

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: January 3, 2019

Findings Date: January 3, 2019

Project Analyst: Ena Lightbourne

Team Leader: Lisa Pittman

Project ID #: P-11598-18

Facility: Mount Olive Dialysis

FID #: 00304

County: Wayne

Applicant: DVA Renal Healthcare, Inc.

Project: Add two dialysis stations for a total of 17 dialysis stations upon project completion

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. §131E-183(a) The Agency shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

- (1) The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

C

DVA Renal Healthcare, Inc. d/b/a Mt Olive Dialysis proposes to add two dialysis stations to the existing facility for a total of 17 dialysis stations upon project completion.

#### **Need Determination**

The 2018 State Medical Facilities Plan (2018 SMFP) provides a county need methodology and a facility need methodology for determining the need for new dialysis stations. According to the July 2018 Semiannual Dialysis Report (SDR), the county need methodology shows there is a surplus of two dialysis stations in Wayne County; thus the applicant cannot apply to add any additional stations based on the county need methodology. However, the applicant is eligible to apply for additional dialysis stations in its existing facility, based on the facility need methodology if the utilization rate for the dialysis center, as reported in the most recent SDR, is at least 3.2 patients per station per week, or 80%. The utilization rate reported for Mt. Olive Dialysis in the July 2018 SDR is 3.33 patients per station per week, or 83.33%, based on 50

in-center dialysis patients and 15 certified dialysis stations [ $50 / 15 = 3.3333$ ;  $3.3333 / 4 = 0.83332$  or 83.33%].

Application of the facility need methodology indicates up to two additional stations are needed for this facility, as illustrated in the following the table.

**October 1 Review Table (July SDR)**

		<b>Part A</b>
Required SDR Utilization		80%
MT Olive Dialysis		
July 2018 SDR		
Facility Utilization Rate (as of 12/31 of the previous year)		83.33%
		<b>Part B</b>
# of Certified Stations (12/31/2017)		15
# of Pending Stations		0
<b>Total Existing and Pending Stations</b>		<b>15</b>
In-Center Patients as of 12/31/17 - (July 2018 SDR) (SDR2)		50
In-Center Patients as of 6/30/17 - (January 2018 SDR) (SDR1)		48
<b>Step</b>	<b>Description</b>	<b>Result</b>
(i)	Difference (SDR2 - SDR1)	2
	Multiply the difference by 2 for the projected net in-center change	4
	Divide the projected net in-center change for 1 year by the number of in-center patients from SDR1	0.083333
(ii)	Divide the result of Step (i) by 12	0.006944
(iii)	Multiply the result of Step (ii) by 12	0.083332
(iv)	Multiply the result of Step (iii) by the number of in-center patients reported in SDR2 and add the product to the number of in-center patients reported in SDR2	54.16664
(v)	Divide the result of Step (iv) by 3.2 patients per station	16.92707
	and subtract the number of certified and pending stations to determine the number of stations needed	<b>2</b>

As shown in the table above, based on the facility need methodology for dialysis stations, the potential number of stations needed is two stations. Step (C) of the facility need methodology states, “*The facility may apply to expand to meet the need established ..., up to a maximum of ten stations.*” The applicant proposes to add two new stations; therefore, the application is consistent with the facility need determination for dialysis stations.

**Policies**

There is one policy in the 2018 SMFP which is applicable to this review. Policy GEN-3: Basic Principles, on page 33 of the 2018 SMFP, is applicable to this review because the facility need methodology is applicable to this review. Policy GEN-3 states:

*“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”*

### Promote Safety and Quality

The applicant describes how it believes the proposed project will promote safety and quality in Section B.4(a), pages 9-10; Section N.1, page 48; and referenced exhibits. The information provided by the applicant is reasonable and supports the determination that the applicant’s proposal will promote safety and quality.

### Promote Equitable Access

The applicant describes how it believes the proposed project will promote equitable access in Section B.4(b), page 10; Section C.3, page 15; Section L, pages 42-45; Section N.1, page 48; and referenced exhibits. The information provided by the applicant is reasonable and supports the determination that the applicant’s proposal will promote equitable access.

