30, 2025. The following table provides a breakdown of projected FTEs through the project’s first full three years. [source: Amendment Application, pdf 22]

Applicant’s Table 11

	Average Salary Per Hour	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025
Directly Assigned Staffing							
Clinical Nurse Manager	60.1	1.00	1.00	1.00	1.00	1.00	1.00
Hemo Dialysis Tech	20.68	9.15	9.15	15.26	15.26	15.26	15.26
RN	43.77	3.05	3.05	5.42	5.42	5.42	5.42
Receptionist	24.17	1.00	1.00	1.00	1.00	1.00	1.00
Shared Staffing							
Clinica Director	70.26	0.20	0.20	0.20	0.20	0.20	0.20
RN - Home Training (PD & HH)	45.27	0.05	0.27	0.41	0.41	0.55	0.68
Facility/Technical System Specialist	29.05	1.00	1.00	1.00	1.00	1.00	1.00
MSW	36.44	0.30	0.45	0.79	0.90	0.96	1.02
Dietician	36.57	0.30	0.45	0.79	0.90	0.96	1.02
Total		16.06	16.57	25.87	26.08	26.34	26.61

NKC provided the following statements related to recruitment and retention of staff. [source: Amendment Application, pdf 24]

“NKC is proactive in its efforts to assure quality staffing. NKC offers a competitive wage and benefit package as well as numerous other recruitment and retention strategies. Specific strategies include:

- *NKC offers competitive wage and benefit packages. To ensure that its wages and benefits remain competitive, NKC conducts an annual market survey to benchmark its compensation package.*
- *NKC remains active on various job board including but not limited to indeed.com, nursing associations, Health e-careers, and other local resources.*
- *NKC also has contacts with colleges and universities throughout the state to both recruit staff as well as to serve as a clinical rotation site.*
- *NKC staff participate (when COVID-19 rules allow), in job fairs in and around the Puget Sound area and we would expand this in Lynnwood as well.*
- *NKC also offers a substantial tuition reimbursement program for existing staff. Typically, in an average year, 15-20 employees take advantage of this program. Primarily, dialysis technician staff use this program to become registered nurses.*
- *NKC human resources staff are active in various boards and councils that focus on sharing of recruitment and retention strategies.*
- *NKC human resources staff also work with agency personnel, as needed, for the use of temporary filling of staff positions.*
- *NKC has a highly successful employee referral program that incentivizes current employees to refer colleagues from outside the organization for open positions.*
- *NKC will, as needed, work with outside recruiters if a position has been challenging to fill.*
- *NKC has been successful in recruiting in new markets and existing markets.*

Recent history demonstrates that NKC has been successful in staffing our new facilities. The most recent examples include NKC Federal Way West Campus Kidney Center (located in King 5), NKC Fife Kidney Center (Pierce 4), and most recently in NKC Everett Kidney Center (Snohomish 2). These new units were staffed with a combination of individuals that chose to transfer from other NKC locations and new hires to the organization.

The record will further demonstrate that in those rare circumstances in which we have faced staffing shortages (due to extended leave of absences or other issues), we have successfully used our roster of per diem staff to supplement.”

NKC provided a copy of the executed Medical Director Agreement with The Polyclinic and Bruce O’Neill, MD for Rainier Beach. Since Dr. O’Neill is not an NKC employee, he is not included in the FTE table above. The Medical Director Agreement was executed on December 1, 2019, and identifies roles, responsibilities, terms, and all costs associated with the medical director services. The agreement includes annual renewals. [source: Amendment Application, Exhibit 9]

Given that Rainier Beach is currently operational, NKC also provided a listing of current staff of the facility. The listing includes: three registered nurses, one licensed nurse, seven hemodialysis technicians, one social worker, and one dietician.

