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Birmingham, AL 35205-2972

PO Box 55727
Birmingham, AL 35255-5727

July 1, 2015

VIA E-MAIL & HAND DELIVERY

Alva M. Lambert
State Health Planning & Development Agency
100 North Union Street, Suite 870
Montgomery, AL 36130

**Re: Project Modification Request
Renal Treatment Centers – Southeast, LP d/b/a Springs Dialysis
Project No. AL 2013-059; CON 2644-ESRD-MOD1**

Dear Mr. Lambert:

This Project Modification Request is hereby filed on behalf of our client, Renal Treatment Centers – Southeast, LP d/b/a Springs Dialysis (“Springs Dialysis”), a subsidiary of DaVita Healthcare Partners Inc. (“DaVita”), to modify Project No. AL 2013-059 and Certificate of Need (“CON”) 2644-ESRD-MOD1 related to the approved establishment and operation of a new state-of-the-art end stage renal disease (“ESRD”) facility consisting of two (2) existing in-center hemodialysis stations to be relocated from DaVita’s Birmingham East Dialysis, two (2) CON-approved but undeveloped in-center hemodialysis stations to be relocated from DaVita’s Magic City Dialysis, plus the addition of eight (8) new in-center hemodialysis stations and one (1) new home training station to be used alternately for home peritoneal dialysis training and home hemodialysis training, for a total of thirteen (13) stations, in east Jefferson County, Alabama (“Project”).

Pursuant to CON Rule § 410-1-10-.03, Springs Dialysis respectfully requests the approval of this Project Modification Request to modify the Project as follows:

- i) Relocate to Springs Dialysis four (4) CON-approved in-center hemodialysis stations from Birmingham Gateway Dialysis (Project No. AL 2013-067; CON 2654-ESRD-MOD1), including the two (2) existing in-center hemodialysis stations to have been relocated from DaVita’s Birmingham East Dialysis to Birmingham Gateway Dialysis, and two (2) new CON-approved but undeveloped in-center hemodialysis stations; and
- ii) Transfer from Birmingham Gateway Dialysis (Project No. AL 2013-067; CON 2654-ESRD-MOD1) the total estimated increase in cost of \$545,182 related to the relocation to Springs Dialysis of the four (4) CON-approved in-center hemodialysis stations from Birmingham Gateway Dialysis (total Springs Dialysis Project cost will increase from \$5,715,000 to \$6,260,182).

This Project Modification Request is necessary for the following reasons:

Lenora W. Pate
Attorney at Law
lpate@sirote.com
Tel: 205-930-5162
Fax: 205-212-3801

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STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



Alva M. Lambert
July 1, 2015
Page 2

1. For the reasons stated in the simultaneously-filed Birmingham Gateway Dialysis Project Modification Request, a copy of which is enclosed, Birmingham Gateway Dialysis has filed a Project Modification Request simultaneously herewith that proposes not to develop a new ten (10) station ESRD facility known as Birmingham Gateway Dialysis, but rather to relocate its ten (10) CON-approved in-center hemodialysis stations as follows: six (6) of its CON-approved in-center hemodialysis stations to be relocated from Birmingham Gateway Dialysis to Crown Dialysis; and four (4) of its CON-approved in-center hemodialysis stations to be relocated from Birmingham Gateway Dialysis to Springs Dialysis.

Therefore, this Project Modification Request is filed to relocate to Springs Dialysis four (4) CON-approved in-center hemodialysis stations from Birmingham Gateway Dialysis (Project No. AL 2013-067; CON 2654-ESRD-MOD1), including the two (2) existing in-center hemodialysis stations to have been relocated from DaVita's Birmingham East Dialysis to Birmingham Gateway Dialysis, and two (2) new CON-approved but undeveloped in-center hemodialysis stations.¹

2. The establishment and operation of a larger new state-of-the-art ESRD facility consisting of seventeen (17) hemodialysis stations pursuant to this Project Modification Request will result in increased estimated Project costs. Specifically, Springs Dialysis anticipates a \$112,370 increase in construction cost, a \$56,612 increase in equipment cost, and a \$376,200 increase in lease cost due to a higher annual rent.

Therefore, this Project Modification Request is also being filed to transfer from Birmingham Gateway Dialysis (Project No. AL 2013-067; CON 2654-ESRD-MOD1) the total related estimated increase in cost of \$545,182 (total Project cost will increase from \$5,715,000 to \$6,260,182). Such an increase in estimated Project cost falls below the financial thresholds for review and is expressly allowed under CON Rule § 410-1-10-.03.

As required, enclosed are the revised pages to the original CON Application reflecting the changes outlined above, including Pages 2-6, 9, 11, 13, 17-19, Exhibit C (Schematic), and a new executed Signature Page. Also enclosed is a filing fee of \$7,890.05 which is 35% of the original CON Application fee for this Project (\$22,543.00). As there was no opposition to this Project, there are no parties of record in the underlying administrative proceeding that must be notified regarding this Project Modification Request.

As always, we appreciate your assistance and look forward to receiving a modified CON for Springs Dialysis reflecting the changes outlined above. If you have any questions, please give me a call immediately.

¹ Project Modification relocation is expressly allowed under CON Rule § 410-1-10-.03(2) with approval by the CON Review Board and has been approved for previous CON projects.

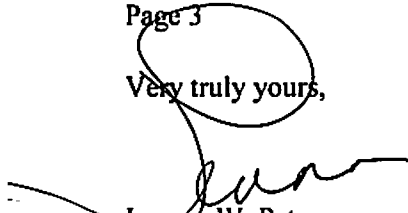


Alva M. Lambert

July 1, 2015

Page 3

Very truly yours,


Lenora W. Pate
FOR THE FIRM

LWP/lc
Enclosures

c: Nicole Horn
Gayle Ozbirn
Amy Sanford, Esq.
Sarah Tally
Kelli F. Robinson, Esq.

