

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DATE: January 29, 2013

PROJECT ANALYST: Michael J. McKillip
ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: J-10048-12 / Bio-Medical Applications of North Carolina, Inc d/b/a BMA Johnston / Add five dialysis stations for a total of 25 certified stations upon completion of this project/ Johnston County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

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Bio-Medical Applications of North Carolina, Inc d/b/a BMA Johnston [BMA Johnston] proposes to add five dialysis stations for a total of 25 certified dialysis stations upon completion of this project.

The 2012 State Medical Facilities Plan (2012 SMFP) provides a county need methodology and a facility need methodology for determining the need for new dialysis stations. According to the July 2012 Semiannual Dialysis Report (SDR), the county need methodology shows there is no need for an additional facility in Johnston County. However, the applicant is eligible to apply for additional stations in its existing facility based on the facility need methodology, because the utilization rate reported for BMA Johnston in the July 2012 SDR is 3.36 patients per station. This utilization rate was calculated based on 84 in-center dialysis patients and 25 certified dialysis stations as of December 31, 2011 (84 patients / 25 stations = 3.36 patients per station). As of June 25, 2012, the facility was certified for only 20 stations as the result of the

completion of three previously approved projects. Application of the facility need methodology indicates five additional stations are needed for this facility, as illustrated in the following table.

OCTOBER 1 REVIEW-JULY SDR

Required SDR Utilization		80%
Center Utilization Rate as of 12/31/11		84.0%
Certified Stations		25
Pending Stations		-5
Total Existing and Pending Stations		20
In-Center Patients as of 12/31/11 (SDR2)		84
In-Center Patients as of 6/30/11 (SDR1)		70
Step	Description	
(i)	Difference (SDR2 - SDR1)	14
	Multiply the difference by 2 for the projected net in-center change	28
	Divide the projected net in-center change for 1 year by the number of in-center patients as of 6/30/11	0.4000
(ii)	Divide the result of Step (i) by 12	0.0333
(iii)	Multiply the result of Step (ii) by 12 (the number of months from 12/31/10 until 12/31/11)	0.4000
(iv)	Multiply the result of Step (iii) by the number of in-center patients reported in SDR2 and add the product to the number of in-center patients reported in SDR2	117.6000
(v)	Divide the result of Step (iv) by 3.2 patients per station	36.7500
	and subtract the number of certified and pending stations as recorded in SDR2 [20] to determine the number of stations needed	17

As shown in the table above, based on the facility need methodology for dialysis stations, the potential number of stations needed is 17 stations. Step (C) of the facility need methodology states *“The facility may apply to expand to meet the need established ..., up to a maximum of ten stations.”* The applicant proposes to add only five new stations and, therefore, is consistent with the facility need determination for dialysis stations.

Policy GEN-3: Basic Principles, page 40, of the 2012 SMFP is applicable to this review. Policy GEN-3 states:

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

Promote Safety and Quality

In Section II.3, page 25, the applicant states,

“BMA Johnston will have a well-defined Quality Improvement program whose purpose is to establish an outcome focused review and evaluation of the quality, safety and effectiveness of patient care. The program’s work is conducted by the Continuous Quality Improvement Team and coordinated by the Clinical Manager and the Regional Quality Manager. The primary method of review is patient care audits and monitoring of critical patient indicators. Audits will be conducted monthly and results presented to the Quality Improvement Team for evaluation and recommendation. Other audits include Patient Satisfaction Surveys and chart audits. CQI membership includes the Medical Director, Area Manager, Clinical Manager, Chief Technician, Social Worker and Dietitian. The committee will meet monthly. Individual teams may be assigned to individual projects to gather data as needed to conduct the “Check, Plan, Do, and Check, Act” process for addressing the improvement opportunities.”

See Exhibit 13 for copies of the CQI process.

In Section II.1, page 17, the applicant states:

“BMA is a high quality health care provider. BMA’s parent company, Fresenius Medical Care, encourages all BMA facilities to attain the FMC UltraCare certification. This is not a one time test, but rather is an ongoing process aimed at encouraging all staff, vendors, physicians, and even patients to be a part of the quality care program. Facilities are evaluated annually for UltraCare certification.”

In Section 1.13, page 4-7, the applicant discusses the quality of services provided at BMA Johnston, attributing much of its success in providing quality services to its corporate structure, specifically its Clinical Services Department, Technical Services Department, Regulatory Affairs and Law Departments, and other management resources as discussed below.