Department Evaluation

Information provided in the application demonstrates that NKC is a well-established provider of dialysis services Northwestern Washington State. For this project, NKC is proposing to recruit approximately ten FTEs between year 2021 and 2025. NKC has recruitment and retention strategies and plans in place, as well as a per diem roster to assist in filling unexpected staffing shortages. Based on the above information, the department concludes that NKC has the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project. **This sub-criterion is met.**

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

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

Northwest Kidney Centers

NKC currently provides dialysis services in several counties in Washington State, including several dialysis facilities in King County. If this project is approved, Rainier Beach would operate a total of 19 dialysis stations and Elliott Bay would operate a total of seven stations in planning area #2 in King County.

NKC provided the following statements and tables to demonstrate compliance with this sub-criterion. [source: Amendment Application, pdfs 25 and 26]

“NKC currently operates four Support Centers. The Support Centers provide ancillary and support services to our dialysis facilities. These Support Centers are staffed with our own NKC employees

and are not outside contractors. Table 13 details which services are to be provided on site and which ones are administered via the Support Centers (Off-site).

Applicant's Table 12
NKC Rainier Beach Kidney Center Ancillary and Support Services

Service	Vendor
IT/Network Engineering	GCI Northpoint
Copier leases and support	Copiers NW/local office
Janitorial Services	Citywide (local affiliate)
Lab Services	Ascend

Source: Applicant

Applicant's Table 13
Ancillary and Support Services for NKC Rainier Beach Kidney Center

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

Source: Applicant

NKC provided a copy of the existing patient Transfer Agreement between itself and Swedish Medical Center, located in Seattle, within King County. The agreement is effective as of October 2, 2013, and is in effect indefinitely, unless terminated by either participating entity. The agreement contains obligations of both parties and is signed by representatives of both entities. [source: Amendment Application, Exhibit 14]

NKC also provided a copy of its existing Medical Director Agreement between itself and The Polyclinic. The agreement identifies Bruce O'Neill, MD as the primary medical director for Rainier Beach. The agreement was executed on December 1, 2019, and is valid for one year, with automatic annual renewal (evergreen clause). The executed agreement includes roles and responsibilities of

both NKC and the medical director and includes all costs associated with the services. [source: Amendment Application, Exhibit 9]

Within the application, NKC clarified that the addition of seven stations to Rainier Beach would not result in any changes to the existing working relationships for the dialysis center. [source: Amendment Application, pdf 26]

Department Evaluation

As previously stated, NKC has been operating in Northwestern Washington State for many years. NKC has established ancillary and support agreements in place for its existing facilities in the region.

Additionally, NKC provided an executed Transfer Agreement with Swedish Medical Center. The agreement contains a listing of facilities. In the version submitted by the applicant, NKC Rainier Beach is among those listed.

NKC also provided a copy of a Medical Director Agreement which includes all necessary elements for review including; involved entities, those entities' responsibilities, the agreement's term of one year with automatic renewals annually in perpetuity, and all costs associated with the agreement.

Based on the information above, NKC demonstrated that it would have the necessary ancillary and support services at the Rainier Beach facility. The department concludes that **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.*

Chapter 246-310 WAC 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 both applicants' history in meeting these standards at other facilities owned or operated by each.

The evaluation of WAC 246-310-230(5) is also evaluated under this sub-criterion, as it relates to facility compliance history. Compliance history is factored into the department's determination that an applicant's project would be operated in compliance with WAC 246-310-230(3).

Northwest Kidney Centers

NKC provided the following information under this sub-criterion, which includes WAC 246-310-230(5). [source: Amendment Application, pdf 29]

"NKC has no history with respect to the actions noted in CN regulation WAC 246-310-230(5)(a)."

Department Evaluation

The department reviews three different areas when evaluating this sub-criterion. One is a review of the Centers for Medicare and Medicaid Services (CMS) "*Terminated Provider Counts Report*" covering years 2019 through 2022. The department uses this report to identify dialysis facilities that were involuntarily terminated from participation in Medicare reimbursement.