### Maximize Healthcare Value

The applicant describes how it believes the proposed project will maximize healthcare value in Section B.4(c), page 11; Section F, pages 22-27; Section K, pages 37-38; Section N.1, page 48; and referenced exhibits. The information provided by the applicant with regard to its efforts to maximize healthcare value is reasonable and supports the determination that the applicant’s proposal will maximize healthcare value.

The applicant adequately demonstrates how its proposal incorporates the concepts of quality, equitable access, and maximum value for resources expended in meeting the facility need as identified by the applicant. Therefore, the application is consistent with Policy GEN-3.

### Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

Mt Olive Dialysis proposes to add two dialysis stations to the existing facility for a total of 17 dialysis stations upon project completion.

**Patient Origin**

On page 365, the 2018 SMFP defines the service area for dialysis stations as “...*the dialysis station planning area in which the dialysis station is located. Except for the Cherokee-Clay-Graham Multicounty Planning Area and the Avery-Mitchell-Yancey Multicounty Planning Area, each of the 94 remaining counties is a separate dialysis station planning area.*” Thus, the service area is Wayne County. Facilities may serve residents of counties not included in their service area.

In Section C.8, page 17, the applicant provides the historical patient origin for Mt. Olive Dialysis patients as of December 31, 2017, as shown in the table below.

**Mt Olive Dialysis  
Patient Origin, December 31, 2017**

<b>County of Residence</b>	<b># In-Center Dialysis Patients</b>
Wayne	46
Burke	4
Total	50

Source: Table in Section C, page 17

The following table illustrates projected patient origin for the first two years of operation following project completion, as provided in Section C, page 13.

<b>Mt Olive Dialysis Projected Patient Origin</b>				
<b>County</b>	<b>Operating Year 1 (CY2020)</b>		<b>Operating Year 2 (CY2021)</b>	
	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>
<b>Wayne</b>	54	93.1%	57	93.4%
<b>Duplin</b>	4	6.9%	4	6.6%
<b>Total</b>	<b>58</b>	<b>100.0%</b>	<b>61</b>	<b>100.0%</b>

Source: Table in Section C, page 13

In Section C, pages 13-17, the applicant provides the assumptions and methodology it used to project patient origin. The applicant's assumptions are reasonable and adequately supported.

### **Analysis of Need**

The applicant proposes to add two dialysis stations to the existing Mt Olive Dialysis, for a total of 17 dialysis stations upon project completion. On pages 13-17, the applicant describes its need methodology and assumptions for projecting utilization of the proposed facility as follows:

- The applicant projects the first two full operating years of the project will be January 1, 2020-December 31, 2020 (CY2020) and January 1, 2021-December 31, 2021 (CY2021).
- The applicant projects annual growth of the Wayne County residents at 5.9% which is the Wayne County Five Year Average Annual Change Rate (AACR) per the July 2018 SDR.
- As of December 31, 2017, the current patient census of Wayne county residents at Mt Olive Dialysis was 46 in-center patients.
- As of December 31, 2017, the patient census of non-Wayne county residents at Mt Olive Dialysis was a total 4 in-center patients from another NC county. No patient growth calculations were performed for this patient population.

### **Projected Utilization**

In Section C, page 14, the applicant provides its utilization methodology, based on its stated assumptions, as illustrated in the following table.

**Mt Olive Dialysis  
 Projected In-Center Utilization**

<b>Beginning service area census</b>	<b>Start date</b>	<b># of service area patients</b>	<b>x</b>	<b>Growth Rate</b>	<b>=</b>	<b>Service Area year end census</b>	<b>+</b>	<b># out of service area patients</b>	<b>=</b>	<b>Total Year-end census</b>	<b>Year-end date</b>
Current Year	1/1/18	46	x	1.059	=	48.714	+	4	=	52.714	12/31/18
Interim Period	1/1/19	48.714	x	1.059	=	51.58813	+	4	=	55.58813	12/31/19
Census OY 1	1/1/20	51.58813	x	1.059	=	54.63183	+	4	=	58.63183	12/31/20
Census OY2	1/1/21	54.63183	x	1.059	=	57.8551	+	4	=	61.8551	12/31/21

Source: Table in Section C, page 14

Projected patients for OY1 and OY2 are rounded down to the nearest whole number. Therefore, at the end of OY1 (CY2020) the facility is projected to serve 58 in-center patients and at the end of OY2 (CY2021) the facility is projected to serve 61 in-center patients.

