



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST, SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET NO: H-13	BOARD MEETING: March 12, 2024	PROJECT NO: 24-004	PROJECT COST:
FACILITY NAME: Dialysis Care Center Oak Lawn		CITY: Oak Lawn	Original: \$5,403,927
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (Dialysis Care Center Oak Lawn, LLC, Dialysis Care Center Holdings, LLC., and Meridian Investment Partners LLC) are proposing the establishment of a 12-station ESRD facility located at 4425 Southwest Highway in Oak Lawn, Illinois. The Applicants are also requesting to add two stations for a total of 14-stations. The cost of the project is \$5,403,927 and the expected completion date is December 31, 2024.

Information for this Application can be found at this link:

<https://hfsrb.illinois.gov/projects/project.24-004-dialysis-care-center-oak-lawn.html>

EXECUTIVE SUMMARY

PROJECT DESCRIPTION

- The Applicants (Dialysis Care Center Oak Lawn, LLC, Dialysis Care Center Holdings, LLC., and Meridian Investment Partners LLC) are proposing the establishment of a 12-station ESRD facility located at 4425 Southwest Highway in Oak Lawn, Illinois. The Applicants are also requesting to add two stations for a total of 14-stations. The cost of the project is \$5,403,927 and the expected completion date is December 31, 2024.
- In October of 2023 the Applicants submitted a request to add two stations to their existing facility in Oak Lawn under the lesser of 10% or 3 station rules. The State Board (Board Staff) approved that request and submitted the approval to IDPH as required. IDPH requested additional information from the Applicants before the approval of the two stations could be completed. The Applicants did not provide the requested additional information to IDPH. Subsequently the Applicants applied for a permit for the establishment of a 14-station facility in Oak Lawn (#24-004). As part of this Application for Permit the Applicants have to provide sufficient need for the for the relocation and the addition of the two stations.

PURPOSE OF THE PROJECT:

- The Applicants state the purpose of the project is to discontinue the 12-station ESRD facility at 9115 S. Cicero, Suite 300, Oak Lawn, Illinois and to establish a 12-station facility at 4425 Southwest Highway, Oak Lawn, Illinois and add two stations for a total of 14-stations. The proposed new facility is approximately 1-mile from the existing facility.

TABLE ONE					
Current Dialysis Care Center Oak Lawn Utilization					
	2023	2023	2023	2023	
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Average
Stations	12	12	12	12	12
Patients	65	69	64	65	66
Utilization	90.28%	95.83%	88.89%	90.28%	91.67%
Standard	80%	80%	80%	80%	80%
Proposed 14-Station Facility					
Stations	14	14	14	14	14
Patients	65	69	64	65	66
Utilization	77.40%	82.20%	76.20%	77.40%	78.57%
Standard	80%	80%	80%	80%	80%

SUMMARY

- There is a calculated excess of 77 ESRD stations in the HSA 7 ESRD Planning Area. Utilization in the 5-mile GSA with 19-ESRD facilities and 336 stations is 52% as of December 2023. There is a surplus of stations in this 5-mile GSA. There is a sufficient number of stations at existing facilities in the 5-mile GSA to accommodate the demand identified by the Applicants.

Criterion	Non-Compliant
77 Ill. Adm. Code 1110.230 (b) (1) – Planning Area Need	There is a calculated excess of 77 ESRD stations in the HSA 7 ESRD Planning Area as of December 31, 2023. The HSA VII ESRD Planning Area has a total of 1,516 stations with average occupancy of approximately 55%. (See Table end of this report)
77 Ill. Adm. Code 1110. 230 (c) (6) Unnecessary Duplication of Service	There is a surplus of ESRD stations in the 5-mile GSA based upon the comparison of the ratio of stations to population in State of Illinois. Utilization in the 5-mile GSA with 19-ESRD facilities and 336 stations is 52% as of December 2023. (See Table Four page 12 of this report)
77 Ill Admin, Code 1120.120 – Availability of Funds	The Applicants provided Reviewed Financial Statements and not an Audit Report as required by State Board Rules.



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STATE BOARD STAFF REPORT

Project #24-004

Dialysis Care Center Oak Lawn

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Dialysis Care Center Oak Lawn, LLC, Dialysis Care Center Holdings, LLC, Meridian Investment Partners LLC
Facility Name	Dialysis Care Center Oak Lawn
Location	4425 Southwest Highway, Oak Lawn, Illinois
Permit Holder	Dialysis Care Center Oak Lawn, LLC, Dialysis Care Center Holdings, LLC, Meridian Investment Partners LLC
Operating Entity	Dialysis Care Center Oak Lawn, LLC
Owner of Site	Meridian Investment Partners LLC
Completion Date	December 31, 2024

I. Project Description

The Applicants (Dialysis Care Center Oak Lawn, LLC, Dialysis Care Center Holdings, LLC., and Meridian Investment Partners LLC) are proposing the establishment of a 12-station ESRD facility located at 4425 Southwest Highway in Oak Lawn, Illinois. The Applicants are also requesting to add two stations for a total of 14-stations. The cost of the project is \$5,403,927 and the expected completion date is December 31, 2024.