The department also reviews a dialysis provider’s conformance with Medicare and Medicaid standards, with a focus on Washington State facilities. The department uses the CMS “*Survey Activity Report*” to identify Washington State facilities with a history of condition level findings. For CMS surveys, there are two levels of deficiencies: standard and condition.⁹

- Standard Level

A deficiency is at the Standard level when there is noncompliance with any single requirement (or several requirements) within a particular standard that is not of such character as to substantially limit a facility’s capacity to furnish adequate care, or which would not jeopardize or adversely affect the health or safety of patients if the deficient practice recurred.

- Condition Level

Deficiency at the Condition level may be due to noncompliance with requirements in a single standard that, collectively, represent a severe or critical health or safety breach, or it may be the result of noncompliance with several standards within the condition. Even a seemingly small breach in critical actions, or at critical times, can kill or severely injure a patient, and such breaches would represent a serious or severe health or safety threat.

The department also reviews the CMS star ratings for Washington State facilities. CMS provides the following overview regarding its star rating for dialysis centers.

“The star rating shows how well a dialysis center delivers care compared to the national average, based on Medicare data. Each dialysis center receives a rating between 1 and 5 stars, with 3 stars representing the national average. A five-star rating means a center has quality of care that is considered ‘much above average’ compared to other dialysis facilities. A one or two-star rating means that measured health outcomes for that center were below average. The star rating is part of Medicare’s work to make data on the quality of patient care easier to understand and use. Patient survey results aren’t included in the star rating.” [source: CMS website]

Below is a summary of the three areas reviewed for NKC.

Terminated Provider Counts Report

Focusing on years 2019 through current March 2022, none of NKC’s dialysis centers were involuntarily terminated from participation in Medicare reimbursement. [Source: CMS Quality, Certification, and Oversight Reports]

Conformance with Medicare and Medicaid Standards for Washington State Centers

Focusing on years 2019 through March 2022, of NKC’s 20 Washington State dialysis centers eight were surveyed at least once. Of the eight facilities, one center—Rainier Beach Kidney Center—had six condition level findings during the 2018 survey. The findings required two follow up visits. Rainier Beach was again surveyed in October 2019 that resulted in no deficiencies. This facility is currently in compliance with CMS standards. [source: CMS Quality, Certification, and Oversight Reports]

⁹ Definitions of standard and condition level surveys: <https://www.compass-clinical.com/deciphering-tjc-condition-level-findings/>

CMS Star Rating for Washington State Centers

NKC is approved to own and operate a total of 20 dialysis centers, all within Washington State. The 20 facilities are located in King, Clallam, Snohomish, and Pierce counties. Of the 20 facilities, CMS provided star ratings for 17 facilities.¹⁰ The average rating for the 17 facilities is 4.35 out of 5.00 stars. Rainier Beach Kidney Center, the subject of this review, did not have enough data to generate a star rating. [source: CMS Dialysis Facility – Listing by Facility Report]

NKC also provided a copy of the executed Medical Director Agreement for Rainier Beach between itself, The Polyclinic, and Bruce O’Neill, MD. [source: Application, Exhibit 9] Using data from the Medical Quality Assurance Commission, the department found that Bruce O’Neill, MD is compliant with state licensure and has no enforcement actions on his license.

Since this application proposes the addition of stations to an existing facility, NKC also provided a listing of current staff for Rainier Beach. The staff listing includes three registered nurses, seven hemodialysis technicians, one licensed practical nurse, one dietician, and one social worker. All identified staff hold an active credential, with the exception of one hemodialysis technician. As of the writing of this evaluation, Ms. Erin-Kay Morales’ credential is listed as ‘pending.’ If this project is approved, the department would attach a condition requiring NKC to notify the CN Program when the credential status is ‘active.’