The projected utilization rates for the first two operating years are as follows:

- OY1: 3.41 patients per station per week or 85.3% (58 patients / 17 stations = 3.41/4 = 0.8529 or 85.3%)
- OY2: 3.59 patients per station per week or 89.70% (61 patients / 17 stations = 3.59/4 = 0.8970 or 89.7%)

The projected utilization of 3.41 patients per station per week at the end of OY1 exceeds the minimum standard of 3.2 in-center patients per station per week required by 10A NCAC 14C .2203(b).

Projected utilization is reasonable and adequately supported for the following reasons:

- Mt Olive Dialysis is currently operating at 83.33% capacity.
- The applicant projects future utilization based on historical utilization.
- The applicant assumes a projected annual growth rate of 5.9 percent for Wayne County patient census at Mt Olive Dialysis, which is equal to the Wayne County Five Year AACR as published in the July 2018 SDR.
- The applicant does not project growth for its patients who do not reside in Wayne County.
- Projected utilization at the end of OY1 exceeds the minimum of 3.2 patients per station per week required by 10A NCAC 14C .2203(b).

**Access**

In Section C.3, page 15, the applicant states:

*“By policy, the proposed services will be made available to all residents in its service area without qualifications. The facility will serve patients without regard to race, sex, age, or handicap. We will serve patients regardless of ethnic or socioeconomic situation.*

*We will make every reasonable effort to accommodate all patients, especially those with special needs such as handicapped, patients attending school or patients who work. Dialysis services will be provided six days per week with two patient shifts per day to accommodate patient need.*

*Payment will not be required upon admission. Therefore services are available to all patients including low income persons, racial and ethnic minorities, women, handicapped, elderly, and other under-served.”*

In Section L, page 43, the applicant projects the following payor mix during the second full fiscal year of operation following completion of the project, as illustrated in the following table.

**Mt Olive Dialysis  
Projected Payor Mix CY 2021**

<b>Payment Source</b>	<b>% Total Patients</b>	<b>% In-Center Patients</b>
Private Pay	0.0%	0.0%
Medicare	16.3%	16.3%
Medicaid	12.2%	12.2%
Commercial Insurance	4.1%	4.1%
Medicare/Commercial	32.7%	32.7%
Medicare/Medicaid	30.6%	30.6%
VA	4.1%	4.1%
Other	0.0%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Table in Section C, page 43

The applicant states on page 43 that the future payor mix is based on the sources of patient payment that have been received by the existing facility in the last full operating year. The projected payor mix is reasonable and adequately supported.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately identifies the population to be served.
  - The applicant adequately explains why the population to be served needs the services proposed in this application.
  - Projected utilization is reasonable and adequately supported.
  - The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payer mix) and adequately supports its assumptions.
- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA

The applicant does not propose to reduce a service, eliminate a service, or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

CA

Mt Olive Dialysis proposes to add two dialysis stations to the existing facility for a total of 17 dialysis stations upon project completion.

In Section E, page 21, the applicant describes the alternatives it considered and explains why the alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the Status Quo-The applicant states that this alternative was dismissed because of growth of the facility.
- Relocate stations from another Davita facility-Three DaVita facilities in Wayne County are currently operating greater than 80% capacity. Relocating stations would negatively impact the patients.
- Apply for a Two-Station Expansion-The applicant states that this was the most effective alternative because it ensures that the issue of growth and access of the facility is addressed.

In Section E.2, Page 21, the applicant states that its proposal is the most effective alternative because it is the most efficient alternative to the meet the growing needs of patients choosing to dialyze at McDowell Dialysis Center.