II. Summary of Findings

- A. State Board Staff finds the proposed project is **not** in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project is **not** in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The Applicants are Dialysis Care Center Oak Lawn, LLC., Dialysis Care Center Holdings, LLC and Meridian Investment Partners, LLC. Dialysis Care Center Holdings, LLC, Dialysis Care Center Oak Lawn, LLC, and Meridian Investment Partners, LLC are owned equally by Morufu Alausa M.D. (50%) and Sameer M. Shafi M.D (50%). This Application for Permit is subject to a Part 1110 and Part 1120 review. Financial commitment will occur after permit approval.

Dialysis Care Center Group, LLC, a Delaware limited liability company, was established in 2016 for the purpose of providing kidney disease patients with personalized care, quality dialysis treatment, dialysis training and patient education. Many diseases can lead to chronic kidney failure, particularly diabetes, chronic nephritis, and high blood pressure. There are currently two treatment options for chronic kidney failure—kidney transplant

and dialysis. DCC Group has grown from a small dialysis provider to a rapidly growing mid-sized national dialysis company employing over 524 people.

DCC Group owns 100% of DCC Management, LLC (DCC Management), 100% of Home Dialysis Services Holdings, LLC (HDS Holdings) and 86% of Dialysis Care Center Holdings, LLC (DCC Holdings). DCC Management was established to provide management services to the DCC Group and its subsidiaries. It also provides management services for third party-owned clinics. Each of HDS Holdings and DCC Holdings has varying percentages of ownership in the separate independent dialysis care clinics operating under one of the DCC Groups' brand names in Florida, Georgia, Illinois, Indiana, Michigan, Ohio, Pennsylvania, and Tennessee. (Source: Review Financial Statements)

There was no public hearing requested and the State Board did not receive any support or opposition letters.

IV. **Health Service Area**

HSA 7 ESRD planning area includes DuPage and Suburban Cook County. There is a calculated excess of 77 stations in this planning area. As of December 31, 2023, there are 1,516 stations and 83 ESRD facilities in this planning area.

V. **Project Uses and Sources of Funds**

The Applicants are funding this project with cash in the amount of \$2,557,000 and the fair market value of the lease of \$2,846,927. The Applicants are estimating a start-up and operating deficit of \$2,792,221.

TABLE TWO
Project Uses and Sources of Funds

Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total
New Construction Contracts	\$1,260,000	\$490,000	\$1,750,000	32.38%
Contingencies	\$125,000	\$50,000	\$175,000	3.24%
Architectural and Engineering Fees	\$80,000	\$15,000	\$95,000	1.76%
Consulting and Other Fees	\$70,000	\$15,000	\$85,000	1.57%
Movable or Other Equipment	\$387,000	\$65,000	\$452,000	8.36%
FMV of Leased Space	\$1,957,263	\$889,665	\$2,846,927	52.68%
Total Uses of Funds	\$3,879,263	\$1,524,665	\$5,403,927	100.00%
Source of Funds				
Cash and Securities	\$1,922,000	\$635,000	\$2,557,000	47.32%
Leases	\$1,957,263	\$889,665	\$2,846,927	52.68%
Total Sources of Funds	\$3,879,263	\$1,524,665	\$5,403,927	100.00%

VI. Background of the Applicant, Purpose of Project, Safety Net Impact Statement, and Alternatives – Information Requirements

A) Background of the Applicants

The Applicants own in addition to Dialysis Care Center Oak Lawn, other in-patient hemodialysis centers, including:

- Dialysis Care Center Beverly - Chicago
- Dialysis Care Center Elgin
- Dialysis Care Center Evergreen Park
- Dialysis Care Center Hazel Crest
- Dialysis Care Center McHenry
- Dialysis Care Center Olympia Fields
- Dialysis Care Center Vollmer – Chicago Heights

The Applicants attest that there have been no adverse actions taken against any facility owned and/or operated by the Applicants during the three years prior to filing of this application. The Applicants also attest that there have been no individuals cited, arrested, taken into custody, charged with, indicted, convicted, or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. The Applicants attest that no person has been charged with fraudulent conduct or any act involving moral turpitude. The Applicants certify that they are in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.

The Applicants have granted the HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.

B) Purpose of the Project

The Applicants state the purpose of the project is to discontinue the 12-station ESRD facility at 9115 S. Cicero, Suite 300, Oak Lawn, Illinois and to establish a 12-station facility at 4425 Southwest Highway, Oak Lawn, Illinois and add two stations for a total of 14-stations. The proposed new facility is approximately 1-mile from the existing facility. (Application for Permit pages 70-71)

C) Safety Net Services

According to the Applicants, this proposed discontinuation will have little, if any, impact on the essential safety net services in the community.

