



Sirote & Permutt, PC
2311 Highland Avenue South
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 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

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

RECEIVED

JUL 01 2015

STATE HEALTH PLANNING
& DEVELOPMENT AGENCY



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.

**ALABAMA
CERTIFICATE OF NEED
APPLICATION**

For Staff Use Only

INSTRUCTIONS: Please submit an original and twelve (12) copies of this form and the appropriate attachments to the State of Alabama, State Health Planning and Development Agency, 100 North Union Street, Suite 870, Montgomery, Alabama 36130-3025. (Post Office Box 303025)

Project # _____
Date Rec. _____
Rec by: _____

Attached is a check in the amount of \$ 22,543.00
Refer to Rule 410-1-7-06 of the Certificate of Need Program Rules and Regulations to determine the required filing fee.

PART ONE: APPLICANT IDENTIFICATION AND PROJECT DESCRIPTION

I. APPLICANT IDENTIFICATION (Check One) HOSPITAL (☐) NURSING HOME (☐)
OTHER (X) (Specify) ESRD

A. Renal Treatment Centers – Southeast, LP d/b/a Crown Dialysis

Name of Applicant (in whose name the CON will be issued if approved)

<u>3007 27th Street North</u>	<u>Birmingham</u>	<u>Jefferson</u>
Address	City	County
<u>Alabama</u>	<u>35234</u>	<u>(205) 297-0143</u>
State	Zip Code	Phone Number

B. _____
Name of Facility/Organization (if different from A)

Address	City	County
State	Zip Code	Phone Number

C. _____
Name of Legal Owner (if different from A or B)

Address	City	County
State	Zip Code	Phone Number

D. Lenora W. Pate (Counsel for Applicant)
Name and Title of Person Representing Proposal and with whom SHPDA should communicate

<u>Sirote & Permutt, P.C., 2311 Highland Ave. S.</u>	<u>Birmingham</u>	<u>Jefferson</u>
Address	City	County
<u>Alabama</u>	<u>35205</u>	<u>(205) 930-5162</u>
State	Zip Code	Phone Number

I. APPLICANT IDENTIFICATION (continued)

E. Type Ownership and Governing Body

- | | | | |
|----|------------------------|-------------------------------------|----------------------------------------------------------------------|
| 1. | Individual | <input type="checkbox"/> | |
| 2. | Partnership | <input type="checkbox"/> | |
| 3. | Corporate (for profit) | <input checked="" type="checkbox"/> | <u>DaVita Healthcare Partners Inc.</u>
Name of Parent Corporation |
| 4. | Corporate (non-profit) | <input type="checkbox"/> | _____
Name of Parent Corporation |
| 5. | Public | <input type="checkbox"/> | |
| 6. | Other (specify) | <input type="checkbox"/> | _____ |

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

OWNERS

Renal Treatment Centers – Southeast, LP d/b/a Crown 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 Soyon Ahn Hardy

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

Denyse Thornley-Brown, M.D.; Gloria Brown; Gayle Ozbirn

II. PROJECT DESCRIPTION

Project/Application Type (check all that apply)

- | | |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> New Facility
Type _____ | <input type="checkbox"/> Major Medical Equipment
Type _____ |
| <input type="checkbox"/> New Service
Type _____ | <input type="checkbox"/> Termination of Service or Facility |
| <input type="checkbox"/> Construction/Expansion/Renovation | <input checked="" type="checkbox"/> <u>Other Capital Expenditure</u>
Type <u>Relocation of six (6) CON-approved but undeveloped new in-center hemodialysis stations in Jefferson County</u> |
| <input type="checkbox"/> Change in Service | |

III. EXECUTIVE SUMMARY OF THE PROJECT (brief description)

Renal Treatment Centers – Southeast, LP d/b/a Crown Dialysis (“Crown Dialysis” or “Applicant”), a subsidiary of DaVita Healthcare Partners Inc. (“DaVita”), is an end stage renal disease (“ESRD”) facility located at 3007 27th Street North in Birmingham, Alabama which currently consists of seven (7) in-center hemodialysis stations and one (1) hemodialysis isolation station. Crown Dialysis operates two (2) shifts per day, six (6) days per week and currently has 32 in-center hemodialysis patients. Therefore, Crown Dialysis is operating at 145% of its maximum optimal capacity according to the State Health Plan

guidelines.¹ Crown Dialysis proposes to add to its existing facility six (6) CON-approved but undeveloped new in-center hemodialysis stations to be relocated from DaVita's Birmingham Gateway Dialysis.²

