



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

December 18, 2014

CERTIFIED MAIL #7009 0960 0000 5565 0376

Ann Sullivan, Area Manager
Washington Capitol Office
Fresenius Medical Care
719 Sleater Kinney Road, #152
Lacey, Washington 98503

RE: DOR #15-22

Dear Ms. Sullivan:

Thank you for your December 1, 2014, letter requesting a Certificate of Need exemption related to Fresenius Medical Care's (FMC) proposed relocation of Chehalis Dialysis Center. Below are the facts relied upon by the Certificate of Need Program in reaching its conclusion regarding your proposed relocation project.

FACTS

- On April 20, 1999, Providence St. Peter Hospital was issued Certificate of Need (CN) #1188 approving the establishment of a 7-station dialysis center to be located in a medical office building on the Chehalis campus of Providence Hospital-Centralia. The address for the dialysis center is 500 Southeast Washington in Chehalis, within Lewis County. The facility was established and the approved project was complete as of January 29, 2002.
- On February 1, 2002, the Chehalis Dialysis Facility underwent a change of ownership from Providence St. Peter Hospital to a subsidiary of Fresenius Medical Care known as Renal Care Group Northwest (RCGNW).
- On October 26, 2006, CN #1340 was issued to RCGNW approving the addition of five stations to the dialysis center, for a facility total of 12 in-center dialysis stations. CN #1340 acknowledged that the dialysis center did not include training stations.
- FMC-Chehalis Dialysis Center has remained at its current location since its establishment in 2002. Documentation provided in this relocation application demonstrates that the medical office building was purchased in 2009 by American Behavioral Health Systems, Inc. Subsequent lease agreements between the new owners and RCGNW continue to identify the address of the dialysis center at 500 Southeast Washington in Chehalis.

- While the physical location of the dialysis center did not change, the main entrance to the dialysis center was moved to the other side of the building. This change in building access resulted in issuance of a new address by the postmaster. The new address is 505 Southeast Adams Avenue in Chehalis [98532].
- The facility continues to provide in-center dialysis services only, with no training stations.
- Your December 1, 2014, letter, requests relocation of the 12-station FMC Chehalis Dialysis Center in its entirety. Below is a summary of the information provided.
 - The new site is 1684 Bishop Road in Chehalis [98532] and is within four miles of the existing site on Southeast Adams.
 - The current site and the new site are both located in Lewis County as defined in Washington Administrative Code 246-310-280(9).
 - FMC expects that the new facility would become operational in June 2015. The existing facility would cease operation as an FMC dialysis center once the relocated facility was operational.
 - No break in dialysis services would occur as a result of the relocation.
 - Chehalis Dialysis Center does not provide home training services at the current site. The floor plan for the new facility does not include space for training services. FMC does not intend to provide home training services upon opening Chehalis Dialysis Center at the new site.
 - The floor plan for the new facility demonstrates that the facility will be built-out as a 12-station dialysis center with no shelved space. Dialysis services in isolated space and a permanent bed will be available at the new site.
 - A breakdown of the 12 stations for the new site is shown below.

Private Isolation Room	1
Training Station	0
Permanent Bed Station	1
Other In-Center Stations	10
Total	12

- For this relocation, FMC negotiated a 'turn-key' lease with the landlord. The landlord will finance the land purchase, development, and build-out costs, and then recoup those costs in the lease agreement with FMC or its subsidiary, RCGNW.
- The total costs for the entire building and equipment are estimated at \$3,791,485. FMC's share of the costs is \$365,958 and the landlord's share is \$3,425,527.

ANALYSIS

- Revised Code of Washington (RCW) 70.38.105(4) identifies the types of projects subject to prior Certificate of Need review and approval. Subsection (a) identifies that the construction, development, or other establishment of a new health care facility is subject to CON review. RCW 70.38.025(6) defines "health care facility" to include kidney disease treatment centers.

- WAC 246-310-289 allows for relocation of a kidney disease treatment center within the same planning area [as defined in WAC 246-310-280(9)] without undergoing prior Certificate of Need review and approval, provided the following five requirements are met.
 - (a) The existing facility ceases operation;
 - (b) No new stations are added to the replacement facility;
 - (c) There is no break in service between the closure of the existing facility and the operation of the replacement facility;
 - (d) The existing facility has been in operation for at least five years at its present location;
and
 - (e) The existing facility has not been purchased, sold, or leased within the past five years.

CONCLUSION

Based on the above factual information, the Certificate of Need Program concludes that the proposed relocation of FMC Chehalis Dialysis Center qualifies for a relocation exemption under WAC 246-310-289, provided that FMC agrees to the following conditions.

Conditions of Exemption Approval

- 1) At project completion, FMC Chehalis Dialysis Center is approved to certify and operate 12 dialysis stations at the new site.
- 2) FMC Chehalis Dialysis Center does not currently provide home training services. Home training services will not be offered at the dialysis center upon opening at the new site. Before FMC Chehalis Dialysis Center begins providing home training services, a minimum of 30-day prior notification to the Certificate of Need Program is required.

You have two options, either accept or reject the above in its entirety. If you accept the above in its entirety, your application will be approved and a replacement authorization for the project will be issued. If you reject any provision of the above, you must identify that provision, and your application will be denied because approval would not be consistent with applicable Certificate of Need review criteria. Please notify the Department of Health within 20 days of the date of this letter whether you accept the above in its entirety.

Your written response should be sent to the Certificate of Need Program, at one of the following addresses.

Mailing Address:
Department of Health
Certificate of Need Program
Mail Stop 47852
Olympia, WA 98504-7852

Other Than By Mail:
Department of Health
Certificate of Need Program
111 Israel Road SE
Tumwater, WA 98501

Ann Sullivan, Area Manager
Fresenius Medical Care
DOR #15-22
December 18, 2014
Page 4 of 4

If you have any questions, or would like to arrange for a meeting to discuss our decision, please contact me at (360) 236-2955.

Sincerely,



Janis Sigman, Manger
Certificate of Need Program
Community Health Systems