I. APPLICANT IDENTIFICATION (continued)

E. Type Ownership and Governing Body

1. Individual ()
2. Partnership ()
3. Corporate (for profit) (X)
4. Corporate (non-profit) ()
5. Public ()
6. Other (specify) ()

DaVita Healthcare Partners Inc.
Name of Parent Corporation

Name of Parent Corporation

F. Names and Titles of Governing Body Members and Owners of This Facility

OWNERS

Renal Treatment Centers – Southeast, LP d/b/a Springs Dialysis is a subsidiary of DaVita Healthcare Partners Inc.

GOVERNING BOARD MEMBERS OF RENAL TREATMENT CENTERS, INC.:

Kim M. Rivera-Sanchez; Steven I Grieger; James K. Hilger; Dennis L. Kogod; Chetan P. Mehta; Javier J. Rodriguez; Thomas O. Usilton, Jr.; Arturo Sida; David Finn; and Soyoon Ahn Hardy

GOVERNING AUTHORITY OF SPRINGS DIALYSIS (as required by the Alabama State Board of Health, Alabama Department of Public Health):

Jacki Ward; Gayle Ozbirn; and a Medical Director to be determined

II. PROJECT DESCRIPTION

Project/Application Type (check all that apply)

- | | | | |
|----------|---|----------|--|
| <u>X</u> | New Facility
Type <u>ESRD Facility</u> | _____ | Major Medical Equipment
Type _____ |
| _____ | New Service
Type _____ | _____ | Termination of Service or Facility |
| <u>X</u> | <u>Construction/Expansion/Renovation</u>
<u>Eight (8) new in-center hemodialysis</u>
<u>stations; one (1) new home training</u>
<u>station</u> | <u>X</u> | <u>Other Capital Expenditure</u>
<u>Type Relocation of four (4) existing in-</u>
<u>center hemodialysis stations in Jefferson</u>
<u>County; relocation of four (4) new CON-</u>
<u>approved but undeveloped in-center</u>
<u>hemodialysis stations in Jefferson County</u> |
| _____ | Change in Service | _____ | |

III. EXECUTIVE SUMMARY OF THE PROJECT (brief description)

Renal Treatment Centers – Southeast, LP d/b/a Springs Dialysis (“Springs Dialysis” or “Applicant”), a subsidiary of DaVita Healthcare Partners Inc. (“DaVita”), proposes to establish and operate in east Jefferson County a new state-of-the-art end stage renal disease (“ESRD”) facility consisting of two (2) existing in-center hemodialysis stations to be relocated from DaVita’s Birmingham East Dialysis; two (2) CON-approved but undeveloped in-center hemodialysis stations to be relocated from DaVita’s Magic City Dialysis; four (4) CON-approved in-center hemodialysis stations to be relocated from Birmingham Gateway Dialysis consisting of two (2) existing in-center hemodialysis stations to have been relocated from

DaVita's Birmingham East Dialysis to Birmingham Gateway Dialysis and two (2) new CON-approved but undeveloped in-center hemodialysis stations to be relocated from DaVita's Birmingham Gateway Dialysis; eight (8) new in-center hemodialysis stations; and one (1) new home training station to be used alternately for home peritoneal dialysis training and home hemodialysis training, for a total of seventeen (17) hemodialysis stations.

If approved, this proposed Project will 1) help address the demonstrated, substantial unmet need for dialysis services in Jefferson County; 2) help address the capacity issues at Birmingham East Dialysis, an ESRD facility located at 1105 East Park Drive, Birmingham, Alabama; 3) help Birmingham East Dialysis reach an appropriate size for optimal efficiency and quality patient services; and 4) provide dialysis patients in east Jefferson County and surrounding counties with scheduling options and convenient location options, thus providing meaningful patient choice and quality of life.

This proposed Project will address the demonstrated, substantial unmet need for dialysis services in Jefferson County and, specifically, the capacity issues for dialysis services at DaVita's Birmingham East Dialysis. Birmingham East Dialysis currently has twenty (20) hemodialysis stations and operates two (2) shifts per day, six (6) days per week. It currently has 81 in-center hemodialysis patients and is, therefore, operating at 127% of its maximum optimal capacity according to the State Health Plan guidelines.¹

Moreover, based on the State Health Plan methodology utilizing the present in-center hemodialysis stations in Jefferson County, there is currently a need for an additional 36 or 46 hemodialysis stations in Jefferson County. The existing CON-approved, licensed and certified hemodialysis stations in Jefferson County are currently operating at 111% of maximum optimal capacity as defined by the State Health Plan. To help address the demonstrated, substantial unmet need for dialysis services in Jefferson County in accordance with the State Health Plan, this proposed Project will provide eight (8) new hemodialysis stations to specifically address the unmet need for dialysis services in east Jefferson County, and, specifically, at Birmingham East Dialysis which is currently operating at 127% of its maximum optimal capacity as defined by the State Health Plan.

¹ Birmingham East Dialysis currently exceeds the "Maximum Optimal Capacity" levels, as defined by the 2004-2007 State Health Plan. Present Capacity is defined in Section 410-2-3-.05(2)(a)(2) of the State Health Plan as two (2) shifts per day, six (6) days per week, based on the fact that most patients require three (3) dialysis treatments per week. Third shift ("evening dialysis") will not be considered in calculating capacity since patient demand for this shift is erratic and unpredictable. Optimal Capacity is defined in Section 410-2-3-.05(2)(a)(3) of the State Health Plan as 80% of present capacity, thus making provision for cost-effective use of services and orderly growth, as well as reserving some capacity for downtime, transients, and back up of home patients. Optimal capacity is, therefore, 9.6 dialysis treatments per station per week (.80 x 12 dialysis treatments/station/week = 9.6 dialysis treatments/station/week). Maximum Optimal Capacity is defined in Section 410-2-3-.05(2)(a)(4) of the State Health Plan as the number of patients that can receive treatment under optimal capacity on a three dialysis treatment per week schedule.