In review of this sub-criterion, the department typically considers the total compliance history of the dialysis facilities owned and operated by the applicant nationally, however, NKC only owns and operates dialysis facilities in Washington State. In Washington State, since 2018, 40% of NKC’s facilities have had at least one survey, and one out of nine surveys conducted in the timeframe had condition-level findings. None of NKC’s Washington State facilities are currently out of compliance with CMS, which includes Rainier Beach. NKC’s average star rating is 4.35, whereas the average star rating for all Washington State providers’ facilities is 4.26. The national average star rating for all providers’ facilities is 3.76. NKC’s Washington State facilities are above the average of all Washington State providers, as well as all providers’ facilities nationally.

The department also considers the compliance history of the credentialed persons associated with the project, including the medical director. Based on the information reviewed, the department concludes that NKC’s existing facilities have been operating in compliance with applicable state and federal licensing and certification requirements. The department also concludes there is reasonable assurance that the addition of seven stations to Rainier Beach would not have a negative impact on the facility’s compliance or NKC as a whole.

Based on the information here, NKC demonstrated that this project is in conformance with the applicable state licensing requirements and it would likely continue to meet conditions of participation required by Medicaid and Medicare. With condition related to the ‘pending’ credential for one hemodialysis technician, the department concludes that **this sub-criterion is met.**

¹⁰ One facility Rainier Beach, CCN 502601 has not been operational long enough to supply sufficient measure data. Another facility, NKC Fife, CCN 502597 did not have enough quality measure data to calculate a star rating. The last facility is was recently approved and just received its CCN, NKC Everett, CCN 502603

- (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.

Chapter 246-310 WAC does not contain specific WAC 246-310-230(4) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs how to measure unwarranted fragmentation of services or what types of relationships with a services area's existing health care system should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials in the application.

Northwest Kidney Centers

NKC provided the following statements related to this sub-criterion. [source: Amendment Application, pdf 30]

"NKC has operated outpatient dialysis services since 1962 (the very first out of hospital provider in the country), growing from 9 patients to over 1,800 today. NKC has, and continues to be, committed to providing optimal health, quality of life and independence for people with kidney disease. Further, NKC has experienced firsthand, and to the direct benefit of our patients that fragmentation is reduced or eliminated, when services are highly coordinated.

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

NKC has all of the ancillary and support services to assure that continuity of care is in place for every patient. As outlined in Table 14, NKC has both the relationships in place and the ability to serve the community within the King 2 planning area."

Table 14 provided in the application and referenced above shows a listing of all facilities with which NKC has working relationships. The table is not recreated for this evaluation, but is considered in this review. Types of facilities listed in the table include hospitals, clinics and nephrology groups, other not-for-profit dialysis providers, and community partners that are also working to treat and/or cure kidney disease. [source: Amendment Application, pdfs 27-28]

NKC also provided a copy of the executed Patient Transfer Agreement currently used for all of its dialysis centers, including Rainier Beach located in King County planning area #2. [source: Amendment Application, Exhibit 14]

Department Evaluation

As previously stated, NKC has been operating in Northwestern Washington State for many years. NKC has established relationships with existing healthcare networks for its existing facilities in the region. NKC provided documentation in the application to demonstrate that the project would promote continuity in the provision of health care services in the community by relocating seven

stations from Elliot Bay to Rainier Beach within the same dialysis planning area. Based on the documents reviewed, the department concludes this project would not result in an unwarranted fragmentation of services. Based on the information above, the department concludes that NKC’s project **does meets this sub-criterion.**

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

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

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

Based on the source information reviewed, the department concludes that the NKC project has met the cost containment criteria in WAC 246-310-240.

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

To determine if a proposed project is the best alternative, the department takes a multi-step approach. Step One determines if an 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 each applicant. If the department determines the proposed project is better or equal to other options considered by either applicant or 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 Chapter 246-310 WAC related to the specific project type in Step Three. Since there was no competitive or concurrent application submitted during this review of NKC’s relocation project, this step does not apply.