The proposed Project will address the demonstrated, substantial unmet need for dialysis services in Jefferson County and, specifically, the capacity issues at DaVita's Birmingham North Dialysis and Crown Dialysis. Birmingham North Dialysis, which is located at 1917 32nd Avenue North, Birmingham, Alabama, currently has twenty-four (24) in-center hemodialysis stations and operates two (2) shifts per day, six (6) days per week. It currently has 106 in-center hemodialysis patients and is, therefore, operating at 138% of its maximum optimal capacity according to the State Health Plan guidelines.³

¹ Crown 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 Crown Dialysis:

Total Stations	7
Dialysis Treatments/Station/Week	x 12
Capacity	84 Available Dialysis Treatments/Week
Optimal Utilization	x .80
Optimal Capacity	67.2 Available Dialysis Treatments/Week
Patient Usage	÷ 3 Dialysis Treatments/Week
Maximum Optimal Census	22.4

Applying the methodology in Section 410-2-3-.05 of the State Health Plan, the Maximum Optimal Census for a 7-station facility is 22 patients. Crown Dialysis currently has 32 patients and is, therefore, operating at approximately 145% of maximum optimal capacity as defined in the State Health Plan.

² This CON Application is filed pursuant to LOI 2013-021 which was received by the State Health Planning and Development Agency ("SHPDA") on January 22, 2013.

³ Birmingham North Dialysis currently exceeds the "Maximum Optimal Capacity" levels, as defined by the 2004-2007 State Health Plan.

Below is the Maximum Optimal Capacity for Birmingham North Dialysis:

Total Stations	24
Dialysis Treatments/Station/Week	x 12
Capacity	288 Available Dialysis Treatments/Week
Optimal Utilization	x .80
Optimal Capacity	230.4 Available Dialysis Treatments/Week
Patient Usage	÷ 3 Dialysis Treatments/Week
Maximum Optimal Census	76.8

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 47 or 57 in-center hemodialysis stations in Jefferson County. The existing CON-approved, licensed and certified in-center hemodialysis stations in Jefferson County are currently operating at 114% of maximum optimal capacity as defined by the State Health Plan. The proposed Project will provide six (6) new in-center hemodialysis stations to specifically address the unmet need for dialysis services in north Jefferson County.

Thus, approval of the proposed Project by the CON Review Board will effectively meet the demonstrated, substantial unmet need of the population and significantly improve access to dialysis services in north Jefferson County and the surrounding areas. 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 in north Jefferson County.

Applying the methodology in Section 410-2-3-.05 of the State Health Plan, the Maximum Optimal Census for a 24-station facility is 77 patients. Birmingham North Dialysis currently has 106 patients and is, therefore, operating at approximately 138% of maximum optimal capacity as defined in the State Health Plan.

IV. COST

A. Construction (includes modernization expansion)		
1.	Predevelopment	_____
2.	Site Acquisition	_____
3.	Site Development	_____
4.	Construction	\$397,860
5.	Architect and Engineering Fees	\$33,846
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		\$431,706
B. Purchase		
1.	Facility	_____
2.	Major Medical Equipment	\$82,200
3.	Other Equipment	\$123,926
TOTAL COST OF PURCHASE		\$206,126
C. Lease		
1.	Facility Cost Per Year	
2.	Equipment Cost per Month	
	_____ x _____ Months =	_____
3.	Land-only Lease Cost per Year	
	_____ x _____ Years	_____
TOTAL COST OF LEASE(s)		N/A
(compute according to generally accepted accounting principles)		
Cost if Purchased		N/A
D. Services		
1.	_____ New Service Facility	
2.	_____ Expansion	
3.	_____ Reduction or Termination	
4.	X Relocation of 6 CON-approved but undeveloped in-center hemodialysis stations in Jefferson County	
FIRST YEAR ANNUAL OPERATING COST⁴		\$158,378
E. Total Cost of this Project (Total A through D)		
(should equal V-C on page A-5)		\$796,210

⁴ Crown Dialysis estimates that its annual operating cost will increase by \$158,378 with the addition of six (6) CON-approved but undeveloped in-center hemodialysis stations to be relocated from Birmingham Gateway Dialysis. The total estimated operating cost for Crown Dialysis after relocation of these stations would be \$1,271,061, which includes this increase of \$158,378.