TABLE THREE
Safety Net Impact Statement

	2020	2021	2022
Medicaid (# of patients)			
Outpatient	12	18	12
Total	12	18	12
Medicaid (Revenue)			
Outpatient	\$240,398	\$381,756	\$335,947
Total	\$240,398	\$381,756	\$335,947

D) Alternatives to the Proposed Project

1. Maintain / Improve Facility in Current Location. Additional Financial Cost
2. Pursue a Different Project Increased Costs
3. Utilize Other Existing Facilities No Additional Cost

The Applicants rejected the first two alternatives because the existing facility could no longer accommodate the need for additional stations due to the physical limitations of the existing facility and the realization that a larger project was not feasible.

The final alternative of utilizing other underutilized facilities in the 5-mile GSA was rejected because according to the Applicants *“this alternative would be antithetical to the core principles that have driven this practice, and its patients, which is to ensure meaningful access to providers other than those global providers prevalent in virtually all communities. It would not be possible to provide access to the care necessary without utilizing these facilities which, by their nature, are not designed to afford the patient-driven care to which DCC is committed.”*

There is a calculated excess of 77 ESRD stations in the HSA 7 ESRD Planning Area. Utilization in the 5-mile GSA with 19-ESRD facilities and 336 stations is 52% as of December 2023. There is sufficient number of stations at existing facilities in the 5-mile GSA to accommodate the demand being experienced by the Applicants.

VII. Size of the Project and Projected Utilization

A) Criterion 1110.120 (a) - Size of Project

1) The applicant shall document that the physical space proposed for the project is necessary and appropriate. The proposed square footage cannot deviate from the square footage range indicated in Appendix B, or exceed the square footage standard in Appendix B if the standard is a single number, unless square footage can be justified by documenting, as described in subsection (a)(2).

The Applicants propose 5,500 GSF of clinical space for the proposed 14 stations or 393 GSF per station. This appears reasonable when compared to the State Board Standard of 450 GSF per Station. The Applicants have successfully addressed this criterion.

B) Criterion 1110.120 (b) - Project Services Utilization

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented.

The Applicants are estimating 74 patients during the first year of operation. If those patients materialize the Applicants will be at the State Board's target occupancy of 80%. The Applicants have successfully addressed this criterion.

$$\left[\begin{array}{l} 74 \text{ patients} \times 156 \text{ treatment per year} \div 14 \text{ stations} \times 936 \text{ treatments per station per year} \\ \mathbf{11,544 \text{ treatments} \div 13, 104 \text{ treatments} = 88.09\%} \end{array} \right]$$

VIII. In-Station Renal Dialysis

PROJECT TYPE	REQUIRED REVIEW CRITERIA
Establishment of Services or Facility	(b)(1) – Planning Area Need – 77 Ill. Adm. Code 1100 (formula calculation)
	(b)(2) – Planning Area Need – Service to Planning Area Residents
	(b)(3) – Planning Area Need – Service Demand – Establishment of In-Center Hemodialysis
	(b)(5) – Planning Area Need – Service Accessibility
	(c)(1) – Unnecessary Duplication of Services
	(c)(2) – Maldistribution
	(c)(3) – Impact of Project on Other Area Providers
	(e) – Staffing
	(f) – Support Services
	(g) – Minimum Number of Stations
	(h) – Continuity of Care
	(i) – Relocation (if applicable)
	(j) – Assurances

A) Criterion 1110.230 (b) (1) -Planning Area Need

The applicant shall document that the number of stations to be established or added is necessary to serve the planning area's population, based on the following:

1) 77 Ill. Adm. Code 1100

- A) The number of stations to be established for in-center hemodialysis is in conformance with the projected station deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.
- B) The number of stations proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the utilization standard specified in 77 Ill. Adm. Code 1100.

The Applicants are proposing to establish a 14-station ERSD facility. The HSA VII ESRD Planning Area has a total of 1,516 stations with average census of approximately 56%. There is a calculated excess of 77 ESRD stations in this planning area as of December 31, 2023. Based upon the most current station need information available to the State Board the Applicants have not met the requirements of this criterion.

2) Criterion 1110.230 (b) (2) - Service to Planning Area Residents

- A) Applicants proposing to establish or add stations shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.
- B) Applicants proposing to add stations to an existing in-center hemodialysis service shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.
- C) Applicants proposing to expand an existing in-center hemodialysis service shall submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility).

The Applicants attest that approximately 80% of the patients reside within the 5-mile GSA (See pages 76-82 of the Application for Permit). The Applicants provided a referral letter from Dr. Taksande the Medical Director at Dialysis Care Center Oak Lawn. The Doctor attests he has 217 CKD Level 4 and Level 5 patients in his practice with 69 receiving dialysis services at the current facility. Dr. Taksande believes that 74 patients will utilize the proposed new facility within the first year of operation of the new facility. Based upon the information submitted and reviewed the Applicants have met the requirements of this criterion.