Below is the Maximum Optimal Capacity for Birmingham East Dialysis:

Total Stations	20
Dialysis Treatments/Station/Week	x 12
Capacity	240 Available Dialysis Treatments/Week
Optimal Utilization	x .80
Optimal Capacity	192 Available Dialysis Treatments/Week
Patient Usage	÷ 3 Dialysis Treatments/Week
Maximum Optimal Census	64

Applying the methodology in Section 410-2-3-.05 of the State Health Plan, the Maximum Optimal Census for a 20-station facility is 64 patients. Birmingham East Dialysis currently has 81 patients and is, therefore, operating at approximately 127% of maximum optimal capacity as defined in the State Health Plan.

The proposed Project consists of the establishment and operation of a new ESRD facility rather than the expansion of the Birmingham East Dialysis facility because expansion is not possible due to the size constraints of the Birmingham East Dialysis lot. In addition, the treatment floor at Birmingham East Dialysis is currently crowded with twenty (20) hemodialysis stations. The proposed relocation of four (4) hemodialysis stations to Springs Dialysis will help Birmingham East Dialysis reach an appropriate size for optimal efficiency and quality patient services. The proposed Project will also provide a convenient location option for existing patients of Birmingham East Dialysis, as well as future patients residing in the area. It is anticipated that at least ten (10) patients of Birmingham East Dialysis will transfer to Springs Dialysis if the proposed Project is approved.

In addition to the four (4) existing in-center hemodialysis stations to be relocated from DaVita's Birmingham East Dialysis, and the eight (8) new in-center hemodialysis stations, Springs Dialysis will also consist of two (2) new CON-approved but undeveloped in-center hemodialysis stations to be relocated from DaVita's Magic City Dialysis, two (2) new CON-approved but undeveloped in-center hemodialysis stations to be relocated from DaVita's Birmingham Gateway Dialysis, and one (1) new home training station to be used alternately for home peritoneal dialysis training and home hemodialysis training, for a total of seventeen (17) hemodialysis stations.

Thus, approval of this proposed Project by the CON Review Board will effectively meet the demonstrated, substantial unmet need of the population and significantly improve accessibility to dialysis services in east Jefferson County and the surrounding area. Moreover, approval of this proposed Project will enable DaVita, a nationally recognized provider of comprehensive dialysis services, to offer its Jefferson County patients meaningful patient choice through additional scheduling options and convenient location options.

IV. COST

A. Construction (includes modernization expansion)		
1.	Predevelopment	_____
2.	Site Acquisition	_____
3.	Site Development	_____
4.	Construction	\$1,100,550
5.	Architect and Engineering Fees	\$81,820
6.	Renovation	_____
7.	Interest during time period of construction	_____
8.	Attorney and consultant fees	_____
9.	Bond Issuance Costs	_____
10.	Other _____	_____
11.	Other _____	_____
TOTAL COST OF CONSTRUCTION		\$1,182,370
B. Purchase		
1.	Facility	_____
2.	Major Medical Equipment	\$246,600
3.	Other Equipment	\$380,012
TOTAL COST OF PURCHASE		\$626,612
C. Lease		
1.	Facility Cost Per Year \$160,080 x 15 Years =	\$2,401,200
2.	Equipment Cost per Month _____ x _____ Months =	_____
3.	Land-only Lease Cost per Year _____ x _____ Years	_____
TOTAL COST OF LEASE(s) (compute according to generally accepted accounting principles)		\$2,401,200
Cost if Purchased		N/A
D. Services		
1.	X New Service Facility	
2.	X Expansion by adding 8 new in-center hemodialysis stations and 1 new home training station in Jefferson County	
3.	_____ Reduction or Termination	
4.	X Relocation of 4 existing in-center hemodialysis stations in Jefferson County	
5.	X Relocation of 4 new CON-approved but undeveloped in-center hemodialysis stations in Jefferson County	
FIRST YEAR ANNUAL OPERATING COST²		\$2,050,000
E. Total Cost of this Project (Total A through D) (should equal V-C on page A-5)		\$6,260,182

² The estimated First Year Annual Operating Cost of \$2,050,000 includes the estimated first year lease cost of \$160,080. Hence, the first year lease cost is included under Section IV(C) (Lease) and Section IV (D) (First Year Annual Operating Cost).

IV. COST (continued)

E. Proposed Finance Charges

- | | | |
|----|--|----------|
| 1. | Total Amount to Be Financed | \$ _____ |
| 2. | Anticipated Interest Rates | _____ |
| 3. | Term of Loan | _____ |
| 4. | Method of Calculating Interest on
Principal Payment | _____ |

V. ANTICIPATED SOURCE OF FUNDING

		Amount	Source
A.	Federal		
1.	Grants	\$ _____	_____
2.	Loans	_____	_____
B.	Non-Federal		
1.	Commercial Loan	_____	_____
2.	Tax-exempt Revenue Bonds	_____	_____
3.	General Obligation Bonds	_____	_____
4.	New Earning and Revenues	_____	_____
5.	Charitable Fund Raising	_____	_____
6.	Cash on Hand	\$6,260,182	Applicant and/or
7.	Other	_____	DaVita, Inc.
C.	TOTAL (should equal IV-E on page A-3)		\$6,260,182

VI. TIMETABLE

- | | | |
|----|-------------------------------|---|
| A. | Projected Start/Purchase Date | <u>Upon award of CON</u> |
| B. | Projected Completion Date | <u>Within 12 months of receipt of CON</u> |

II. HEALTH CARE REQUIREMENTS OF THE MEDICAL SERVICE AREA

A. What are the factors (inadequacies) in the existing health care delivery system which necessitate this project?

DaVita's Birmingham East Dialysis, an ESRD facility located at 1105 East Park Drive, Birmingham, Alabama, is currently operating at 127% of its maximum optimal capacity according to the State Health Plan guidelines. Expansion of Birmingham East Dialysis is not possible due to the size constraints of its lot. In addition, the treatment floor at Birmingham East Dialysis is currently crowded with twenty (20) hemodialysis stations. It is anticipated that at least ten (10) patients of Birmingham East Dialysis will transfer to Springs Dialysis if the proposed Project is approved.