IV. COST (continued)

F. 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	\$796,210	Applicant and/or
7.	Other	_____	DaVita, Inc.
C.	TOTAL (should equal IV-E on page A-3)		\$796,210

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> |

PART TWO: PROJECT NARRATIVE

Note: In this part, please submit the information as an attachment. This will enhance the continuity of reading the application.

The applicant should address the items that are applicable to the project.

I. MEDICAL SERVICE AREA

- A. Identify the geographic (medical service) area by county (ies) or city, if appropriate, for the facility or project. Include an 8 ½ x 11" map indicating the service area and the location of the facility.

Crown Dialysis is located in Birmingham, Alabama, in north Jefferson County. The primary health service area will be Jefferson County. A map identifying the health service area is attached as Exhibit A.

A secondary health service area will be Walker, Cullman, Blount, and Winston Counties.

- B. What population group(s) will be served by the proposed project? Define age groups, location and characteristics of the population to be served.

Birmingham Gateway Dialysis will serve patients in need of dialysis therapy twelve (12) years of age and older. The population to be served by the proposal is as follows:

Primary population to be served by the Proposal:

	Total Population	White	Non-White
Jefferson	660,442	352,601	307,841
TOTAL	660,442	352,601	307,841

Secondary population to be served by the Proposal:

	Total Population	White	Non-White
Walker	65,330	60,550	4,780
Cullman	82,267	79,935	2,332
Blount	60,857	59,088	1,769
Winston	24,227	23,629	598
TOTAL	232,681	223,202	9,479

SOURCE: All population statistics are as determined by the Center for Business and Economic Research, The University of Alabama (CBER), January 2013.

Kidney failure or ESRD occurs when the kidneys are no longer able to provide waste removal functions for the body. At this point, dialysis or kidney transplantation becomes necessary for survival.

- About 110,000 patients in the United States started treatment for ESRD in 2007.
- Leading causes of ESRD are diabetes and hypertension. In 2006, 7 out of 10 new cases of ESRD in the United States had diabetes or hypertension listed as the primary cause. Less common causes include glomerulonephritis, hereditary kidney disease, and malignancies such as myeloma.

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?

The proposed Project will address the demonstrated, substantial unmet need for dialysis services in Jefferson County and, specifically, the capacity issues at DaVita's Birmingham North Dialysis and Crown Dialysis. Birmingham North Dialysis, which is located at 1917 32nd Avenue North, Birmingham, Alabama, currently has twenty-four (24) in-center hemodialysis stations and operates two (2) shifts per day, six (6) days per week. It currently has 106 in-center hemodialysis patients and is, therefore, operating at 138% of its maximum optimal capacity according to the State Health Plan guidelines.

Crown Dialysis, which is located at 3007 27th Street North, Birmingham, Alabama, currently has seven (7) in-center hemodialysis stations and operates two (2) shifts per day, six (6) days per week. It currently has 32 in-center hemodialysis patients and is, therefore, operating at 145% of its maximum optimal capacity according to the State Health Plan guidelines. The proposed Project will provide additional scheduling options for existing patients of Birmingham North Dialysis and Crown Dialysis, as well as future patients residing in the area.

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 47 or 57 in-center hemodialysis stations in Jefferson County. The existing CON-approved, licensed and certified in-center hemodialysis stations in Jefferson County are currently operating at 114% of maximum optimal capacity as defined by the State Health Plan.

B. How will the project correct the inadequacies?

The relocation of six (6) CON-approved but undeveloped in-center hemodialysis stations from Birmingham Gateway Dialysis to Crown Dialysis will help address the inadequacies in the existing system. Approval of the 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 North Dialysis and Crown Dialysis; and 3) provide dialysis patients in Jefferson County and surrounding counties with scheduling options, thus providing meaningful patient choice and quality of life.

Furthermore, because of the cost and operational efficiencies involved in this proposed Project, the proposed Project will not only correct 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 Crown 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.