3) Criterion 1110.230 (b) (3) - Service Demand – Establishment of In-Center Hemodialysis Service

The number of stations proposed to establish a new in-center hemodialysis service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest 2-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new facility, the applicant shall submit projected referrals. The applicant shall document subsection (b)(3)(A) and either subsection (b)(3)(B) or (C).

A) Historical Referrals

- i) If the applicant is an existing facility, the applicant shall document the number of referrals to other facilities, for each proposed category of service, for each of the latest 2 years.
- ii) Documentation of the referrals shall include patient origin by zip code; name and specialty of referring physician; name and location of the recipient facility.

B) Projected Referrals

The applicant shall provide physician referral letters that attest to:

- i) The physician's total number of patients (by facility and zip code of residence) who have received care at existing facilities located in the area, as reported to The Renal Network at the end of the year for the most recent 3 years and the end of the most recent quarter.
- ii) The number of new patients (by facility and zip code of residence) located in the area, as reported to The Renal Network, that the physician referred for in-center hemodialysis for the most recent year.
- iii) An estimated number of patients (transfers from existing facilities and pre-ESRD, as well as respective zip codes of residence) that the physician will refer annually to the applicant's facility within a 24-month period after project completion, based upon the physician's practice experience. The anticipated number of referrals cannot exceed the physician's documented historical caseload.
- iv) An estimated number of existing patients who are not expected to continue requiring in-center hemodialysis services due to a change in health status (e.g., the patients received kidney transplants or expired).
- v) The physician's notarized signature, the typed or printed name of the physician, the physician's office address and the physician's specialty.
- vi) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services; and
- vii) Each referral letter shall contain a statement attesting that the information submitted is true and correct, to the best of the physician's belief.

The Applicants have provided a referral letter from Dr. Taksande, the proposed facility's Medical Director. The letter provides historical patient information for 217 patients who are CKD level 4 and 5 patients that reside in the planning area. Sixty-nine of these patients are already receiving services at the existing facility and are expected to transfer their treatment to the proposed new facility. The Applicants are predicting 74 patients will utilize the new facility by the first year after project completion. According to the Applicants this estimate takes into consideration attrition due to patient death, transplant, and return of

proper kidney function. The Applicants have documented sufficient demand and have met the requirements of this criterion.

5) Criterion 1110.230 (b) (5) - Service Accessibility

The number of stations being established or added for the subject category of service is necessary to improve access for planning area residents. The applicant shall document the following:

A) Service Restrictions

The applicant shall document **that at least one of the following factors exists** in the planning area:

- i) The absence of the proposed service within the planning area.
- ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care, or charity care.
- iii) Restrictive admission policies of existing providers.
- iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population.
- v) For purposes of this subsection (b)(5) only, all services within the established radii outlined in subsection (b)(5)(C) meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

B) Supporting Documentation

The applicant shall provide the following documentation concerning existing restrictions to service access:

- i) The location and utilization of other planning area service providers.
- ii) Patient location information by zip code.
- iii) independent time-travel studies.
- iv) A certification of waiting times.
- v) Scheduling or admission restrictions that exist in area providers.
- vi) An assessment of area population characteristics that document that access problems exist.
- vii) Most recently published IDPH Hospital Questionnaire.
- C) The travel radius for purposes of subsection (b)(5)(A)(v) is:
 - i) For applicant facilities located in the counties of Cook and DuPage, the radius shall be 5 miles.
 - ii) For applicant facilities located in the counties of Lake, Kane and Will, the radius shall be 10 miles.
 - iii) For applicant facilities located in the counties of Kankakee, Grundy, Kendall, DeKalb, McHenry, Winnebago, Champaign, Sangamon, Peoria, Tazewell, Rock Island, Monroe, Madison and St. Clair, the radius shall be 15 miles.
 - iv) For applicant facilities located in any other area of the State, the radius shall be 19 miles.

There are 83 ESRD facilities in the HSA 7 ESRD Planning Area with a calculated excess of 77 stations and an average utilization of 56%. There is no absence of service in the planning area nor is there access limitations due to payor status of patients or restrictive admission policies of existing providers. There are nineteen ESRD facilities within 5-miles of the proposed facility with a total of 336 stations and an average utilization of 52%.

The Applicants state *“the proposed facility is located in a community that is surrounded by medically underserved areas (“MUA”) and the majority of the patients that benefit from the facility reside in these MUAs.”* (See Application for Permit pages 83-86).