Step One

For this project, NKC met the applicable review criteria under WAC 246-310-210, 220, and 230. Therefore, the department reviews the alternatives considered by the applicant in step two.

Step Two

NKC provided the following statements. [source: Amendment Application, pdfs 31-32]

“NKC needed to resolve the issues identified earlier in this application in regard to our NKC Elliott Bay Kidney Center. Some of these issues were:

- *The lease is ending in June 2022 and under a negotiated for an extension.*
- *The travel distance for our patients to get from the patient drop off area is too far due to the City of Seattle “bike lane” that was added a number of years ago.*
- *In general, as new housing is created in Seattle, the cost is higher than our patients can pay so they have started moving farther south into the Rainier Valley housing market. This relocation of stations is to better align the treatment closer to where our patients live.*

To resolve these issues, we were faced with some key decisions and different options or “alternatives” we considered:

- a) *Transfer 7 and keep 7: We could transfer 7 stations to NKC Rainier Beach and keep 7 stations at the current NKC Elliott Bay Kidney Center location (our best path that we have selected to do).*
- b) *Transfer 14 to a new Seattle campus: We could have transferred all 14 stations to our future new Seattle Kidney Center that will open in 2024, but the lease timing did not work.*
- c) *Return all 14: We could return all 14 stations to the DOH.*
- d) *Relocate all stations to a new portion of the planning area: We could build a new center in a different portion of the planning area and move all 14 stations.*

We did consider all of these options but only one had a positive impact on patients and was able to be accomplished in the timeframe needed and inside of our budget:

- a) *Transfer 7 and keep 7: This path had the most logic and was the best way to meet the needs of our patients. We can easily move stations to fill out our NKC Rainier Beach center, it meets the timeframe to meet the added demand in the south part of the planning area and rebalances the stations that exist in this planning area.*
- b) *Transfer 14 to the new Seattle clinic: This missed the timing as the lease at Elliott Bay is being renegotiated and it does not move the stations to where our patients now live – in the Rainier Valley.*
- c) *Return all 14: This was a lost opportunity to serve patients and did not help resolve our key issues – how to better serve the patients.*
- d) *Relocate all 14 stations to a new part of the planning area that is not the new Seattle clinic: This was not possible in the time frame we considered and was not within our budget from which to do. We simply could not take on this project at this time, so opted for the best path in option A.”*

Department Evaluation

This relocation project has the potential to increase access (see earlier sections of the evaluation) to dialysis services and increase operational efficiencies; and can be achieved with minor capital costs. Thus, the department concludes that the project submitted by NKC is the best available alternative for the community. **This sub-criterion is met.**

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

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

Department Evaluation

This sub-criterion was evaluated in conjunction with WAC 246-310-220(2) above and is considered met for this project.

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

Northwest Kidney Centers

NKC provided the following information related to this sub-criterion. [source: Amendment Application pdf 16 and pdf 33]

“NKC Rainier Beach was certified as LEED Silver during its construction in 2019 (certification finally arrived in 2021). The changes we are making in this relocation are simply completing the final buildout to fill this clinic to capacity. The work we are doing in this proposed transfer is mostly focused on plumbing work.

As mentioned earlier in the application, by moving 7 stations from downtown Seattle (NKC Elliott Bay) to our NKC Rainier Beach Kidney Center we are placing stations closer to where our patients live. The patients who drive or take a transport van service will have access to the clinic front entrance reducing both travel time (by vehicle) and in walking distance to the single-story full access clinic. NKC owns our NKC Rainier Beach facility so we know it is a cost-effective space to provide treatments and with the national awards we have received by the design along with LEED Silver status, the patient and staff experience is very good.”

Department Evaluation

NKC’s relocation project has the potential improve delivery of dialysis services to the residents of King County planning area #2 with the relocation of dialysis stations within the planning area. Further, no stations are added or deleted from the planning area. Thus, the department concludes that **this sub-criterion is met.**