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need for the following reasons:

- The application is conforming to all statutory and regulatory review criteria.
- The applicant provided credible information to explain why it believes the proposed project is the most effective alternative.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. DVA Renal Healthcare, Inc. d/b/a Mt Olive Dialysis shall materially comply with all representations made in the certificate of need application.**
  - 2. Pursuant to the facility need determination in the July 2018 SDR, DVA Renal Healthcare, Inc. d/b/a Mt Olive Dialysis shall develop no more than two additional dialysis stations for a total of no more than 17 certified stations upon completion of this project, which shall include any home hemodialysis training or isolation stations.**
  - 3. DVA Renal Healthcare, Inc. d/b/a Mt Olive Dialysis shall install plumbing and electrical wiring through the walls for no more than two additional dialysis stations, which shall include any isolation stations.**
  - 4. DVA Renal Healthcare, Inc. d/b/a Mt Olive Dialysis shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

Mt Olive Dialysis proposes to add two dialysis stations to the existing facility for a total of 17 dialysis stations upon project completion.

**Capital and Working Capital Costs**

In Section F.1, page 22, the applicant projects the total cost of the project as shown in the table below.

Site Costs	\$0
Construction Costs	\$0
Miscellaneous Costs	\$21,758
<b>Total</b>	<b>\$21,758</b>

In Section F, pages 24-25, the applicant states there will be no start-up or initial operating expenses associated with the proposed project since this is an existing facility that is already operational.

**Availability of Funds**

In Section F.2, page 23, the applicant states that it will fund the entire capital cost of the proposed project with accumulated reserves as shown in the table below.

**Sources of Capital Cost Financing**

Type	Davita Inc.	Total
Loans	\$0	\$ 0
Accumulated reserves or OE *	\$21,758	\$21,758
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
<b>Total Financing</b>	<b>\$21,758</b>	<b>\$21,758</b>

\* OE = Owner's Equity  
Source: Table in Section F, page 23

Exhibit F-5 contains a letter from the Chief Accounting Officer for Davita Inc., parent company to DVA Renal Healthcare, Inc., authorizing the use of accumulated reserves for the capital needs of the project. Exhibit F-6 contains a copy of the Consolidated Balance Sheets from DaVita, Inc., for year ending December 31, 2017 and December 31, 2016. DaVita, Inc. had adequate cash and assets to fund the capital cost of the proposed project.

**Financial Feasibility**

The applicant provides pro forma financial statements for the first two full fiscal years of operation following completion of the project. In Form B, the applicant projects that revenues will exceed operating expenses in the first two operating years of the project, as shown in the table below.

<b>Projected Revenues and Operating Expenses</b>		
<b>Mt Olive Dialysis</b>	<b>Operating Year 1 CY 2020</b>	<b>Operating Year 2 CY 2021</b>
Total Treatments	8,373	8,818
Total Gross Revenues (Charges)	\$2,184,784	\$2,300,258
Total Net Revenue	\$2,121,749	\$2,233,905
Average Net Revenue per Treatment	\$253	\$253
Total Operating Expenses (Costs)	\$2,056,576	\$2,152,175
Average Operating Expense per Treatment	\$246	\$244
<b>Net Income/Profit</b>	<b>\$65,174</b> <b>[\$65, 173]</b>	<b>\$81,730</b>

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs, and charges. See Section R of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital cost is based on reasonable and adequately supported assumptions.
  - The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
  - The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

**C**

Mt Olive Dialysis proposes to add two dialysis stations to the existing facility for a total of 17 dialysis stations upon project completion.

On page 365, the 2018 SMFP defines the service area for dialysis stations as “...the dialysis station planning area in which the dialysis station is located. Except for the Cherokee-Clay-Graham Multicounty Planning Area and the Avery-Mitchell-Yancey Multicounty Planning Area, each of the 94 remaining counties is a separate dialysis station planning area.” Thus,

the service area is Wayne County. Facilities may serve residents of counties not included in their service area.

The Wayne County facilities are shown below. RAI is the only other dialysis provider in Wayne County.