TABLE FOUR
Facilities in the 5-mile GSA

Facility	City	Stations	Utilization	Star Rating
RCG-South Holland	South Holland	24	67.36%	3
Olympia Fields Dialysis Center	Matteson	24	34.03%	2
Country Hills Dialysis	Country Club Hills	24	36.81%	2
Hazel Crest Dialysis	Hazel Crest	20	48.33%	3
Chicago Heights Dialysis	Chicago Heights	16	34.38%	3
Stony Creek Dialysis	Oak Lawn	14	58.33%	3
DaVita Chicago Ridge	Worth	16	41.67%	1
DaVita Tinley Park	Tinley Park	12	69.44%	3
DaVita Oak Meadows Dialysis	Oak Lawn	12	33.33%	4
DaVita Rutgers Park Dialysis	Woodridge	12	37.50%	1
Dialysis Care Center Hazel Crest ⁽¹⁾	Hazel Crest	12	91.67%	1
Dialysis Care Center Evergreen Park	Evergreen Park	16	55.21%	1
Dialysis Care Center Vollmer	Chicago Heights	16	69.79%	1
Dialysis Center of America - Crestwood	Crestwood	24	43.75%	2
Fresenius Medical Care Hazel Crest	Hazel Crest	16	59.38%	2
FMC Dialysis Services - Burbank	Burbank	26	48.03%	3
FMC Lincolnwood	Lincolnwood	16	30.21%	4
Fresenius Medical Care Merrionette Park ⁽¹⁾	Merrionette Park	24	81.94%	3
Fresenius Medical Care Chicago Heights	Chicago Heights	12	38.89%	2
Total Stations/Average Utilization and Average Star Rating		336	52%	2.3
1. Identifies ESRD Facilities operating at target occupancy of above.				

B) Criterion 1110.230 (c) - Unnecessary Duplication/Maldistribution

- 1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:
 - A) A list of all zip code areas that are located, in total or in part, within the established radii outlined in subsection (c)(4) of the project's site.
 - B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and
 - C) The names and locations of all existing or approved health care facilities located within the established radii outlined in subsection (c)(4) of the project site that provides the categories of station service that are proposed by the project.
- 2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, stations and services characterized by such factors as, but not limited to:
 - A) A ratio of stations to population that exceeds one and one-half times the State average.
 - B) Historical utilization (for the latest 12-month period prior to submission of the application) for existing facilities and services that is below the utilization standard established pursuant to 77 Ill. Adm. Code 1100; or
 - C) Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above utilization standards.
- 3) The applicant shall document that, within 24 months after project completion, the proposed project:
 - A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and
 - B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

- 4) The travel radius for purposes of subsection (c)(1) is:
 - A) For applicant facilities located in the counties of Cook and DuPage, the radius shall be 5 miles.
 - B) For applicant facilities located in the counties of Lake, Kane and Will, the radius shall be 10 miles.
 - C) For applicant facilities located in the counties of Kankakee, Grundy, Kendall, DeKalb, McHenry, Winnebago, Champaign, Sangamon, Peoria, Tazewell, Rock Island, Monroe, Madison and St. Clair, the radius shall be 15 miles.
 - D) For applicant facilities located in any other area of the State, the radius shall be 19 miles.

Ratio to Stations to Population: There is 15 zip codes within the 5-mile radius with a population of 317,517 residents. There are 336 stations in the 5-mile GSA. The ratio of stations to population is 1 station per 945 residents within this 5-mile radius. The ratio of stations to population is 1 station per 2,578 residents in the State of Illinois. The ratio of stations to population in the 5-mile GSA is 1.5 times the State of Illinois ratio. Based upon the comparison of the ratio of stations to population there is a surplus of stations in this 5-mile GSA.

Facilities: There are 19 ESRD facilities within the 5-mile GSA with 336 stations with an average utilization of 52% (See Table above). Only two of the 19 ESRD facilities in the GSA are operating at the target occupancy of 80%. There are underutilized ESRD facilities in this 5-mile GSA that can accommodate the demand identified by the Applicants.

Impact: The Applicants state all the identified patients for the proposed facility are either current patients or will come from referrals from identified physicians and are on a pre-ESRD list. According to the Applicants no patients will be transferred from any other existing dialysis facilities. The Applicants believe the proposed dialysis facility will not lower utilization of other area providers that are operating below the target utilization standard and this relocation will not result in any changes to the HSA 7 station inventory.

C) Criterion - 1110.230 (e) - Staffing

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and The Joint Commission staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

Staffing: Dr. Sushant Taksande will serve as the Medical Director for Dialysis Care Center Oak Lawn. A copy of the physicians curriculum vitae has been provided as required. Dr. Taksande has completed a board approved training program in nephrology and has well over 12 months experience providing care to patients receiving dialysis. The Applicants state that at all times the facility will maintain at least a 4 to 1 patient to staff ratio on the treatment floor. An RN will be on duty at all times that the unit is in operation. The State Board Staff relies on the fact that the facility will be certified for Medicare and Medicaid participation for the appropriate staffing, support services and continuity of care. (See page 89 of the Application for Permit)

D) Criterion 1110.230 (f) - Support Services – Review Criterion

An applicant proposing to establish an in-center hemodialysis category of service must submit a certification from an authorized representative that attests to each of the following:

- 1) Participation in a dialysis data system.

- 2) Availability of support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and
- 3) Provision of training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training provided at the proposed facility, or the existence of a signed, written agreement for provision of these services with another facility.