- Clinical Services Department
 - Serves as a clinical resource for the entire FMC network
 - Provides facilities with the best procedures and equipment available
 - Assist facility managers and medical personnel with questions and concerns on clinical operations
 - Provides ongoing Clinical Review Program, guidelines for comprehensive training, and Quality Assurance Program

- Technical Services Department
 - Oversees the technical and mechanical aspects of dialysis
 - Supported by a research and quality control team that leads the industry in dealing with technically complex issues facing dialysis providers

- Regulatory Affairs and Law Departments
 - Deal with legal and regulatory issues
 - Provides interpretation of legislation and government policy to ensure compliance

- Other Management Resources, including but not limited to:
 - Revenue Operations – draws experience through interaction with numerous Medicare intermediaries and third-party carriers
 - Accounting and Budget – tailored to ensure effective financial management of dialysis treatment centers
 - Facility Design and Maintenance – experienced architectural staff promotes development of efficiently designed facilities
 - Human Resources – develops productivity standards, job descriptions, staff performance review, personnel policies and procedures and employee relations.
 - Information Systems – develops comprehensive facility automation including enhanced software for clinical management to support delivery of high quality care
 - Marketing and Managed Care – responsible for competitive analysis and continuous development of dialysis services
 - Health, Safety, and Risk Management – provides regulatory information used to ensure compliance in the dialysis setting and provides risk management services.
 - Regional Vice Presidents – provide operational direction and monitoring of daily operations.

The applicant adequately demonstrates that the proposal will promote quality and safety.

Promote Equitable Access

In Section II.3, page 18, the applicant states:

“BMA has removed the economic barriers with regard to access to treatment. The overwhelming majority of dialysis treatments are covered by Medicare / Medicaid; in fact, within this application, BMA is projecting that 86.5% of the In-Center dialysis treatments will be covered by Medicare or Medicaid; an additional 1.0% are expected to be covered by VA. Thus, 87.5% of the In-Center revenue is derived from government payors.”

On page 20, the applicant states it has a long history of providing dialysis services to all segments of the population, regardless of race, ethnicity, payor source, gender, or other considerations. The applicant further states, *“A patient in need of dialysis is always welcomed at a BMA facility; the only requirement is proper referral from a physician.”*

In Section II.3, page 20, the applicant states:

“BMA is also keenly sensitive to the second element of “equitable access” – time and distance barriers. BMA continually strives to develop facilities and dialysis stations in close proximity to the patient residence.”

The applicant states the July 2012 SDR illustrates Johnston County ESRD patient population is growing at an average annual change rate of 4.5%. The applicant also states the additional five stations are being added *“so that an adequate supply of necessary health resources remains in closer proximity to the residence location of patients residing in this area of Johnston County”*.

The applicant adequately demonstrates that the proposal will promote equitable access.

Maximize Healthcare Value

In Section II.3, page 19, the applicant states it is projecting a capital expenditure of \$9,000 for this project and is not seeking State or Federal monies or charitable contributions to develop the project. Rather, BMA through its parent company, FMC is taking on the burden to complete this addition of stations in an effort to ensure an adequate number of stations are available for the patients choosing to dialyze at BMA Johnston. The applicant goes on to state:

“As an additional consideration, BMA notes that the overwhelming majority of dialysis treatments are reimbursed through Medicare, Medicaid, or other government payor sources. ... The point here is that government payors are working from a fixed payment schedule, often at significantly lower reimbursement rates than the posted charges. As a consequence, BMA must work diligently to control costs of delivery for dialysis. BMA does.”

The applicant adequately demonstrates that the proposal will maximize healthcare value. Consequently, the applicant demonstrates that the projected volumes for the proposed service incorporate the basic principles in meeting the needs of the patients to be served. The application is consistent with the facility need determination in the July 2012 SDR and Policy GEN-3. Therefore, the application is conforming to this criterion.

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

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The applicant, BMA Johnston, proposes to add five dialysis stations to its existing facility for a total of 25 certified stations upon completion of this project. In Section IV.1, page 32, the applicant states that the number of in-center patients served at BMA Johnston as of June 30, 2012 is as follows:

BMA Johnston	
County of Residence	Patients Dialyzing In-center
Johnston	76
Total	76

In Section III.7, page 20, the applicant provided the projected patient origin for BMA Johnston for the first two years of operation following completion of the project as follows:

Projected Patient Origin

County	Year 1	Year 2	County Patients as a Percent of Total	
	July 2013-June 2014	July 2014-June 2015	Year 1	Year 2
Johnston	83.0	86.7	100.0%	100.0%
Total	83.0	86.7	100.0%	100.0%

The applicant adequately identified the population BMA Johnston proposes to serve.