<b>Facility Name</b>	<b>Provider</b>	<b>Location</b>	<b># of Stations</b>	<b>Utilization</b>
Coastal Plains Dialysis	DaVita	Goldsboro	0	0.00%
Goldsboro Dialysis	DaVita	Goldsboro	27	89.81%
Goldsboro South Dialysis	DaVita	Goldsboro	22	80.68%
Mt Olive Dialysis	DaVita	Mt Olive	15	83.33%
RAI Care Centers-Goldsboro	RAI	Goldsboro	0	0.00%
RAI Care Centers-Goldsboro	RAI	Goldsboro	16	101.56%
Rosewood Dialysis	DaVita	Goldsboro	0	0.00%

Source: July 2018 SDR, Table B

In Section G, page 28, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved dialysis services in Wayne County. The applicant states:

*“All three of the operational DaVita facilities in Wayne County were operating at 80% or greater utilization as reported in the July 2018 SDR. Therefore, each facility has the potential for adding stations, given that they can show a need.*

*.....While adding stations at this facility does increase the number of stations in Wayne County, it is based on the facility need methodology. It ultimately serves to meet the needs of the facility’s growing population of patients referred by the facility’s admitting nephrologists.”*

The applicant adequately demonstrates that the proposal will not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- There is a facility need determination, as calculated using the methodology in the July 2018 SDR, for the proposed additional dialysis stations.
- The applicant adequately demonstrates that the proposed dialysis stations are needed in addition to the existing or approved additional dialysis stations.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

- Information which was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

**C**

In Section H.1, page 29, the applicant provides current and projected staffing in full time equivalents (FTEs) for Mt Olive Dialysis.

Position	Current	Projected	
		1 <sup>st</sup> Full Fiscal Year	2 <sup>nd</sup> Full Fiscal Year
RNs	2.0	3.0	3.0
Technician (PCT)	6.0	7.0	7.0
Medical Records	0.0	0.0	0.0
Administrator	1.0	1.0	1.0
Dietician	0.5	0.5	0.5
Social Worker	0.5	0.5	0.5
Home Training RN	0.0	0.0	0.0
Admin Assistant	1.0	1.0	1.0
Biomed Tech	0.5	0.5	0.5
<b>TOTAL</b>	<b>11.5</b>	<b>13.5</b>	<b>13.5</b>

The applicant will add a RN and a technician to its FTE staff for Mt Olive Dialysis associated with the proposed project. The assumptions and methodology used to project staffing are provided in Section R. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form A, Section R. In Section H.2, page 30, the applicant identifies the current medical director for the facility.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

In Section I, page 33, the applicant states that the following ancillary and support services are necessary for the proposed services, and explains how each ancillary and support service is made available:

<b>Mt Olive Dialysis – Ancillary and Support Services</b>	
<b>Services</b>	<b>Provider</b>
In-center dialysis/maintenance	DaVita on site
Self-care training (in-center)	DaVita on site
Home Training HH PD Accessible follow-up program	Goldsboro Dialysis
Psychological counseling	DaVita on site
Isolation – hepatitis	DaVita on site
Nutritional counseling	DaVita on site
Social Work services	DaVita on site
Acute dialysis in an acute care setting	Wayne Memorial Hospital-Referral
Emergency care	Wayne Memorial Hospital-Referral
Blood bank services	Wayne Memorial Hospital-Referral
Diagnostic and evaluation services	Wayne Memorial Hospital-Referral
X-ray services	Wayne Memorial Hospital-Referral
Laboratory services	DaVita Laboratory Services, Inc.-Referral
Pediatric nephrology	Wayne Memorial Hospital-Referral
Vascular surgery	Wayne Memorial Hospital-Referral
Transplantation services	Vidant Medical Center
Vocational rehabilitation & counseling	NC Division of Vocational Rehab Services
Transportation	Wayne County DSS

Source: Table in Section I, page 33

In Section I, pages 33-35, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I-1.

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

**Conclusion**

The Agency reviewed the:

- Application

- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
  - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
  - (iii) would cost no more than if the services were provided by the HMO; and
  - (iv) would be available in a manner which is administratively feasible to the HMO.