The Applicants provided the necessary attestation that the facility will participate in a dialysis data system, will have available support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services, and patients will have access to training for self-care dialysis, self-care instructions and home dialysis and peritoneal dialysis (See page 93 of the Application for Permit).

E) Criterion 1110.230 (g) - Minimum Number of Stations

The minimum number of in-center hemodialysis stations for an End Stage Renal Disease (ESRD) facility is:

- 1) Four dialysis stations for facilities outside an MSA.
- 2) Eight dialysis stations for a facility within an MSA.

The applicants will meet the minimum number of stations of eight within the Chicago Naperville Joliet Gary, IL-IN-WI Metropolitan Statistical Area (MSA) with the establishment of a 14-station facility. The Applicants are proposing a 14-stations at the new location. The Applicants have successfully addressed this criterion.

F) Criterion 1110.230 (h) - Continuity of Care

An applicant proposing to establish an in-center hemodialysis category of service shall document that a signed, written affiliation agreement or arrangement is in effect for the provision of inpatient care and other hospital services. Documentation shall consist of copies of all such agreements.

The Applicants provided an affiliation agreement with Advocate Christ Medical Center as required at pages 96-100 of the Application for Permit.

G) Criterion 1110.230 (i) - Relocation of Facilities – Review Criterion

This criterion may only be used to justify the relocation of a facility from one location in the planning area to another in the same planning area and may not be used to justify any additional stations. A request for relocation of a facility requires the discontinuation of the current category of service at the existing site and the establishment of a new category of service at the proposed location. The applicant shall document the following:

- 1) That the existing facility has met the utilization targets detailed in 77 Ill. Adm. Code 1100.630 for the latest 12-month period for which data is available; and
- 2) That the proposed facility will improve access for care to the existing patient population.

As seen in the Table below the Applicants' 12-station facility was at target occupancy or above for the past four quarters the most recent information that the State Board has available. The Applicants believe the proposed facility will improve access to care in the GSA. Based upon the information provided and reviewed the Applicants have met the requirements of this criterion.

TABLE FIVE					
Dialysis Care Center Oak Lawn					
	2023	2023	2023	2023	
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Average
Stations	12	12	12	12	12
Patients	65	69	64	65	66
Utilization	90.28%	95.83%	88.89%	90.28%	91.67%
Standard	80%	80%	80%	80%	80%

H) Criterion 1110.230 (j) - Assurances

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that:

- 1) By the second year of operation after the project completion, the applicant will achieve and maintain the utilization standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal; and
- 2) An applicant proposing to expand or relocate in-center hemodialysis stations will achieve and maintain compliance with the following adequacy of hemodialysis outcome measures for the latest 12-month period for which data are available:
 - ≥ 85% of hemodialysis patient population achieves urea reduction ratio (URR) ≥ 65%
 - and ≥ 85% of hemodialysis patient population achieves Kt/V Daugirdas II 1.2.

The Applicants have provided the necessary assurance that they will be at target occupancy of 80% within two years of operation and the quality measures identified by the State Board will be achieved at the proposed facility. The Applicants have provided the required assurance at page 102 of the Application for Permit.

VIII. Financial Viability and Economic Feasibility

A) Criterion 1120.120 – Availability of Funds

The Applicants are funding this project with cash in the amount of \$2,557,000 and the fair market value of the lease of \$2,846,927. The Applicants are estimating a start-up and operating deficit of \$2,792,221. The Applicants provided an Independent Accountant's Review Report and Consolidated Financial Statements and not an audit report as required by State Board rules.¹ The Applicants consider this financial information confidential and has not been posted on the State Board's website but has been included in the information forwarded to the State Board Members. Based upon Board Staff review of the reviewed statements the Applicants have sufficient cash to fund the proposed project and operate the proposed facility.

B) Criterion 1120.130 - Financial Viability

a) Financial Viability Waiver

The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or
HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.
- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or
HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.
- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

The Applicants have qualified for the financial waiver.

¹ An audit is the highest level of assurance a CPA can provide. The objective is to obtain "reasonable assurance" about whether the company's **financial statements** as a whole provide a fair view of the company's financial position. An audit also ensures that the financial statements conform to the applicable reporting framework, such as U.S. generally accepted accounting principles (GAAP). A **financial statement review** aims to provide the user with assurance that the firm is not aware of any material modifications required in the financial statements. Essentially, it asks, "Do the numbers make sense?" This is a step down from the level of assurance that an audit provides. (Source CPA Journal)

A) Criterion 1120.140 (a) - Reasonable of Financing Arrangements
B) Criterion 1120.140 (b) - Conditions of Debt Financing

Applicants with projects involving debt financing shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available.
- 2) That the selected form of debt financing will not be at the lowest net cost available but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors.
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

The Applicants are leasing the proposed site from a related party (Lease at Application for Permit pages 30-47).