Demonstration of Need

In Section III.7, page 32, the applicant states the application is filed pursuant to the facility need methodology in the 2012 SMFP utilizing data from the July 2012 SDR, and it proposes to add five dialysis stations to BMA Johnston for a total of 25 stations at that facility. The applicant used the following assumptions:

1. The project is scheduled for completion and certification of stations on June 30, 2013, projecting July 1, 2013 through June 30, 2014 as Operating Year 1, and July 1, 2014 through June 30, 2015 as Operating Year 2.
2. On June 30, 2012 BMA Johnston was providing dialysis treatment for 76 Johnston County patients.
3. BMA assumes the ESRD patient population of Johnston County will continue to increase at 4.5%, the Johnston County Five Year Average Annual Change Rate (ACR) published in the July 2012 SDR.

The applicant's methodology is provided in the following table.

	In-Center
BMA begins with Johnston County in-center patient population of BMA Johnston as of June 30, 2012.	76
BMA projects this patient population forward for 12 months to June 30, 2013.	$(76 \times 0.045) + 76 = 79.4$
BMA projects the Rockingham County patient population forward for 12 months to June 30, 2014. This is the projected census for the end of Operating Year 1.	$(79.4 \times .045) + 79.4 = 83.0$
BMA projects the Rockingham County patient population forward for 12 months to June 30, 2015. This is the projected census for the end of Operating Year 2.	$(83.0 \times .045) + 83.0 = 86.7$

The applicant projects to serve 83 in-center patients or 3.32 patients per station ($83/25 = 3.32$) by the end of Year 1 and 86 in-center patients or 3.44 patients per station ($86/25=3.44$) by the end of Year 2 for the proposed 25-station facility. This exceeds the minimum of 3.2 patients per station per week as of the end of the first operating year as required by 10A NCAC 14C .2203(b). Projected utilization is based on reasonable and supported assumptions regarding continued growth.

Access

In Section VI, page 41, the applicant states that each of BMA's 93 facilities in 40 North Carolina Counties has a patient population which includes low-income, racial and ethnic minorities, women, handicapped, elderly, and other underserved persons. The applicant projects 86.6% of its patients will be covered by Medicare and Medicaid. The applicant demonstrates adequate access for the underserved to its services.

In summary, the applicant adequately identifies the population to be served, demonstrates the need the population has for five additional stations at BMA Johnston, and demonstrates all residents of the area, and, in particular, underserved groups are likely to have access to the services proposed. Therefore, the application is conforming to this criterion.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA

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

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In Section III.9, page 31, the applicant discusses the alternatives considered prior to the submission of this application, which include:

- 1) Maintain the Status Quo – BMA Johnston is at 84% utilization and utilization is expected to continue to increase, so the applicant dismissed this alternative because it cannot meet the identified need.
- 2) The applicant chose to apply for a 5-station expansion of the existing facility. The applicant chose this alternative to meet the growing demand for dialysis services at BMA Johnston. The applicant projects an annual growth rate of 4.5% in operating years one and two, which is based on the historical growth rate, and utilization rates of 83% and 86% in operating years one and two, respectively.

Furthermore, the application is conforming to all other statutory and regulatory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

In summary, the applicant adequately demonstrates that the BMA Johnston proposal is the least costly or most effective alternative to meet the need. Therefore, the application is conforming to this criterion and approved subject to the following conditions:

1. **Bio-Medical Applications of North Carolina, Inc d/b/a BMA Johnston shall materially comply with all representations made in the certificate of need application.**
 2. **Bio-Medical Applications of North Carolina, Inc d/b/a BMA Johnston shall develop and operate no more than five additional dialysis stations for a total of no more than 25 certified stations which shall include any home hemodialysis training or isolation stations.**
 3. **Bio-Medical Applications of North Carolina, Inc d/b/a BMA Johnston shall install plumbing and electrical wiring through the walls for no more than five additional dialysis stations for a total of no more than 25 dialysis stations which shall include any home hemodialysis training or isolation stations.**
 4. **Bio-Medical Applications of North Carolina, Inc d/b/a BMA Johnston shall not offer or develop home hemodialysis or peritoneal dialysis training services as part of this project.**
 5. **Bio-Medical Applications of North Carolina, Inc d/b/a BMA Johnston shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

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In Section VIII.1, page 47, the applicant projects a capital cost of \$9,000 for the proposed project, funded through accumulated reserves. In Section IX, page 52, the applicant states there will be no start-up or initial operating expenses associated with the proposed project.