Moreover, based on the State Health Plan methodology utilizing the present in-center hemodialysis stations in Jefferson County, there is currently a need for an additional 36 or 46 hemodialysis stations in Jefferson County. The existing CON-approved, licensed and certified hemodialysis stations in Jefferson County are currently operating at 111% of maximum optimal capacity as defined by the State Health Plan.

B. How will the project correct the inadequacies?

The establishment and operation of a new state-of-the-art ESRD facility in east Jefferson County consisting of four (4) existing in-center hemodialysis stations to be relocated from Birmingham East Dialysis, two (2) new CON-approved but undeveloped in-center hemodialysis stations to be relocated from Magic City Dialysis, two (2) new CON-approved but undeveloped in-center hemodialysis stations to be relocated from Birmingham Gateway Dialysis, plus the addition of eight (8) new in-center hemodialysis stations and one (1) new home training station to be used alternately for home peritoneal dialysis training and home hemodialysis training will help correct the inadequacies in the existing system.

Approval of the proposed Project will allow DaVita to 1) help address the demonstrated substantial unmet need for hemodialysis services in Jefferson County; 2) help address the capacity issues at Birmingham East Dialysis; 3) help Birmingham East Dialysis reach an appropriate size for optimal efficiency and quality patient services; and 4) provide dialysis patients in east Jefferson County and surrounding counties with scheduling options and convenient location options, thus providing meaningful patient choice and quality of life.

Based on the State Health Plan methodology utilizing the present in-center hemodialysis stations in Jefferson County, there is currently a need for an additional 36 or 46 hemodialysis stations in Jefferson County. The existing CON-approved, licensed and certified hemodialysis stations in Jefferson County are currently operating at 111% of maximum optimal capacity as defined by the State Health Plan.

This proposed Project will address the demonstrated, substantial unmet need for hemodialysis services in Jefferson County and, specifically, the capacity issues for hemodialysis services at DaVita's Birmingham East Dialysis, which is currently operating at 127% of its maximum optimal capacity as defined by the State Health Plan. Furthermore, because of the cost and operational efficiencies involved in this proposed Project, the proposed Project will not only correct the inadequacies present in the current system, it will do so in the most cost-effective way to meet the demonstrated, substantial unmet need in the Jefferson County health service area.

C. Why is your facility/organization the appropriate facility to provide the proposed project?

DaVita Healthcare Partners, Inc. (DaVita), the parent corporation of Springs Dialysis, is the largest independent provider of dialysis services in the United States. DaVita serves nearly 1,900 outpatient dialysis centers, serving approximately 149,000 patients.

Existing Patients	1408
Total Patients	1697 <u>or</u> 1739
Less Deaths (14.4%)	(244 <u>or</u> 250)
Less Transplants (2.6%)	(44 <u>or</u> 45)
Less Home Training (8.2% of new patients)	(24 <u>or</u> 27)
Projected 2016 Patients	1385 <u>or</u> 1417
Patients Per Station	3.2
Required Stations	433 <u>or</u> 443
Existing Stations in Jefferson County ⁶	397
Additional Hemodialysis Stations Needed	36 <u>or</u> 46

The establishment of Springs Dialysis consisting of four (4) existing in-center hemodialysis stations to be relocated from Birmingham East Dialysis, two (2) new CON-approved but undeveloped in-center hemodialysis stations to be relocated from Magic City Dialysis, two (2) new CON-approved but undeveloped in-center hemodialysis stations to be relocated from Birmingham Gateway Dialysis, plus the addition of eight (8) new in-center hemodialysis stations and one (1) new home training station to be used alternately for home peritoneal dialysis training and home hemodialysis training, would help address this demonstrated, substantial unmet need, allowing for better and more efficient health service of dialysis patients in Jefferson County and the surrounding counties.

- E. If the application is for a specialized or limited-purpose facility or service, show the incidence of the particular health problem.**

Not Applicable.

- F. Describe the relationship of this project to your long-range development plans, if you have such plans.**

The goal of DaVita is to meet the needs of its dialysis patients by providing quality, compassionate, cost-effective care. The establishment of Springs Dialysis is directly in line with DaVita's mission of providing the dialysis patient community with efficient state-of-the-art service. Thus, the proposed Project is fully compatible with DaVita's long range plans.

III. RELATIONSHIP TO EXISTING OR APPROVED SERVICES AND FACILITIES

- A. Identify by name and location the existing or approved facilities or services in the medical service area similar to those proposed in this project.**

There are twenty-three (23) ESRD facilities currently in Jefferson County that are similar to the proposed Project, ten (10) of which are DaVita-owned facilities. The ratio of DaVita ESRD patients to DaVita-owned hemodialysis stations in Jefferson County currently exceeds maximum optimal capacity as defined in the State Health Plan by approximately 118%.

⁶ Home Training Stations and Isolation Stations are not included in the State Health Plan need methodology. Ala. Admin. Code R. 410-2-3-.05(2)(a).

- C. Will there be a detrimental effect on existing providers of the service? Discuss methodologies and assumptions.**

No, four (4) of the existing hemodialysis stations at Birmingham East Dialysis must be relocated to help Birmingham East Dialysis reach an appropriate size for optimal efficiency and quality patient services.

Additionally, the proposed Project should have no detrimental effect on existing providers since there is a demonstrated, substantial unmet need for an additional 36 or 46 hemodialysis stations in Jefferson County. The existing CON-approved, licensed and certified hemodialysis stations in Jefferson County are currently operating at 111% of maximum optimal capacity as defined by the State Health Plan.

Moreover, this proposed Project will specifically address the unmet need for dialysis services at Birmingham East Dialysis allowing DaVita—a nationally recognized, comprehensive provider of dialysis services—to alleviate its own capacity issue and better serve its existing patients of Birmingham East Dialysis, as well as future patients residing in the east Jefferson County area, by providing scheduling options and a new convenient location option.