Crown Dialysis is the most appropriate applicant for this proposed Project based on the long history of operations in Jefferson County of DaVita's ten (10) existing dialysis facilities. DaVita enjoys an established relationship with the Jefferson County community, nephrologists serving Jefferson County, and ESRD patients living in Jefferson County and other surrounding counties and states. DaVita has excellent professional, management, and manpower capabilities to meet the current health needs in Jefferson County. Additionally, DaVita works collaboratively with the Alabama Kidney Foundation to improve ESRD care and quality of life for ESRD patients in Jefferson County.

DaVita will continue to use utilization monitoring and quality improvement processes to address unmet and undermet health needs in Jefferson County, including the continued acceptance of Medicaid patients and other medically underserved patients for which dialysis services would be appropriate.

DaVita is also committed to communicating and cooperating with all planning, regulatory, and utility agencies and organizations that influence the facility's destiny. DaVita has its own Licensure and Certification Division which has excellent relationships with all Alabama agencies. Crown Dialysis will be reviewed, licensed and certified by the Alabama Department of Public Health prior to opening its new in-center hemodialysis stations.

D. Describe the need for the population served or to be served for the proposed project and address the appropriate sections of the State Health Plan and the Rules and Regulations under 410-1-6-.07. Provide information about the results of any local studies which reflect a need for the proposed project.

The following analysis is based on the total population of Jefferson County plus the only contiguous county that does not currently have a licensed dialysis center, Bibb County.⁵

Based on the methodology provided in Section 410-2-3-.05(2)(b)(2) of the State Health Plan, the present need is as follows:

2016 Jefferson County Population Projection ⁶	660,442 (352,601/307,841)
Plus 2016 Bibb County Population Projection	23,439 (18,214/5,225)
Total 2016 Population Projection	683,881 (370,815/313,066)
Incidence Rate ⁷	289 <u>or</u> 331 new patients
Existing Patients	1446
Total Patients	1735 <u>or</u> 1777
Less Deaths (14.4%)	(250 <u>or</u> 256)
Less Transplants (2.6%)	(45 <u>or</u> 46)
Less Home Training (8.2% of new patients)	(24 <u>or</u> 27)

⁵ According to Section 410-2-3-.05(2)(b)(2)(i) of the State Health Plan, new end stage renal disease patient projections shall be based on the total population of the county in which the hemodialysis stations are to be located plus any contiguous county that does not have a dialysis center.

⁶ All population statistics are as determined by the Center for Business and Economic Research, The University of Alabama, January 2013. The numbers in parentheses represent the white and non-white population for the specified county.

⁷ The Alabama State Health Plan allows for two different methodologies to determine the incidence rate of new patients. The higher number of new patients (331) reflects the sum of 719 cases per million non-white population per year plus (+) 285 cases per million white population per year. This is calculated as follows: 313,066 (total non-white population) multiplied by .000719 (719 cases per million non-white population per year) equals 225.094454 new patents. 370,815 (total white population) multiplied by .000285 (285 cases per million white population per year) equals 105.682275. The combination of the white and non-white totals equals 330.776729 or (rounded) 331 new patients.

The lower number of new patients (35) reflects 422 cases per million per year. This calculation is as follows: 683,881 (total population) multiplied by .000422 (422 cases per million per year) equals 288.597782 or (rounded) 289 new patients.

Projected 2016 Patients	1416 <u>or</u> 1448
Patients Per Station	3.2
Required In-Center Stations	443 <u>or</u> 453
Existing In-Center Stations in Jefferson County ⁸	396
Additional In-Center Stations Needed	47 <u>or</u> 57

The relocation of six (6) CON-approved but undeveloped in-center hemodialysis stations from Birmingham Gateway Dialysis to Crown Dialysis would help address the 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. This proposed Project 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 (identified in bold). The ratio of DaVita ESRD patients to DaVita-owned in-center hemodialysis stations in Jefferson County currently exceeds maximum optimal capacity as defined in the State Health Plan by approximately 118%.

1. **Bessemer Dialysis** (1000 West Lake Mall, Suite 101, Bessemer, AL 35020) currently operating at 122% of maximum optimal capacity;
2. **Birmingham Central Dialysis** (728 Richard Arrington Blvd., South Birmingham, AL 35233-2106) currently operating at 81% of maximum optimal capacity;
3. **Birmingham East Dialysis** (1105 East Park Drive, Birmingham, AL 35235) currently operating at 127% of maximum optimal capacity;
4. **Birmingham North Dialysis** (1917 – 32nd Avenue, North Birmingham, AL 35207) currently operating at 138% of maximum optimal capacity;
5. **Center Point Dialysis** (2337 1st Street NE, Center Point, AL 35215-3619) currently operating at 80% of maximum optimal capacity;

⁸ 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).