Exhibit 24 includes a letter dated September 17, 2012 from the Vice President of Fresenius Medical Care Holdings, Inc., which states:

"This is to inform you that Fresenius Medical Holdings, Inc. is the parent company of National Medical Care, Inc. and Bio-Medical Applications of North Carolina, Inc.

BMA proposes to add five dialysis stations to the BMA Johnston facility for a total of 25 dialysis stations upon completion of this [project]. ... As Vice President, I am authorized and do hereby authorize the addition of five new dialysis stations for a total capital cost of \$9,000. Further, I am authorized and do hereby authorize and commit cash reserves for the capital cost of \$9,000.”

In Exhibit 10, the applicant provides the audited financial statements for FMC and Subsidiaries for the years ended December 31, 2010 and 2011. As of December 31, 2011, FMC and Subsidiaries had cash and cash equivalents totaling \$204 million with \$13.9 billion in total assets and \$8.3 billion in net assets (total assets less total liabilities). The applicant adequately demonstrates the availability of funds for the capital needs of the proposed project.

In Section X.1, page 53, the applicant projects the following charge per treatment for each payment source:

Payor	In-Center Charge
Commercial	\$1,375.00
Medicare	\$234.00
Medicaid	\$137.29
VA	\$146.79
Private Pay	\$1,375.00

The applicant states the commercial charge listed does not reflect actual reimbursement. In addition, the applicant states BMA has “opted in” completely to Medicare’s “Bundling” reimbursement program, which provides one basic fee for the dialysis treatment (\$234); this fee includes all ancillary services which were previously billed separately. The rates shown above are consistent with the standard Medicare/Medicaid rates established by the Centers for Medicare and Medicaid Services.

In Section X.2, page 54 and X.4, page 57, the applicant reported projected revenues and expenses as follows:

BMA Johnston		
	Operating Year 1	Operating Year 2
Total Net Revenue	\$3,829,141	\$3,982,554
Total Operating Costs	\$3,577,298	\$3,726,497
Net Profit	\$251,843	\$256,057

The applicant projects that revenue will exceed operating expenses in each of the first two operating years. The assumptions used in preparation of the pro forma financial statements,

including the number of projected treatments, are reasonable. See Section X of the application for the applicant's assumptions.

In summary, the applicant adequately demonstrates the availability of sufficient funds for the operating expenses of this project. The applicant also adequately demonstrates that the financial feasibility of the proposal is based on reasonable projections of revenues (charges) and operating costs. Therefore, the application is conforming to this criterion.

- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

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BMA Johnston proposes to add five in-center dialysis stations for a total of 25 dialysis stations upon project completion. BMA Johnston was serving 76 patients weekly on 20 stations, which is 3.8 patients per station or 95% of capacity, as of June 25, 2012. Dialysis facilities that operate four shifts per week (2 per day on alternate days) have a capacity of four patients per station. The applicant does not propose to establish a new facility. The applicant provides reasonable projections for the in-center patient population it proposes to serve on pages 30-31 of the application. The growth projections are based on a projected 4.5% average annual growth rate in the number of dialysis patients at the BMA Johnston facility. At the end of Operating Year Two, BMA Johnston projects the utilization will be 3.44 in-center patients per station (86 patients / 25 dialysis stations = 3.44), which is 86% of capacity.

The applicant adequately demonstrates the need to develop five additional dialysis stations at the existing facility based on the number of in-center patients it proposes to serve. The applicant adequately demonstrates that the proposal will not result in the unnecessary duplication of existing or approved health service capabilities or facilities. Consequently, the application is conforming to this criterion.