- D. Describe any coordination agreements or contractual arrangements for shared services that are pertinent to the proposed project.**

Not applicable.

- E. List the new or existing ancillary and/or supporting services required for this project and briefly describe their relationship to the project.**

Springs Dialysis will provide all services required for operation of the facility through either employee or independent contractor staff. Transplantation services will be available through arrangements with the University of Alabama Transplant Team in Birmingham (UAB). Routine laboratory services will be provided by DaVita Labs in Florida, and stat laboratory services will be provided at the University of Alabama Hospital in Birmingham (UAB).

IV. POTENTIAL LESS COSTLY OR MORE EFFECTIVE ALTERNATIVES

- A. What alternatives to the proposed project exist? Why was this proposal chosen?**

One alternative to this Project is to leave all existing hemodialysis stations at the over-capacity and space-constrained Birmingham East Dialysis. This alternative is not a viable option.

DaVita could also add a third shift at Birmingham East Dialysis; however, Springs Dialysis has determined that this alternative is not a viable option. Birmingham East Dialysis currently operates two (2) shifts per day, six (6) days per week. It currently has 81 in-center hemodialysis patients and is, therefore, operating at 127% of its maximum optimal capacity according to the State Health Plan guidelines.

For many patients, the third shift schedule is not feasible due to the lack of public and private (paid) transportation after 6 p.m. and the inconvenience for family and friends to transport them in the evening. Notably, Section 410-2-3-.05(2)(a)(3) of the 2004-2007 State Health Plan does not consider a third shift in calculating patient capacity, since “patient demand for this shift is erratic and unpredictable.”

Expansion of Birmingham East Dialysis is also not a viable option. Expansion is not possible due to the size constraints of the Birmingham East Dialysis lot. In addition, the treatment floor at Birmingham East Dialysis is currently crowded with twenty (20) hemodialysis stations.

PART THREE: CONSTRUCTION OR RENOVATION ACTIVITIES

Complete the following if construction/renovation is involved in this project. Indicate N/A for any questions not applicable.

- I. ARCHITECT Bob Cherry or Doug McNab
Firm Cherry McNab Architects
Address 8148 Old Federal Road
City/State/Zip Montgomery, AL 36117
Contact Person Bob Cherry or Doug McNab
Telephone (334) 271-3015
Architect's Project Number N/A

II. ATTACH SCHEMATICS AND THE FOLLOWING INFORMATION

- A. Describe the proposed construction/renovation:

 Leasehold improvements to include a patient waiting area, a patient prep area, treatment area, support and administrative services, storage and water treatment areas for a seventeen (17) station ESRD facility. Schematics are attached as Exhibit C.
- B. Total gross square footage to be constructed/renovated: Approximately 7000 square feet
- C. Net useable square footage (not including stairs, elevators, corridors, toilets): Approximately 7000 square feet
- D. Acres of land to be purchased or leased 0
- E. Acres of land owned on site 0
- F. Anticipated amount of time for construction or renovations 12 months
- G. Cost per square foot \$168.91 (\$1,182,370/7000 sq. ft.)
- H. Cost per bed (if applicable) N/A

PART FOUR: UTILIZATION DATA AND FINANCIAL INFORMATION

This part should be completed for projects under \$500,000.00 and/or those projects for ESRD and home health. If this project is not one of the items listed above, please omit Part Four and complete Part Five. Indicate N/A for any questions not applicable.

I.	UTILIZATION	Years:	PROJECTED	PROJECTED	PROJECTED
			<u>thru 12/2016</u>	<u>thru 12/2017</u>	<u>thru 12/2018</u>
A.	ESRD				
	# Patients		1 in-center	23 in-center	33 in-center
			1 PD	8 PD	10 PD
	# Procedures		6 in-center	1894 in-center	4198 in-center
			6 PD	672 PD	1405 PD
B.	Home Health Agency				
	# Patients				
	# of Visits				
C.	New Equipment				
	# Patients				
	# Procedures				
D.	Other				
	# Patients				
	# Procedures				

II. Percent of Gross Revenue

Source of Payment	Projected		
	2016	2017	2018
ALL Kids*	0	0	0
Blue Cross/Blue Shield	24.30	21.89	21.89
Champus/Tricare	0	0	0
Charity Care**	0	0	0
Medicaid	1.66	1.56	1.56
Medicare	41.44	53.02	53.02
Other Commercial Insurance	14.47	16.71	16.71
Self Pay	.52	0	0
Medicare Assigned	13.91	3.28	3.28
Veterans Administration	3.70	3.54	3.54
Workers' Compensation	0	0	0
TOTAL	100 %	100 %	100 %

Note: Refer to the Healthcare Financial Management Association (HFMA) Principles and Practices Board Statement Number 15, Section II.

*ALL Kids uses Blue Cross/Blue Shield of Alabama

** Springs Dialysis is willing to provide uncompensated care in appropriate circumstances.

III. CHARGE INFORMATION

- A. List schedule of current charges related to this project.

	In Center - Hemodialysis	PD	Home Hemodialysis
Medicare Rate	246.03	240.63	247.38
Medicaid	158.39	121.05	120.84
Blue Cross	873.71	745.15	870.08

- B. List schedule of proposed charges after completion of this project. Discuss the impact of project cost on operational costs and charges of the facility or service.

Any increased operational costs associated with this expansion will be controlled by operational efficiencies and will not be passed on to the patients or insurance companies.

PART FIVE: UTILIZATION DATA AND FINANCIAL INFORMATION

This part should be completed for projects which cost over \$500,000.00 or which propose a substantial change in service, or which would change the bed capacity of the facility in excess of ten percent (10%), or which propose a new facility. ESRD, home health, and projects that are under \$500,000.00 should omit this part and complete Part Four.