NA

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

NA

The applicant does not propose to make more than minor renovations to existing space. Therefore, Criterion (12) is not applicable to this review.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

In Section L, page 46, the applicant provides the historical payor mix during CY 2017 for its existing services, as shown in the table below.

**Mt Olive Dialysis  
Historical Payor Mix CY 2017**

Payment Source	% Total Patients
Private Pay	0.0%
Medicare	16.3%
Medicaid	12.2%
Commercial Insurance	4.1%
Medicare/Commercial	32.7%
Medicare/Medicaid	30.6%
VA	4.8%
Other	0.0%
Total	100.0%

Source: Table in Section L, page 46

The United States Census Bureau provides demographic data for North Carolina and all counties in North Carolina. The following table contains relevant demographic statistics for the applicant's service area.

Percent of Population						
County	% 65+	% Female	% Racial and Ethnic Minority*	% Persons in Poverty**	% < Age 65 with a Disability	% < Age 65 without Health Insurance **
2017 Estimate	2017 Estimate	2017 Estimate	2017 Estimate	2017 Estimate	2017 Estimate	2017 Estimate
Wayne	16%	51%	47%	21%	13%	15%
Statewide	16%	51%	37%	15%	10%	12%

Source: <http://www.census.gov/quickfacts/table/US/PST045217>; Latest Data 7/1/17 as of 7/17/18

\*Excludes "White alone, not Hispanic or Latino"

\*\* "Estimates are not comparable to other geographical levels due to methodology differences that may exist between different data sources. Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable...The vintage year (e.g. V2017) refers to the final year of the series (2010 thru 2017). Different vintage years of estimates are not comparable."

The IPRO ESRD Network of the South Atlantic Network 6 (IPRO SA Network 6) consisting of North Carolina, South Carolina and Georgia, provides an Annual Report which includes aggregate ESRD patient data from all three states. The report does not provide state-specific ESRD patient data, but the aggregate data is likely to be similar to North Carolina's based on the Network's recent annual reports which included state-specific data.

The IPRO SA Network 6 Annual Report (pages 25-26<sup>1</sup>) provides the following prevalence data on dialysis patients by age, race, and gender. As of December 31, 2016, over 85% of dialysis patients in Network 6 were 45 years of age and older, over 66% were other than Caucasian and 45% were female.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

<sup>1</sup><https://network6.esrd.ipro.org/wp-content/uploads/sites/4/2017/07/NW6-2016-Annual-Report-FINAL.pdf>

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

Regarding any obligation to provide uncompensated care, community service, or access by minorities and handicapped persons, the applicant states in Section L, page 45, that it has no obligation to provide uncompensated care or community service under any federal regulations.

In Section L, page 45, the applicant states that during the last five years no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section L, page 43, the applicant projects the following payor mix for the proposed services during the second full fiscal year of operation following completion of the project, as shown in the table below.

<b>Mt Olive Dialysis Projected Payor Mix Project Year 2, CY 2021</b>		
<b>Payment Source</b>	<b>% Total Patients</b>	<b>% In-Center Patients</b>
Private Pay	0.0%	0.0%
Medicare	16.3%	16.3%
Medicaid	12.2%	12.2%
Commercial Insurance	4.1%	4.1%
Medicare/Commercial	32.7%	32.7%
Medicare/Medicaid	30.6%	30.6%
VA	4.1%	4.1%
Other	0.0%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Table in Section L, page 43

As shown in the table above, during the second year of operation, the applicant projects that 79.6% of total services will be provided to Medicare patients (includes Medicare and Medicare/Commercial), and 12.2% to Medicaid patients.

On page 43, the applicant provides the assumptions and methodology it uses to project payor mix during the second full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- The projected payor mix is based on the historical payor mix.
- The applicant's proposed patient origin is based on historical patient origin of the facility.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C

In Section L, page 45, the applicant adequately describes the range of means by which patients will have access to the proposed services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

### C

In Section M, page 47, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M-2.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.  
(16) Repealed effective July 1, 1987.  
(17) Repealed effective July 1, 1987.  
(18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

Mt Olive Dialysis proposes to add two dialysis stations to the existing facility for a total of 17 dialysis stations upon project completion.