TABLE SIX Terms of Lease Agreement	
Square Feet	8,000 Sq. Feet
Base Rent	\$32.50 PSF
Annual Increase	2%
Taxes, CAMM, Operating Expenses	34% of total
Lease Term	180 months
Options	Three five Year Periods
Annual Escrow	\$15.50 PSF

C) Criterion 1120.140 (c) - Reasonableness of Project and Related Costs Criterion

The Applicants shall document that the estimated project costs are reasonable and shall document compliance with the following:

New Construction Costs and Contingencies are \$1,385,000 or \$251.81 per GSF. This appears reasonable when compared to the State Board Standard of \$332.17 per GSF.

Contingency Costs are \$125,000 or 9.9% of new construction. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees are \$80,000 or 5.78% of new construction and contingency fees. This appears reasonable when compared to the State Board Standard of 6.77%-10.17%.

The State Board does not have a standard for these costs.

Consulting and Other Fees	\$70,000
Movable or Other Equipment	\$387,000
FMV of Leased Space	\$1,957,263

D) Criterion 1120.140 (d) - Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs mean the fully allocated costs of salaries, benefits and supplies for the service.

E) Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The Applicants stated the operating cost per treatment is \$260 per treatment and this project would have no effect on capital costs. The Applicants have met the requirements of Projected Operating Costs and the Total Effect of the Project on Capital Costs.

TABLE SEVEN
Estimated Revenue and Income First Year of Operation

Revenue		
	Commercial	\$1,500,206
	Medicare	\$882,090
	Medicare Advantage	\$1,121,428
	Medicaid	\$26,620
	Medicaid Risk	\$294,030
Total Revenue		\$3,824,374
Doubtful Accounts		\$191,219
Total Net Revenue		\$3,633,155
Operating Expenses		
	Personnel Costs	\$1,462,238
	Medical Supplies	\$553,067
	Fixed Expenses	\$272,468
	Other Expenses	\$504,448
	Total Expenses	\$2,792,221
Net Operating Income		\$840,935
EBITA		\$885,167
Net Revenue Per Treatment		\$338
Total Operating Cost per Treatment		\$260

TABLE EIGHT
Dialysis Facilities in the HSA VII ESRD Planning Area

ESRD Facility	Ownership	City	Stations	Utilization	Star Rating
ARA-South Barrington Dialysis	ARA	S. Barrington	14	35.71%	4
Neomedica Dialysis Ctrs - Evanston	DaVita	Evanston	20	73.33%	3
RCG-South Holland	DaVita	South Holland	24	67.36%	3
Olympia Fields Dialysis Center	DaVita	Matteson	24	34.03%	2
Country Hills Dialysis	DaVita	Country Club Hills	24	36.81%	2
Hazel Crest Dialysis	DaVita	Hazel Crest	20	48.33%	3
Arlington Heights Dialysis	DaVita	Arlington Heights	18	35.19%	2
Chicago Heights Dialysis	DaVita	Chicago Heights	16	34.38%	3
Buffalo Grove Dialysis	DaVita	Buffalo Grove	16	59.38%	3
Schaumburg Dialysis	DaVita	Schaumburg	22	34.85%	4
Stony Creek Dialysis	DaVita	Oak Lawn	14	58.33%	3
Harvey Dialysis	DaVita	Harvey	18	38.89%	1
Big Oaks Dialysis	DaVita	Niles	12	56.94%	5
Palos Park Dialysis	DaVita	Orland Park	12	55.56%	2
DaVita Chicago Ridge	DaVita	Worth	16	41.67%	1
DaVita Tinley Park	DaVita	Tinley Park	12	69.44%	3
Calumet City Dialysis	DaVita	Calumet City	16	80.21%	3
DaVita Salt Creek Dialysis	DaVita	Villa Park	12	37.50%	2
DaVita Geneva Crossing Dialysis	DaVita	Carol Stream	14	63.10%	3
DaVita Oak Meadows Dialysis	DaVita	Oak Lawn	12	33.33%	4
DaVita Melrose Village	DaVita	Melrose Village	12	40.28%	1
DaVita Rutgers Park Dialysis	DaVita	Woodridge	12	37.50%	1
DaVita Cicero Dialysis	DaVita	Cicero	12	43.06%	4
DaVita Glenview Dialysis	DaVita	Glenview	16	63.54%	4
Dialysis Care Center of Oak Lawn	DCC	Oak Lawn	12	77.38%	2
Dialysis Care Center of Olympia Fields	DCC	Olympia Fields	24	47.22%	2
Dialysis Care Center Hazel Crest	DCC	Hazel Crest	12	91.67%	1
Dialysis Care Center Evergreen Park	DCC	Evergreen Park	16	55.21%	1
Dialysis Care Center Vollmer	DCC	Chicago Heights	16	69.79%	1
Downers Grove Dialysis Center	Fresenius	Downers Grove	16	42.71%	3
Oak Park Dialysis Center	Fresenius	Oak Park	12	90.28%	4
Elk Grove Dialysis Center	Fresenius	Elk Grove Village	28	54.17%	3
Central DuPage Dialysis Center	Fresenius	West Chicago	16	56.25%	2
Fresenius Medical Care South Suburban	Fresenius	Olympia Fields	27	51.23%	3
Fresenius Medical Care Westchester	Fresenius	Westchester	22	42.42%	4
Fresenius Medical Care Northwest	Fresenius	Norridge	16	66.67%	3
Neomedica Dialysis Ctrs. - Rolling Meadows	Fresenius	Rolling Meadows	24	59.72%	3
West Suburban Hosp. Dialysis Unit	Fresenius	Oak Park	46	59.78%	4
FMC Berwyn	Fresenius	Berwyn	30	51.67%	3
Dialysis Center of America - Crestwood	Fresenius	Crestwood	24	43.75%	2
Blue Island Dialysis Ctr	Fresenius	Blue Island	28	48.21%	2