- I. Percent of Gross Revenue

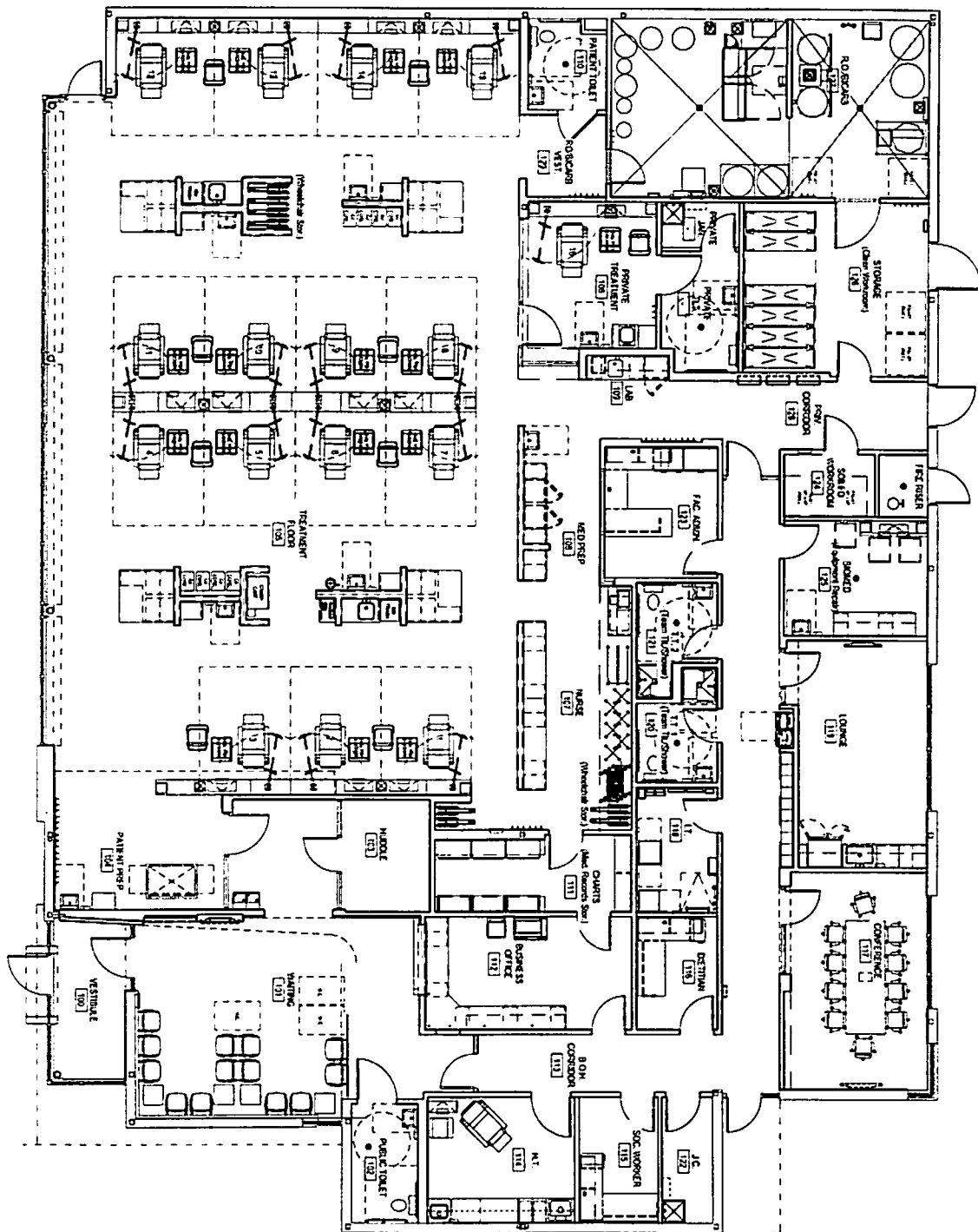
Source of Payment	Historical		Projected		
	200	200	200	200	200
ALL Kids					
Blue Cross/Blue Shield					
Champus/Tricare					
Charity Care (see note below)					
Medicaid					
Medicare					
Other commercial insurance					
Self pay					
Other					
Veterans Administration					
Workers' Compensation					
TOTAL	%	%	%	%	%


Note: Refer to the Healthcare Financial Management Association (HFMA) Principles and Practices Board Statement Number 15, Section II.

II. CHARGE INFORMATION

- C. List schedule of current charges related to this project.
D. List schedule of proposed charges after completion of this project. Discuss the impact of project cost on operational costs and charges of the facility or service.

Exhibit C:
Schematic



DATE 6.29.15	PROJECT DAVITA DIALYSIS CENTER - PFP-1 East Jefferson County, AL	FACILITY # -	 www.cherrymcnab.com p.o. box 240456 montgomery, al 36124 voice: 334.271.3015 fax: 334.271.6797
SCALE N.T.S.	-	PROJECT # -	
SP 7,913	-		ARCHITECTS

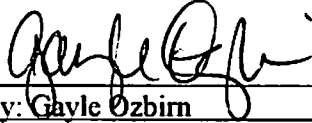
I. CERTIFICATION

The information contained in this application is true and correct to the best of my knowledge and belief.

**RENAL TREATMENT CENTERS –
SOUTHEAST, LP
D/B/A SPRINGS DIALYSIS**

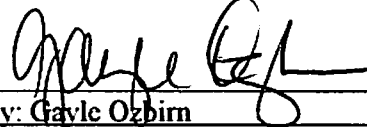
(“APPLICANT”)

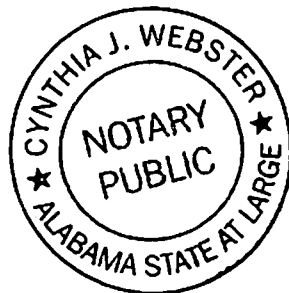
**By: Renal Treatment Centers, Inc.
Its: General Partner**


By: Gayle Ozbirn
Its: Regional Operations Director

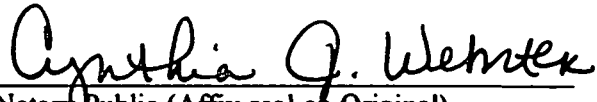
DAVITA HEALTHCARE PARTNERS INC.