On page 365, the 2018 SMFP defines the service area for dialysis stations as “...*the dialysis station planning area in which the dialysis station is located. Except for the Cherokee-Clay-Graham Multicounty Planning Area and the Avery-Mitchell-Yancey Multicounty Planning Area, each of the 94 remaining counties is a separate dialysis station planning area.*” Thus, the service area is Wayne County. Facilities may serve residents of counties not included in their service area.

The Wayne County facilities are shown below. RAI is the only other dialysis provider in Wayne County.

<b>Facility Name</b>	<b>Provider</b>	<b>Location</b>	<b># of Stations</b>	<b>Utilization</b>
Coastal Plains Dialysis	DaVita	Goldsboro	0	0.00%
Goldsboro Dialysis	DaVita	Goldsboro	27	89.81%
Goldsboro South Dialysis	DaVita	Goldsboro	22	80.68%
Mt Olive Dialysis	DaVita	Mt Olive	15	83.33%
RAI Care Centers-Goldsboro	RAI	Goldsboro	0	0.00%
RAI Care Centers-Goldsboro	RAI	Goldsboro	16	101.56%
Rosewood Dialysis	DaVita	Goldsboro	0	0.00%

Source: July 2018 SDR, Table B

In Section N, page 48, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality, and access to the proposed services. On page 48, the applicant states:

*“Although the addition of stations at this facility could serve to provide more patients another option to select a provider that gives them the highest quality service and better meets their needs, this project primarily serves to address the needs of a population already served (or projected to be served, based on historical growth rates) by DVA Renal Care Healthcare, Inc.*

*The expansion of Mt Olive Dialysis will enhance accessibility to dialysis for our patients, and by reducing the economic and physical burdens on our patients, this project will enhance the quality and cost effectiveness of our service because it will make it easier for patients, family members and others involved in the dialysis process to receive service.”*

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates:

- The cost-effectiveness of the proposal (see Sections F and R of the application and any exhibits).
- Quality services will be provided (see Section O of the application and any exhibits).
- Access will be provided to underserved groups (see Section L of the application and any exhibits).

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

### C

In Exhibit A-11, the applicant identifies the kidney disease treatment centers located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of 104 of this type of facility located in North Carolina.

In Section O, page 49, the applicant states that, during the 18 months immediately preceding the submittal of the application, two facilities did not operate in compliance with Medicare conditions of participation. Supporting documentation is provided in Exhibit O-2. The applicant states that each facility is currently in compliance. Supporting documentation is provided in Exhibit O-3. After reviewing and considering information provided by the applicant and publicly available data and considering the quality of care provided at all 104 facilities, the applicant provides sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to

demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The Criteria and Standards for End Stage Renal Disease Services promulgated in 10A NCAC 14C .2200 are applicable to this review. The application is conforming to all applicable criteria, as discussed below.

**10 NCAC 14C .2203 PERFORMANCE STANDARDS**

(a) *An applicant proposing to establish a new End Stage Renal Disease facility shall document the need for at least 10 stations based on utilization of 3.2 patients per station per week as of the end of the first operating year of the facility, with the exception that the performance standard shall be waived for a need in the State Medical Facilities Plan that is based on an adjusted need determination.*

-NA- Mt Olive Dialysis is an existing facility.

(b) *An applicant proposing to increase the number of dialysis stations in an existing End Stage Renal Disease facility or one that was not operational prior to the beginning of the review period but which had been issued a certificate of need shall document the need for the additional stations based on utilization of 3.2 patients per station per week as of the end of the first operating year of the additional stations.*

-C- In Section C, page 13, the applicant projects that Mt Olive Dialysis will serve 58 in-center patients on 17 stations, or a utilization rate of 3.41 patients per station per week, as of the end of the first operating year following project completion. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

(c) *An applicant shall provide all assumptions, including the methodology by which patient utilization is projected.*

-C- In Section C, pages 13-17, the applicant provides the assumptions and methodology it used to project utilization of the facility. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.