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

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The following table illustrates current and projected staffing for BMA Johnston, as provided by the applicant in Section VII.1, page 44:

BMA Johnston			
Position	Current FTEs	# of FTE Positions to be Added	Total FTE Positions
RN	2.75	0.0	2.75
LPN	2.00	0.0	2.00
Tech.	6.75	2.0	8.75
Clinical Manager	1.00	0.0	1.00
Medical Director	Contract		
Admin. (FMC Area Mgr)	0.20	0.0	0.20
Dietician	0.65	0.0	0.65
Social Worker	0.65	0.0	0.65
Medical Records	0.50	0.0	0.50
Chief Tech.	0.20	0.0	0.20
Equipment Tech.	1.25	0.0	1.25
In-Service	0.20	0.0	0.20
Clerical	0.70	0.0	0.70
Total	16.85	2.0	18.85

As shown in the above table, the applicant proposes to employ a total of 18.85 full-time equivalent (FTE) positions to staff BMA Johnston upon completion of the proposed project. In Section V.4, page 37, the applicant states that Dr. William Fann, a nephrologist with Wake Nephrology Associates, will serve as medical director of the facility.

The applicant has documented the availability of adequate health manpower and management personnel, including the medical director, for the provision of dialysis services. Therefore, the application is conforming to this criterion.

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

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In Section V.1, page 34, the applicant includes a list of providers of the necessary ancillary and support services. Exhibit 21 contains a letter from the medical director of the facility expressing his support for the proposed project, and Exhibit 22 contains a letter of support for the project signed by existing patients of the facility. The applicant adequately demonstrates that the necessary ancillary and support services will be available and that the proposed services will be coordinated with the existing health system. Therefore, the application is conforming to this criterion.

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

NA

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates:

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

NA

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

NA

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities,

women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

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In Section VI.1(b), page 40, the applicant reports that 86.6% of the patients who received treatments at BMA Johnston had some or all of their services paid for by Medicare or Medicaid in the past year. The table below illustrates the historical payment source of the facility:

BMA Johnston	
Source of Payment	Percentage
Medicare	71.7%
Medicaid	14.9%
VA	1.0%
Commercial Insurance	12.5%
Total	100.0%

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages for Johnston County, and statewide.

	CY 2009 Total # of Medicaid Eligibles as % of Total Population *	CY 2009 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	CY 2009 % Uninsured (Estimate by Cecil G. Sheps Center)*
Johnston County	17%	6.7%	20.0%
Statewide	17%	6.7%	19.7%

*More current data, particularly with regard to the estimated uninsured percentages, was not available.

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population, particularly the services offered by the BMA Johnston facility. In fact, in 2011 only 5.8% of all newly-diagnosed ESRD patients (incident ESRD patients) in North Carolina's Network 6 were under the age of 35.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race and gender. However, a direct comparison to the applicants' current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The Centers for Medicare & Medicaid Services (CMS) website states,

“Although the ESRD population in less than 1% of the entire U.S. population it continues to increase at a rate of 3% per year and includes people of all races, age groups, and socioeconomic standings. ...

Almost half (46.6%) of the incident patients in 2004 were between the ages of 60 and 79. These distributions have remained constant over the past five years. While the majority of dialysis patients are White, ESRD rates among Blacks and Native Americans are disproportionately high. While Blacks comprise over 12% of the national population, they make up 36.4% of the total dialysis prevalent population. In 2004 males represented over half of the ESRD incident (52.6%) and prevalent (51.9) populations.” ^[1]

Additionally, the United States Renal Data System, in its 2012 USRDS Annual Data Report (page 225) provides these national statistics for FY 2010:

[1](www.cms.gov/medicare/end-stage-renal-disease/esrdnetworkorganizations/downloads/esrdnetworkprogrambackgroundpublic.pdf)

“On December 31, 2010, more than 376,000 ESRD patients were receiving hemodialysis therapy.”

Of the 376,000 ESRD patients, 38.23% were African American, 55.38% were white, 55.65% were male and 44.65% were 65 and older. The report further states:

“Nine of ten prevalent hemodialysis patients had some type of Medicare coverage in 2010, with 39 percent covered solely by Medicare, and 32 percent

covered by Medicare/Medicaid. ... Coverage by non-Medicare insurers continues to increase in the dialysis population, in 2010 reaching 10.7 and 10.0 percent for hemodialysis and peritoneal dialysis patients, respectively.”

The report provides 2010 ESRD spending, by payor as follows:

ESRD Spending by Payor		
Payor	Spending in Billions	% of Total Spending
Medicare Paid	\$29.6	62.32%
Medicare Patient Obligation	\$4.7	9.89%
Medicare HMO	\$3.4	7.16%
Non-Medicare	\$9.8	20.63%

Source: 2012 United States Renal Data System (USRDS) Annual Data Report, page 340.