(“PARENT COMPANY”)


By: Gayle Ozbirn
Its: Regional Operations Director



26 day of June 2015


Notary Public (Affix seal on Original)

MY COMMISSION EXPIRES 4/30/2018

State Alabama
County Lauderdale

Author: Alva M. Lambert

Statutory Authority: §§ 22-21-267, -271, -275, Code of Alabama, 1975

History: Amended: March 19, 1996; July 25, 2002; Filed: July 22, 2013; effective August 26, 2013.

Birmingham Gateway Dialysis Project Modification Request



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July 1, 2015

VIA E-MAIL & HAND DELIVERY

Alva M. Lambert
State Health Planning & Development Agency
100 North Union Street, Suite 870
Montgomery, AL 36130

**Re: Project Modification Request
Renal Treatment Centers – Southeast, LP d/b/a Birmingham Gateway Dialysis
Project No. AL 2013-067; CON 2654-ESRD-MOD1**

Dear Mr. Lambert:

This Project Modification Request is hereby filed on behalf of our client, Renal Treatment Centers – Southeast, LP d/b/a Birmingham Gateway Dialysis (“Birmingham Gateway Dialysis”), a subsidiary of DaVita Healthcare Partners Inc. (“DaVita”), to modify Project No. AL 2013-067 and Certificate of Need (“CON”) 2654-ESRD-MOD1 related to the CON-approved establishment and operation of a new state-of-the-art end stage renal disease (“ESRD”) facility consisting of two (2) existing in-center hemodialysis stations to be relocated from DaVita’s Birmingham East Dialysis, plus the addition of eight (8) new in-center hemodialysis stations, for a total of ten (10) stations, in north Jefferson County (“Project”).

Pursuant to CON Rule § 410-1-10-.03, Birmingham Gateway Dialysis respectfully requests the approval of this Project Modification Request to modify the Project as follows:

i) Relocate six (6) CON-approved but undeveloped new in-center hemodialysis stations from Birmingham Gateway Dialysis to Crown Dialysis, an existing DaVita-owned ESRD facility located at 3007 27th Street North, Birmingham, Alabama, in north Jefferson County;

ii) Relocate the remaining two (2) CON-approved but undeveloped new in-center hemodialysis stations, and the CON-approved relocation of the two (2) existing in-center hemodialysis stations to have been relocated from DaVita’s Birmingham East Dialysis to Birmingham Gateway Dialysis, and all the related CON 2654-ESRD-MOD1 costs, from Birmingham Gateway Dialysis to Springs Dialysis, a new DaVita-owned ESRD facility under development in east Jefferson County pursuant to CON 2644-ESRD-MOD1 (Project No. AL 2013-059);¹ and

¹ Springs Dialysis is simultaneously filing a Project Modification Request related to the relocation from Birmingham Gateway Dialysis to Springs Dialysis of: the Birmingham Gateway remaining two (2) new CON-approved but undeveloped in-center hemodialysis stations and the CON-approved relocation of the two (2) existing in-center



Alva M. Lambert
July 1, 2015
Page 2

iii) Decrease the total estimated cost for Project No. AL 2013-067, CON 2654-ESRD-MOD1 from \$4,957,500 to \$796,210 which is a decrease of \$4,161,290.

This Project Modification Request is necessary for the following reasons:

Since the issuance of CON 2654-ESRD-MOD1 on August 12, 2014, and the filing of its Progress Report in March 2015, Birmingham Gateway Dialysis has reevaluated the development of Birmingham Gateway Dialysis as a new freestanding state-of-the-art ESRD facility in north Jefferson County, and has determined, instead, that it would be more effective and cost-efficient not to develop an additional ten (10) station CON-approved ESRD facility as Birmingham Gateway Dialysis,² but rather, relocate its ten (10) CON-approved in-center hemodialysis stations to Crown Dialysis and Springs Dialysis as follows³:

- i) Relocate six (6) new CON-approved but undeveloped in-center hemodialysis stations from Birmingham Gateway Dialysis to Crown Dialysis, an existing DaVita-owned ESRD facility located at 3007 27th Street North, Birmingham, Alabama, in north Jefferson County. The development of Birmingham Gateway Dialysis was approved, in part, to help address the capacity issues at DaVita's Birmingham North Dialysis and DaVita's Crown Dialysis.

Crown Dialysis can accommodate these six (6) CON-approved, but undeveloped new in-center hemodialysis stations, to be relocated from Birmingham Gateway Dialysis into Crown Dialysis' current leased space with limited anticipated costs: construction cost (\$431,706); equipment cost (\$206,126); and a minimal increase in first year annual operating cost (\$158,378) for a total estimated cost of \$796,210.

Crown Dialysis currently leases 7,916 square feet of space for its existing facility, but only 5,822 square feet of leased space has been finished and utilized by Crown Dialysis. The remaining unfinished but leased space is currently used for storage. Upon approval of this Birmingham Gateway Dialysis Project Modification Request, Crown Dialysis will finish the remaining 2,094 square feet of leased space to make room on its treatment floor for the six (6)

hemodialysis stations to have been relocated from DaVita's Birmingham East Dialysis to Birmingham Gateway Dialysis, a copy of which is enclosed.

² Birmingham Gateway Dialysis Project No. AL 2013-067, CON 2654-ESRD-MOD1 currently has an estimated total Project cost of \$4,957,500. The estimated total cost associated with the relocation, implementation and development of the CON-approved stations from Birmingham Gateway Dialysis to Crown Dialysis is only \$796,210; the estimated increase in total project cost for the relocation of stations from Birmingham Gateway Dialysis to Springs Dialysis is \$545,182. Hence, the total estimated cost to simply develop these CON-approved stations at Crown Dialysis and Springs Dialysis is only \$1,341,492 – a significant cost savings when compared to the total cost to develop Birmingham Gateway Dialysis as a new freestanding state-of-the-art ESRD facility. Hence, a cost savings of \$3,616,008 will result from the approval of this Project Modification Request.