6. **Crown Dialysis** (3007 27th Street North, Birmingham, AL 35234) currently operating at 145% of maximum optimal capacity;
7. **Dialysis Clinic, Inc./Birmingham** (8713 Parkway East, Birmingham, AL 35206);
8. **DSI South Dialysis** (3201 3rd Avenue South, Birmingham, AL 35222);
9. **Ensley Dialysis** (2630 Avenue E, Ensley, AL 35218) currently operating at 113% of maximum optimal capacity;
10. **FMC of East Jefferson** (9540 Parkway East, Birmingham, AL 35215);
11. **Fresenius Medical Care Forestdale** (1004 Forestdale Boulevard, Birmingham, AL 35214);
12. **Fresenius Medical Care Hoover** (2104 Lorna Ridge Lane, Hoover, AL 35226);
13. **Fresenius Medical Care of Gardendale** (592 Fieldstown Road, Suite 102, Gardendale, AL 35071);
14. **Fresenius Medical Care- Fairfield** (6508 E. J. Oliver Road, Fairfield, AL 35064));
15. **Jewel Dialysis** (514 West Town Plaza, Bessemer, AL 35020) currently operating at 145% of maximum optimal capacity;
16. **Magic City Dialysis** (300 22nd Street, Birmingham, AL 35233) currently operating at 171% of maximum optimal capacity;
17. **RCG Bessemer Kidney Center** (975 9th Avenue SW, Suite 500, Medical West Office Complex, Bessemer, AL 35022);
18. **RCG – Midfield** (613 Bessemer Super Hwy., Midfield, AL 35228);
19. **RCG –Montclair** (3918 Montclair Road, Suite 110, Birmingham, AL 35213);
20. **RCG –Princeton** (708 Cotton Avenue, S.W., Birmingham, AL 35211);
21. **RCG –Southside** (2131 Magnolia Avenue, Birmingham, AL 35205);
22. **RCG –West** (633 Lomb Avenue, Birmingham, AL 35211); and
23. **Steel City Dialysis** (1809 Avenue H, Birmingham, AL 35218) currently operating at 145% of maximum optimal capacity.

B. How will the proposed project affect existing or approved services and facilities in the medical service area?

This proposed Project will compliment the existing services, as there is a demonstrated, substantial unmet need for additional in-center hemodialysis stations in the health service area.

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

The proposed Project should have no detrimental effect on existing providers since there is a demonstrated, substantial unmet need for an additional 47 or 57 in-center hemodialysis stations in Jefferson County. The existing CON-approved, licensed and certified in-center hemodialysis stations in Jefferson County are currently operating at 114% 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 North Dialysis and Crown Dialysis allowing DaVita—a nationally recognized, comprehensive provider of dialysis services—to help alleviate its own capacity issues and better serve its existing patients of Birmingham North Dialysis and Crown Dialysis, as well as future patients residing in the north Jefferson County area, by providing scheduling options.

- 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.**

Crown 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?**

DaVita could add a third shift at Birmingham North Dialysis and/or Crown Dialysis; however, it has been determined that this alternative is not a viable option. Both Birmingham North Dialysis and Crown Dialysis currently operate two (2) shifts per day, six (6) days per week. Birmingham North Dialysis currently has 106 in-center hemodialysis patients and is, therefore, operating at 138% of its maximum optimal capacity according to the State Health Plan guidelines. Crown Dialysis currently has 32 in-center hemodialysis patients and is, therefore, operating at 145% 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."

The proposed Project was chosen because it will allow DaVita to 1) help address the demonstrated substantial unmet need for dialysis services in Jefferson County; 2) help address the capacity issues at DaVita's Birmingham North Dialysis and Crown Dialysis by relocating six (6) CON-approved but undeveloped in-center hemodialysis stations from Birmingham Gateway Dialysis to Crown Dialysis; and 3) provide all dialysis patients in north Jefferson County and surrounding counties with much-needed scheduling options, thus providing meaningful patient choice and quality of life.