The Southeastern Kidney Council (SKC) provides Network 6 2011 Incident ESRD patient data by age, race and gender demonstrating the following:

Number and Percent of Dialysis Patients by Age, Race and Gender		
	# of ESRD Patients	% of Dialysis Population
Ages		
0-19	89	1.0%
20-34	451	4.8%
35-44	773	8.3%
45-54	1,529	16.4%

BMA Johnston
J-10048-12
Page 17

55-64	2,370	25.4%
65-74	2,258	24.2%
75+	1,872	20.0%
Gender		
Female	4,237	45.35%
Male	5,105	54.65%
Race		
African American	5,096	54.55%
White/Caucasian	4,027	43.11%
Other	219	2.3%

Source: Southeastern Kidney Council (SKC) Network 6. Includes North Carolina, South Carolina and Georgia

The applicant demonstrates that it provides adequate access to medically underserved populations. Therefore, the application is conforming to this criterion.

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

C

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. On page 41, the applicant states:

“BMA of North Carolina facilities do not have any obligation to provide uncompensated care under any federal regulations. ... The facility will continue to treat all patients the same regardless of race or handicap status.”

In Section VI.6 (a), page 43, the applicant states there have been no civil rights access complaints filed within the last five years. Therefore, the application is conforming to this criterion.

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

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In Section VI.1(c), page 40, the applicant provides the projected payor mix for the proposed services at BMA Johnston. The applicant projects no change from the current payor mix for dialysis visits, which is 86.6% Medicare and Medicaid. The applicant demonstrates that medically underserved populations would have adequate access to the proposed services. Therefore, the application is conforming to this criterion.

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

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In Section VI.5, page 42, the applicant states,

“Those Nephrologists who apply for and receive medical staff privileges will admit patients with End Stage Renal Disease to the facility. BMA Johnston has an open policy, which means that any Nephrologist may apply to admit patients at the facility. The attending physicians receive referrals from other physician or Nephrologists or hospitals.”

The applicant adequately demonstrates that BMA Johnston will provide a range of means by which a person can access the services. Therefore, the application is conforming to this criterion.

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

C

In Section V.3, page 36 the applicant states,

“All health related education and training programs are welcomed to visit the facility, receive instruction and observe the operation of the unit while patients are receiving treatment.”

Exhibit 19 contains a letter from the FMC Area Manager to Johnston Community College inviting the school to include the facility in its clinical rotations for nursing students. The information provided in Section V.3 is reasonable and credible and supports a finding of conformity to this criterion.

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.

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

C

BMA Johnston proposes to add five dialysis stations to the existing facility for a total of 25 stations upon completion of the project. BMA is the only provider of dialysis services in Johnston County, which has three dialysis centers, as shown in the table below.

Facility	Existing Stations	Approved Not Certified	Total Stations
FMC Four Oaks	19	3	22
BMA Johnston*	20	0	20
FMC Stallings Station	20	0	20
Total	59	3	62

*BMA Johnston is proposing to add 5 additional stations in this application.

In Section V.7, page 38, BMA Johnston discusses the impact of the proposed project on competition as it relates to promoting cost-effectiveness, quality and access. See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to dialysis services in Johnston County. This determination is based on the information in the application, and the following analysis:

- The applicant adequately demonstrates the need to add five dialysis stations, and that it is a cost-effective alternative to meet that need;
- The applicant adequately demonstrated it will continue to provide quality services; and
- The applicant adequately demonstrated it will continue to provide adequate access to medically underserved populations.

Therefore, the application is conforming to this criterion.

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

C

According to the files of the Acute and Home Care Licensure and Certification Section, Division of Health Service Regulation, BMA Johnston operated in compliance with the Medicare Conditions of Participation within the 18 months immediately preceding the date of this decision. Therefore, the application is conforming to this criterion.

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

C

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

10A NCAC 14C .2202 INFORMATION REQUIRED OF APPLICANT

(a) An applicant that proposes to increase stations in an existing certified facility or relocate stations must provide the following information:

.2202(a)(1) Utilization rates;

-C- See Section III.1, page 28, which indicates the facility had an 84% utilization rate as of December 31, 2011.

.2202(a)(2) Mortality rates;

-C- In Section IV.2, page 32, the applicant reports 2009, 2010 and 2011 facility mortality rates of 18.0%, 16.3% and 12.7%, respectively.