TABLE EIGHT
Dialysis Facilities in the HSA VII ESRD Planning Area

ESRD Facility	Ownership	City	Stations	Utilization	Star Rating
Fresenius Medical Care South Holland	Fresenius	South Holland	24	85.42%	2
Fresenius Medical Care Evergreen Park	Fresenius	Evergreen Park	30	42.78%	2
Fresenius Medical Care Hoffman Estates	Fresenius	Hoffman Estates	20	56.67%	3
Fresenius Medical Care Orland Park	Fresenius	Orland Park	18	45.37%	4
Glenview Dialysis Center	Fresenius	Glenview	20	45.83%	4
Fresenius Medical Care Melrose Park	Fresenius	Melrose Park	18	62.04%	5
Lutheran General - Neomedica	Fresenius	Niles	32	38.02%	4
North Avenue Dialysis Center	Fresenius	Melrose Park	24	56.94%	4
Fresenius Medical Care Hazel Crest	Fresenius	Hazel Crest	16	59.38%	2
Fresenius Medical Care Elmhurst	Fresenius	Elmhurst	28	71.43%	4
Fresenius Medical Care Glendale Heights	Fresenius	Glendale Heights	29	56.32%	3
RCG Skokie	Fresenius	Skokie	14	77.38%	3
RCG - Mid America Evanston	Fresenius	Evanston	14	63.10%	2
Alsip Dialysis Center	Fresenius	Alsip	20	49.17%	3
FMC Dialysis Services of Willowbrook	Fresenius	Willowbrook	20	43.33%	4
FMC Dialysis Services - Burbank	Fresenius	Burbank	26	48.08%	3
FMC Lincolnwood	Fresenius	Lincolnwood	16	30.21%	4
Fresenius Medical Care Merrionette Park	Fresenius	Merrionette Park	24	81.94%	3
Fresenius Medical Care of Naperville North	Fresenius	Naperville	21	44.44%	4
Fresenius Medical Care of West Chicago	Fresenius	West Chicago	12	65.28%	5
Fresenius Medical Care of Deerfield	Fresenius	Deerfield	12	36.11%	3
Fresenius Medical Care -Lombard	Fresenius	Lombard	12	59.72%	2
Fresenius Medical Care Palatine	Fresenius	Palatine	17	88.24%	5
Fresenius Medical Care Steger	Fresenius	Steger	18	38.89%	3
Fresenius Medical Care River Forest	Fresenius	River Forest	24	56.94%	4
Fresenius Medical Care Cicero	Fresenius	Cicero	20	88.33%	3
Fresenius Medical Care Oak Forest	Fresenius	Oak Forest	12	93.06%	3
Fresenius Medical Care Des Plaines	Fresenius	Des Plaines	16	65.63%	3
NxStage Oak Brook	Fresenius	Oak Brook	8	25.00%	2
Fresenius Medical Care Lemont	Fresenius	Lemont	12	40.28%	1
Fresenius Medical Care Summit	Fresenius	Summit	14	71.43%	2
Fresenius Medical Care Chicago Heights	Fresenius	Chicago Heights	12	38.89%	2
Fresenius Medical Care Schaumburg	Fresenius	Schaumburg	16	54.17%	5
Fresenius Kidney Care Mount Prospect	Fresenius	Mount Prospect	16	76.04%	4
Fresenius Medical Care Woodridge	Fresenius	Woodridge	12	36.11%	4
Loyola Dialysis Center	Loyola	Maywood	30	61.11%	3
USRC Streamwood Dialysis	USRC	Streamwood	13	38.46%	4
USRC Oak Brook	USRC	Downers Grove	13	55.13%	3
US Renal Care Hickory Hills	USRC	Hickory Hills	13	57.69%	4
US Renal Care Villa Park	USRC	Villa Park	13	67.95%	3
Maple Avenue Kidney Center		Oak Park	18	54.63%	1
Nocturnal Dialysis		Villa Park	12	15.28%	NA

TABLE EIGHT
Dialysis Facilities in the HSA VII ESRD Planning Area

ESRD Facility	Ownership	City	Stations	Utilization	Star Rating
			1,516	54.57%	2.96

24-004 Dialysis Care Center Relocation - Oak Lawn