- B. How will this project foster cost containment?**

This proposed Project will foster cost containment through improved efficiency and productivity. Specifically, the Project will maximize efficient use of space in which to provide patient services. The Project will also increase efficiency via physical plant design and state-of-the-art dialysis machines and water systems. Furthermore, the existing DaVita support structure will support Crown Dialysis.

- C. How does the proposal affect the quality of care and continuity of care for the patients involved?**

The proposed Project will improve quality of care and quality of life by improving patient accessibility to dialysis services in a state-of-the-art facility. If approved, the proposed Project will afford patients more flexibility in much-needed scheduling options, making both their lives

and the lives of their families easier. Therefore, the proposed Project will have a positive impact on both quality and continuity of care, as well as overall quality of life.

V. DESCRIBE COMMUNITY REACTION TO THE PROJECT (Attach endorsements if desired)

Both the medical and patient communities, as well as the community at large, are supportive of this Project. Attached to this Application as Exhibit B is fifty-three (53) letters of support.

VI. NON-PATIENT CARE

If appropriate, describe any non-patient care objectives of the facility, i.e., professional training programs, access by health professional schools and behavioral research projects which are designed to meet a national need.

Crown Dialysis intends to provide internships to local college and Certified Clinical Hemodialysis Technician (CCHT) graduates. These internships would increase exposure to dialysis services during a student's college experience, thus allowing students to have a better overall understanding of the relationship between ESRD and the variety of co-morbid conditions that contribute to ESRD. Crown Dialysis also intends to participate in clinical studies with its nephrologists.

VII. MULTI-AREA PROVIDER

If the applicant holds itself as a multi-area provider, describe those factors that qualify it as such, including the percentage of admissions which resides outside the immediate health service area in which the facility is located.

Not applicable.

VIII. HEALTH MAINTENANCE ORGANIZATION

If the proposal is by or on behalf of a health maintenance organization (HMO), address the rules regarding HMOs, and show that the HMO is federally qualified.

Not applicable.

IX. ENERGY-SAVING MEASURES

Discuss as applicable the principal energy-saving measures included in this project.

This proposed Project will increase efficiency via state-of-the-art dialysis machines and water systems. If approved, the proposed Project will also include energy-saving measures, such as occupancy sensors in rooms for lighting; a high efficiency heating, ventilating and air conditioning ("HVAC") system; high efficiency (R30) building insulation; high efficiency double-paned insulated windows; all fluorescent lighting; programmable thermostats so HVAC set points change based on occupancy; photo cell for exterior lighting versus a time clock; insulated doors; and solar shades on exterior windows.

X. OTHER FACTORS

Describe any other factor(s) that will assist in understanding and evaluating the proposed project, including the applicable criteria found at 410-1-6 of the Alabama Certificate of Need Program Rules and Regulations which are not included elsewhere in the application.

410-1-6-.02 State Health Plan or Plans

"(1) The proposed new institutional health service shall be consistent with the appropriate state health facility and services plans effective at the time the application was received by the State Agency, which shall include the latest approved revisions of the following plans: (a) the most recent Alabama State Health Plan;"

In summary, as has been addressed throughout this CON Application, this proposed Project by Crown Dialysis meets all applicable criteria found at Section 410-1-6 of the CON Rules and Regulations. The

proposed Project is consistent with all applicable provisions of the 2004-2007 State Health Plan. The proposed Project is fully compatible with DaVita's overall long range development plan, as well as DaVita's long range development plan in Jefferson County. The proposed Project is the least costly, most efficient, most appropriate, and most effective means for addressing the need for dialysis services in Jefferson County.

Furthermore, the proposed Project is financially feasible; specific data in support of this proposed Project in Jefferson County for Crown Dialysis is reasonable, relevant and appropriate; the proposed Project has been carefully evaluated and is consistent with the overall health and health-related plans of DaVita; the proposed Project is location appropriate with access to transportation, available manpower, and the Applicant is committed to communicating and cooperating with all planning, regulatory, and utility agencies and organizations that influence the facility's destiny; and the facility will meet all required licensure standards.

Crown Dialysis anticipates no adverse effect of the proposed Project on any of the existing kidney disease treatment centers in Jefferson County. The medical and patient communities, as well as the community at large, are supportive of this proposed Project.