- .2202(a)(3) *The number of patients that are home trained and the number of patients on Home dialysis;*
- NA- In Section IV.3, page 32, the applicant states that BMA Johnston does not have any home-trained patients.
- .2202(a)(4) *The number of transplants performed or referred;*
- C- In Section IV.4, page 32, the applicant states BMA Johnston referred 15 patients for transplant evaluation in 2011. BMA Johnston had one patient receive a transplant in 2011.
- .2202(a)(5) *The number of patients currently on the transplant waiting list;*
- C- In Section IV.5, page 32, the applicant states that BMA Johnston has two patients on the transplant waiting list.
- .2202(a)(6) *Hospital admission rates, by admission diagnosis, i.e., dialysis related versus non-dialysis related;*
- C- See Section IV.6, page 24, the applicant reports a total of 139 hospital admissions in 2011; 85% were non-dialysis related and 15% were dialysis-related.
- .2202(a)(7) *The number of patients with infectious disease, e.g., hepatitis, and the number converted to infectious status during the last calendar year.*
- C- In Section IV.7, page 33, the applicant reports that in 2011 there were no patients with an infectious disease, and no patients converted to infectious status in 2011.
- (b) *An applicant that proposes to develop a new facility, increase the number of dialysis stations in an existing facility, establish a new dialysis station, or relocate existing dialysis stations shall provide the following information requested on the End Stage Renal Disease (ESRD) Treatment application form:*
- .2202(b)(1) *For new facilities, a letter of intent to sign a written agreement or a signed written agreement with an acute care hospital that specifies the relationship with the dialysis facility and describes the services that the hospital will provide to patients of the dialysis facility. The agreement must comply with 42 C.F.R., Section 405.2100*
- NA- BMA Johnston is an existing facility.
- .2202(b)(2) *For new facilities, a letter of intent to sign a written agreement or a written agreement with a transplantation center describing the relationship with the dialysis facility and the specific services that the transplantation center will provide to patients of the dialysis facility. The agreements must include the following:*
- (A) *timeframe for initial assessment and evaluation of patients for transplantation,*
- (B) *composition of the assessment/evaluation team at the transplant center,*
- (C) *method for periodic re-evaluation,*
- (D) *criteria by which a patient will be evaluated and periodically re-evaluated for transplantation, and,*
- (E) *Signatures of the duly authorized persons representing the facilities and the agency providing the services.*

- NA- BMA Johnston is an existing facility.
- .2202(b)(3) *For new or replacement facilities, documentation that power and water will be available at the proposed site.*
- NA- BMA Johnston is an existing facility.
- .2202(b)(4) *Copies of written policies and procedures for back up for electrical service in the event of a power outage.*
- C- Exhibit 12 contains a copy of written policies and procedures for back up for electrical service in the event of a power outage.
- .2202(b)(5) *For new facilities, the location of the site on which the services are to be operated. If such site is neither owned by nor under option to the applicant, the applicant must provide a written commitment to pursue acquiring the site if and when the approval is granted, must specify a secondary site on which the services could be operated should acquisition efforts relative to the primary site ultimately fail, and must demonstrate that the primary and secondary sites are available for acquisition.*
- NA- BMA Johnston is an existing facility.
- .2202(b)(6) *Documentation that the services will be provided in conformity with applicable laws and regulations pertaining to staffing, fire safety equipment, physical environment, water supply, and other relevant health and safety requirements.*
- C- See Sections II.3, page 12; VII.2, page 45 and XI.6(g), page 61.
- .2202(b)(7) *The projected patient origin for the services. All assumptions, including the methodology by which patient origin is projected, must be stated.*
- C- In Section III.7, page 30, BMA Johnston provided projected patient origin based on historical experience. The first two years of operation following completion of the project are as follows:

	Year 1	Year 2	County Patients as a	
	July 2013-June 2014	July 2014-June 2015	Percent of Total	
County	In-center Patients	In-center Patients	Year 1	Year 2
Johnston	83.0	86.7	100.0%	100.0%
Total	83.0	86.7	100.0%	100.0%

- .2202(b)(8) *For new facilities, documentation that at least 80 percent of the anticipated patient population resides within 30 miles of the proposed facility.*
- NA- BMA Johnston is an existing facility.
- .2202(b)(9) *A commitment that the applicant shall admit and provide dialysis services to patients who have no insurance or other source of payment, but for whom payment for dialysis services will be made by another healthcare provider in an amount equal to the Medicare reimbursement for such services.*
- C- In Section II, page 13, the applicant states, “BMA will admit and provide dialysis services to patients who have no insurance or other source of

payment, but for whom payment for dialysis services will be made by another healthcare provider in an amount equal to the Medicare reimbursement rate for such services.”