³ Project Modification relocation is expressly allowed under CON Rule § 410-1-10-.03(2), with approval by the CON Review Board and has been approved for previous CON projects.



Alva M. Lambert
July 1, 2015
Page 3

additional CON-approved in-center hemodialysis stations to be relocated from Birmingham Gateway Dialysis.

Therefore, this Project Modification Request is being filed to relocate six (6) CON-approved but undeveloped new in-center hemodialysis stations from Birmingham Gateway Dialysis to Crown Dialysis.

Consequently, the "Name of Facility" and "Location of Facility" sections of CON 2654-ESRD-MOD1 should be revised from "Renal Treatment Centers – Southeast, LP d/b/a Birmingham Gateway Dialysis" to "Renal Treatment Centers – Southeast, LP d/b/a Crown Dialysis" and from "Jefferson County, AL" to "3007 27th Street North, Birmingham, Alabama," in accordance with the required revised pages to the original CON Application referenced below and enclosed herein.

- ii) Relocate the remaining two (2) new CON-approved but undeveloped in-center hemodialysis stations, and the CON-approved relocation of the two (2) existing in-center hemodialysis stations to have been relocated from DaVita's Birmingham East Dialysis to Birmingham Gateway Dialysis, and all related CON 2654-ESRD-MOD1 costs, from Birmingham Gateway Dialysis to Springs Dialysis, a new DaVita-owned ESRD facility under development in east Jefferson County pursuant to CON 2644-ESRD-MOD1 (Project No. AL 2013-059).

Springs Dialysis is currently CON-approved, pursuant to CON 2644-ESRD-MOD1, to establish and operate a new state-of-the-art ESRD facility consisting of two (2) existing in-center hemodialysis stations to be relocated from DaVita's Birmingham East Dialysis, two (2) CON-approved but undeveloped in-center hemodialysis stations to be relocated from DaVita's Magic City Dialysis, plus the addition of eight (8) new in-center hemodialysis station and one (1) new home training station to be used alternately for home peritoneal dialysis training and home hemodialysis training, for a total of thirteen (13) stations, in east Jefferson County.

With the approval of this Project Modification Request and the attached Springs Dialysis Project Modification Request being filed simultaneously herewith, Springs Dialysis will consist of two (2) existing in-center hemodialysis stations to be relocated from DaVita's Birmingham East Dialysis; two (2) CON-approved but undeveloped in-center hemodialysis stations to be relocated from DaVita's Magic City Dialysis; four (4) CON-approved in-center hemodialysis stations to be relocated from Birmingham Gateway Dialysis consisting of two (2) existing in-center hemodialysis stations to have been relocated from DaVita's Birmingham East Dialysis to Birmingham Gateway Dialysis and two (2) new CON-approved but undeveloped in-center hemodialysis stations to be relocated from DaVita's Birmingham Gateway Dialysis; eight (8) new in-center hemodialysis stations; and one (1) new home training station to be used alternately for home peritoneal dialysis training and home hemodialysis training, for a total of seventeen (17) hemodialysis stations, in east Jefferson County.



Alva M. Lambert
July 1, 2015
Page 4

Springs Dialysis anticipates an increase of only \$545,282 in total estimated costs which will be transferred from the Birmingham Gateway Dialysis Project No. AL 2013-067, CON 2654-ESRD-MOD1 to the Springs Dialysis Project. See footnote 2 above for additional information on the cost-effectiveness of the modifications proposed by this Project Modification Request.

- iii) For the reasons stated above in section (i), this Project Modification Request is also being filed to decrease the total estimated cost for Project No. AL 2013-067 from \$4,957,500 to \$796,210 which is a net decrease of \$4,161,290.⁴ Specifically, the estimated construction cost for the Project has been reduced from \$960,000 to \$431,706, and estimated equipment cost has been reduced from \$545,000 to \$206,126.⁵ The estimated first year annual operating cost has also been reduced from \$2,050,000 to an increase in first year annual operating cost of \$158,378.⁶

Consequently, we suggest that the "Estimated Cost" section of CON 2654-ESRD-MOD1 be revised from "\$4,957,500" to "\$796,210."⁷

As required, enclosed are the revised pages to the original CON Application reflecting the relocation of stations to Crown Dialysis and the decrease in the total estimated cost for Project No. AL 2013-067, including Pages 1-7, 9-18, and a new executed Signature Page. Also enclosed is a filing fee of \$7,890.05 which is 35% of the original CON Application fee for this Project (\$22,543.00). As there was no opposition to this Project, there are no parties of record in the underlying administrative proceeding that must be notified regarding this Project Modification Request.

As always, we appreciate your assistance and look forward to receiving a modified CON for Crown Dialysis reflecting the relocation of stations and the decrease in estimated Project cost. If you have any questions, please give me a call immediately.

⁴ As discussed above in section (ii), the anticipated increase of \$545,282 in total estimated project cost for Springs Dialysis will also be transferred from the Birmingham Gateway Dialysis Project to the Springs Dialysis Project. See also footnote 2 above for additional information on the cost-effectiveness of the modifications proposed by this Project Modification Request.

⁵ The construction and equipment costs are those costs remaining for the relocation, implementation and development of the six (6) CON-approved stations at Crown Dialysis.

⁶ This increase in first year annual operating cost represents the net increase in first year annual operating cost at Crown Dialysis, where six (6) CON-approved stations will be relocated, implemented, and developed.

⁷ This represents the total cost of construction, equipment, and increase in first year annual operating cost for the relocation, implementation and development of the six (6) CON-approved stations at Crown Dialysis.



Alva M. Lambert
July 1, 2015
Page 5

Very truly yours,

Lenora W. Pate
FOR THE FIRM

LWP/lc
Enclosures

c: Nicole Horn
Gayle Ozbirn
Amy Sanford, Esq.
Sarah Tally
Kelli F. Robinson, Esq.