The proposed Project will contribute in meeting the health related needs of traditionally medically underserved groups including low income persons, racial and ethnic minorities, women, and handicapped persons. The proposed ESRD facility will be accessible to all in the Jefferson County community, including the medically underserved.

The proposed Project will be complimentary to and supportive of the existing health system. Crown Dialysis is the most appropriate applicant for this proposed Project based on DaVita's established relationships in Jefferson County and ESRD patients living in Jefferson County and the surrounding area, and has excellent professional, management, and manpower capabilities to meet the current health needs and the unmet need for dialysis services in Jefferson County.

The proposed Project maximizes cost containment, protects the environment, and conserves energy. The proposed Project conforms to local zoning ordinances and building codes and complies with all applicable state statutes and regulations for the protection of the environment. Furthermore, the proposed Project will be developed and operated in compliance with the appropriate state licensure rules, regulations, and standards.

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 Alex Roush

Firm Alex Roush Architects

Address 2255 Cumberland Parkway, Southeast Building #100

City/State/Zip Atlanta, GA 30339

Contact Person Dustin Duvall or Alex Roush

Telephone (770) 333-7878

Architect's Project Number N/A

II. ATTACH SCHEMATICS AND THE FOLLOWING INFORMATION

A. Describe the proposed construction/renovation:

Leasehold improvements to existing unused but leased space to accommodate six (6) additional in-center hemodialysis stations. Schematics are attached as Exhibit C.

B. Total gross square footage to be constructed/renovated: Approximately 2094 square feet

C. Net useable square footage (not including stairs, elevators, corridors, toilets): Approximately 2094 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 \$206.16 (\$431,706/2094 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 12/2015</u>	<u>thru 12/2016</u>	<u>thru 12/2017</u>
A.	ESRD				
	# Patients		33	37	39
	# Procedures		4673	4759	4837
B.	Home Health Agency				
	# Patients				
	# of Visits				
C.	New Equipment				
	# Patients				
	# Procedures				
D.	Other				
	# Patients				
	# Procedures				

II. Percent of Gross Revenue

Source of Payment	Actual		Projected
	2013	2014	2015
ALL Kids*	0	0	0
Blue Cross/Blue Shield	21.74	13.68	13.68
Champus/Tricare	0	0	0
Charity Care**	0	0	0
Medicaid	3.48	4.10	4.10
Medicare	52.28	61.28	61.28
Other commercial insurance	9.56	11.73	11.73
Self pay	2.11	3.58	3.58
Medicare Assigned	5.66	2.09	2.09
Veterans Administration	5.17	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

** Crown 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
Medicare Rate	240.17
Medicaid	188.21
Blue Cross	1184.31

- 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 proposed Project 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.

