

August 10, 2010

Mike Constantino
Supervisor, Project Review
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, Illinois 62761

RE: DaVita Request for Removal of Stipulation on Adding Stations:
Crystal Lake Dialysis Change of Ownership (CHOW) CON #10-010

Dear Mr. Constantino:

We herein hope to satisfy your July 26, 2010 request that we explain our request that the State Board remove the stipulation on our Change of Ownership (CHOW) CON #10-010 for Crystal Lake Dialysis not to add stations for two years. The stipulation was placed on the CHOW CON at the State Board's June 8, 2010 meeting held in Springfield, Illinois.

Why the relocation and addition of stations was not explained to the State Board at the June 8, 2010 State Board meeting

The situation is obviously and entirely an error on DaVita's part, and we apologize for the confusion it has caused surrounding this project. DaVita's primary intention is to serve the best interests of its patients. Its lack of communication caused the current issue.

DaVita serves a large population in Illinois, and has two operating Divisions within the State. The Chicago Fire Region Division serves the Chicago area. The remainder of the state outside of Chicago is operated under the Star Catchers Division. For most purposes, the roles and responsibilities of these two Divisions are clear. In the case of the Sherman Hospital CONs, that has not been the case, and has resulted in the matter at hand.

The Change of Ownership applications were initiated and completed in the Star Catcher Division by Ellie Suhl. Ms. Suhl served as a Regional Operations Director for DaVita at the time the application was written and submitted. During the timeframe that the applications were under review, a number of changes occurred. DaVita determined that operation of the Sherman facilities post CON approval would be through the Chicago Fire Region Division rather than the Star Catcher Division. During that timeframe, Ms. Suhl left her position with DaVita, and agreed to complete the CON process for the change of ownership as a consultant. The due diligence process was completed through the Chicago Division. During the course of due diligence through the Chicago Division, it was determined that relocation and potential expansion of the acquired facilities would be necessary. The Chicago region put the wheels in motion to pursue this option. I have been the CON consultant for the Chicago region for many, many years.

Unfortunately, during the course of change from one division to another, communication broke down, and the plans for relocation were not communicated to Ms. Suhl. She did not have knowledge of the pending applications during the course of discussion at the CON hearing, and as a result, consented to the Board's stipulation of no changes.

As you know, Mike, I attended the June 8th State Board meeting in Springfield and I immediately protested the stipulation. I had hoped that it could have been reconsidered by the State Board at that very meeting. I knew that there must have been a serious breakdown in communication.

As hindsight is perfect, we now realize the impact of the communication breakdown within DaVita. Communication, or lack thereof, is a significant challenge in any organization, and it is a particular challenge in a large corporation, such as DaVita. DaVita has learned from this situation, and is putting steps in place to insure this will not happen in the future. We appreciate the opportunity to explain this situation, and ask for the Board's understanding in deciding the ultimate outcome of this situation.

Why the State Board should remove the stipulation from CON #10-010 prohibiting addition of stations for two years at Crystal Lake Dialysis

DaVita purchased Sherman hospital's dialysis facilities with the intent to continue to provide service to the Sherman Hospital clinics' patients for a long time to come. DaVita has no choice but to relocate the facility as the lease expires on June 30, 2012 and Sherman Hospital, the landlord, will not renew the lease. This information is included in our CON to relocate, expand, and rename the facility, Crystal Springs Dialysis, CON application #10-047.

Our CON application (#10-047) identifies 117 patients who would use the new, expanded facility. We have explored alternatives in our CON application, and rejected these alternatives as infeasible or inferior to our proposal. Current stations in operation in the community already operate at 85% occupancy; the community's patient population is increasing; and the ratio of population per station in the area is very high compared to the Illinois average.

This particular stipulation curtails the State Board's authority to review a project which we contend is needed to improved access to care in the community. We herein petition the State Board to review our CON application #10-047 on its merits and remove the stipulation disallowing the addition of stations for two years.

Thank you for your consideration of our request.

Sincerely,

Delia M. Wozniak

Delia M. Wozniak
President