10 NCAC 14C .2203 PERFORMANCE STANDARDS

- .2203(a) *An applicant proposing to establish a new End Stage Renal Disease facility shall document the need for at least 10 stations based on utilization of 3.2 patients per station per week as of the end of the first operating year of the facility, with the exception that the performance standard shall be waived for a need in the State Medical Facilities Plan that is based on an adjusted need determination.*
- NA- BMA Johnston is an existing facility.
- .2203(b) *An applicant proposing to increase the number of dialysis stations in an existing End Stage Renal Disease facility or one that was not operational prior to the beginning of the review period but which had been issued a certificate of need shall document the need for the additional stations based on utilization of 3.2 patients per station per week as of the end of the first operating year of the additional stations.*
- C- In Sections II, page 13 and III.7, page 30, the applicant projects to serve 83 in-center patients by the end of Year 1, which is 3.32 patients per station ($83 / 25 = 3.32$).
- .2203(c) *An applicant shall provide all assumptions, including the methodology by which patient utilization is projected.*
- C- In Section II, pages 13-14 and Section III.7, pages 29-31, the applicant provides the assumptions and methodology used to project utilization of the proposed facility.

10 NCAC 14C .2204 SCOPE OF SERVICES

To be approved, the applicant must demonstrate that the following services will be available:

- .2204(1) *Diagnostic and evaluation services;*
- C- These services are provided by Johnston Memorial Hospital and WakeMed. See Section V.1, page 34.
- .2204(2) *Maintenance dialysis;*
- C- Provided at BMA Johnston. See Section V.1, page 34.
- .2204(3) *Accessible self-care training;*
- C- Provided by BMA Wake Dialysis. See Section V.1, page 34.
- .2204(4) *Accessible follow-up program for support of patients dialyzing at home;*
- C- Provided by BMA Wake Dialysis. See Section V.1, page 34 and V.1(d), page 35.
- .2204(5) *X-ray services;*

- C- Provided by Johnston Memorial Hospital and WakeMed. See Section V.1, page 34.
- .2204(6) *Laboratory services;*
- C- Provided by SPECTRA Laboratories, Inc. See Section V.1, page 34, and Exhibit 18.
- .2204(7) *Blood bank services;*
- C- Provided by Johnston Memorial Hospital (JMH). See Section V.1, page 34.
- .2204(8) *Emergency care;*
- C- Provided by BMA Johnston facility staff and the hospitals. See Section V.1, page 34.
- .2204(9) *Acute dialysis in an acute care setting;*
- C- Provided by JMH, WakeMed, and Rex Hospital. See Section V.1, page 34.
- .2204(10) *Vascular surgery for dialysis treatment patients*
- C- Provided by WakeMed and Rex Hospital See Section V.1, page 34.
- .2204(11) *Transplantation services;*
- C- Provided by Duke University Hospital. See Section V.1, page 34.
- .2204(12) *Vocational rehabilitation counseling and services; and,*
- C- Provided by referral to Johnston County Vocational Rehabilitation services. See Section V.1, page 34.
- .2204(13) *Transportation*
- C- Provided by Johnston County Area Transport, Williams Transportation, and Janie's Ride. See Section V.1, page 34.

10 NCAC 14C .2205 STAFFING AND STAFF TRAINING

- .2205(a) *To be approved, the state agency must determine that the proponent can meet all staffing requirements as stated in 42 C.F.R. Section 405.2100.*
- C- In Section VII.1, page 44, the applicant provides the proposed staffing. In Section VII.2, page 45, the applicant states the proposed facility will comply with all staffing requirements set forth in 42 C.F.R. Section 405.2100. The applicant adequately demonstrates that sufficient staff is proposed for the level of dialysis services to be provided. See Criterion (7) for discussion.
- .2205(b) *To be approved, the state agency must determine that the proponent will provide an ongoing program of training for nurses and technicians in dialysis techniques at the facility.*
- C- See Section VII.5, page 45, and Exhibits 14 and 15.