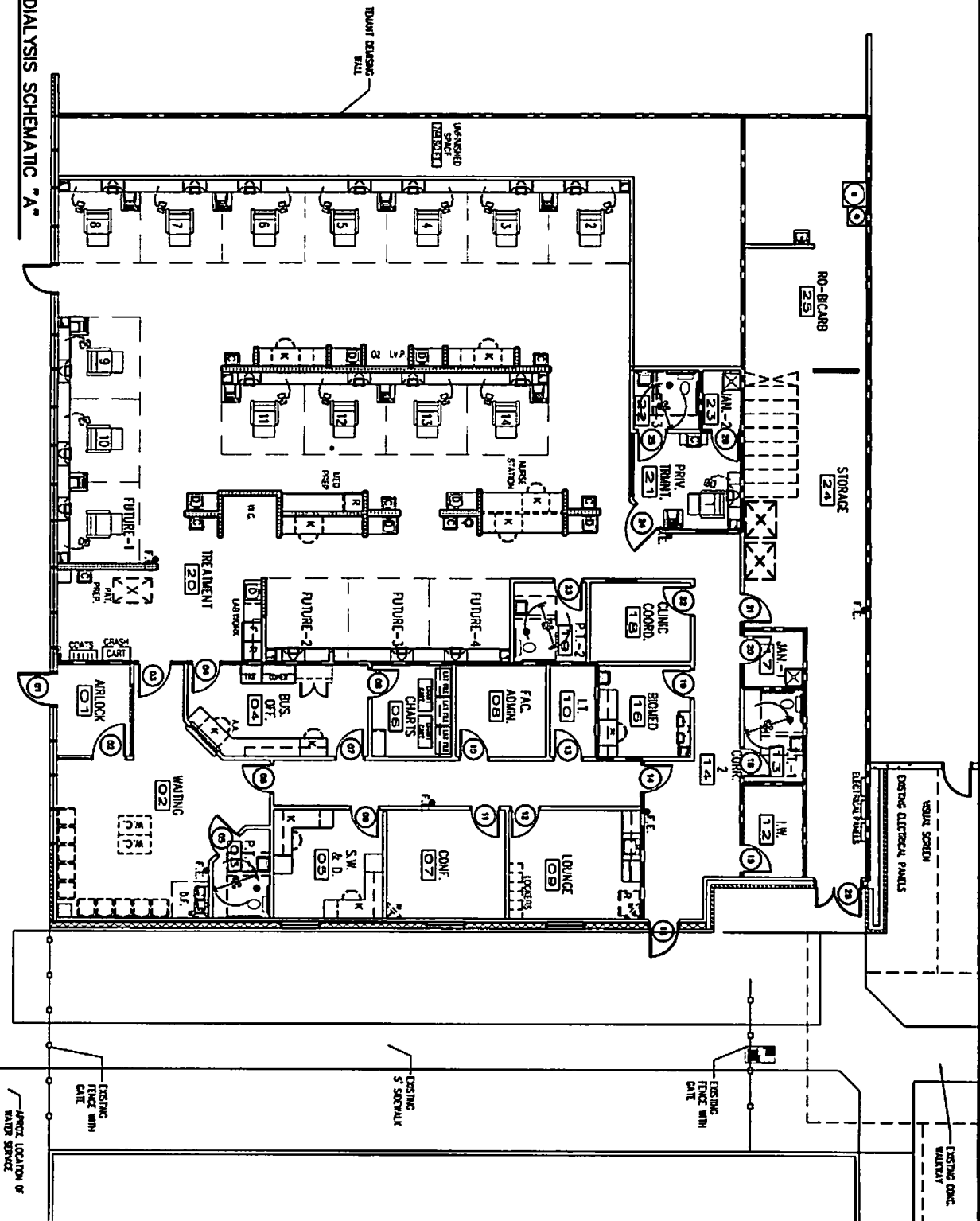
II. CHARGE INFORMATION

- 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

CROWN DIALYSIS SCHEMATIC "A"



SCH A

DRAWN BY: []
 DATE: 6/28/2013
 PROJECT NO: 0081
 REVISIONS: []
 REV: []
 DATE: []

CROWN DIALYSIS
 DAVITA INC.
 20TH STREET NORTH
 ALABAMA

Alex Roush Architects, Inc.
 2285 GLASSLAND PARKWAY
 SUITE 100
 ATLANTA, GEORGIA 30339
 (770) 333-7878
 FAX 333-7902

IMPORTANT

Contractor is to verify all
 dimensions and conditions
 before commencing any work.

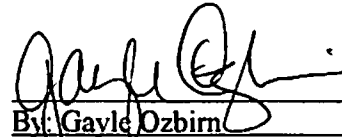
I. CERTIFICATION

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 CROWN DIALYSIS**

(“APPLICANT”)

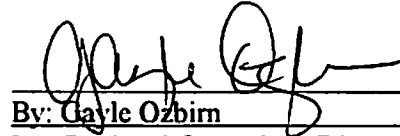
**By: Renal Treatment Centers, Inc.
Its: General Partner**



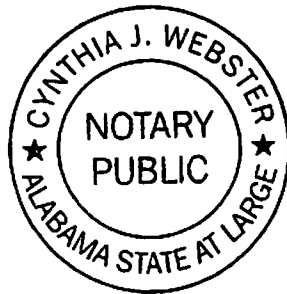
By: Gayle Ozbirn
Its: Regional Operations Director

DAVITA HEALTHCARE PARTNERS INC.

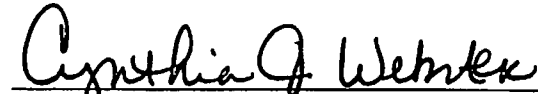
(“PARENT COMPANY”)



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.

Springs Dialysis Project Modification Request



Sirote & Permutt, PC
2311 Highland Avenue South
Birmingham, AL 35205-2972

PO Box 55727
Birmingham, AL 35255-5727

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

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:

Birmingham Huntsville Mobile Pensacola



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.