



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-03	BOARD MEETING: January 27, 2015	PROJECT NO: 14-058	PROJECT COST: Original: \$2,793,928
FACILITY NAME: Alton Dialysis		CITY: Alton	
TYPE OF PROJECT: Substantive			HSA: XI

PROJECT DESCRIPTION: DaVita Healthcare Partners, Inc., and DVA Renal Healthcare, Inc. (the applicants) are proposing to discontinue an existing 14-station ESRD facility in Alton, and re-establish a 14-station replacement ESRD facility less than one mile away, in Alton. The cost of the project is \$2,793,928. **The anticipated project completion date is July 31, 2016**

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- DaVita Healthcare Partners, Inc., and DVA Renal Healthcare, Inc. (the applicants) are proposing to discontinue a 14-station ESRD facility, and re-establish a facility with the same number of ESRD stations, in 7,008 GSF of space, in Alton. The cost of the project is \$2,793,928.
- **The anticipated project completion date is July 31, 2016.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- To discontinue and re-establish a health care facility as defined by Illinois Health Facilities Planning Act.

PURPOSE OF THE PROJECT:

- The proposed project seeks to address issues/limitations with the physical plant in the existing facility.

NEED FOR THE PROJECT:

- HSA-11 currently has a calculated excess 4 ESRD stations, per the December 2014 Inventory update. The applicants are discontinuing a 14-station ESRD facility, and re-establishing these 14 ESRD stations in a newly constructed facility, approximately .25 miles away, in Alton. No additional stations will be established and there will be no change in excess of stations in the ESRD planning area.
- The applicants have average 81.84% occupancy over the past four quarters. .

BACKGROUND/COMPLIANCE ISSUES

- Neither applicant has outstanding compliance issues with the State Board.

PUBLIC HEARING/COMMENT

- No public hearing was requested and no letters of opposition or support were received by the State Board Staff.

FINANCIAL AND ECONOMIC FEASIBILITY

- The entirety of the project will be funded through internal sources (Cash and Securities/Fair Market Value of the Leases/Net Book Value of Existing Equipment. A review of the audited financial statements indicates sufficient cash is available to fund the project.

CONCLUSIONS:

- The applicants addressed a total of 22 criteria and have met all of the requirements of the State Board.

STATE BOARD STAFF REPORT

DaVita Alton Dialysis

PROJECT #14-058

APPLICATION CHRONOLOGY	
Applicants	DaVita Healthcare Partners, Inc. DVA Renal Healthcare, Inc.
Facility Name	Alton Dialysis
Location	309 Homer Adams Parkway, Alton
Permit Holder	DVA Renal Healthcare, Inc.
Operating Entity	DVA Renal Healthcare, Inc.
Owner of Site	Pine Tree Alton 1 LLC, <i>c/o</i> DTM Real Estate Services, LLC
Application Received	November 6, 2014
Application Deemed Complete	November 6, 2014
Can Applicants Request Another Deferral?	Yes
Review Period Extended by the Board Staff?	No

I. The Proposed Project

DaVita Healthcare Partners Inc. and DVA Renal Healthcare, Inc. (the applicants) are proposing to discontinue a 14-station ESRD facility in Alton, and relocate these 14 stations to a replacement facility .25 miles away in the same city. The replacement facility contains 7,008 GSF of space, the cost of the project is \$2,793,928, and the anticipated project completion date is July 31, 2016.

II. Summary of Findings

- A. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

DaVita Healthcare Partners Inc. and DVA Healthcare, Inc. (the applicants) are proposing to discontinue and establish an existing 14-station ESRD facility in Alton, to a site .25 miles away, in Alton. The 14 station dialysis facility is currently located at 3511 College Avenue, in Alton, Illinois. The applicants propose to relocate a 14-station dialysis facility at 309 Homer Adams Parkway, Alton, Illinois 62002 (the "Replacement Facility"). The operating entity is Renal Life Link, Inc. and the owner of the new site is Pine Tree Alton 1 LLC, *c/o* DTM Real Estate Services, LLC.

The December 2014 update to the IDPH Inventory of Health Care Facilities ("Inventory") shows a computed excess of 4 ESRD stations in HSA XI.

There is no land acquisition cost for this project, as the proposed facility will be in leased space. This is a substantive project subject to both a Part 1110 and Part 1120 review.

Project obligation will occur after permit issuance, and the anticipated project completion date is July 31, 2016.

IV. The Proposed Project - Details

DaVita Healthcare Partners Inc., and DVA Renal Healthcare, Inc. (the applicants) are proposing to discontinue an existing 14 station ESRD facility located at 3511 College Avenue, Alton, and establish a 14 station ESRD facility to 309 Homer Adams Parkway, Alton, approximately less than one minute away from the current facility. The proposed facility will be 7,008 GSF of leased space. The cost of the project is \$2,793,928. The anticipated project completion date is July 31, 2016.

V. Project Costs and Sources of Funds

The total estimated project cost is \$2, 793,928. The proposed project is being funded with cash and securities totaling \$2,041, 582 and leases with a Fair Market Value of \$733,921 and the Net Book Value of Existing Equipment of \$18,425. Table One outlines the project's costs and uses of funds. The State Board Staff notes all costs are classified as being clinical.

TABLE ONE	
Project Uses and Sources of Funds	
Uses of Funds	Clinical
Modernization Contracts	\$1,145,000
Contingencies	\$100,000
A & E Fees	\$121,000
Consulting & Other Fees	\$77,000
Moveable Equipment	\$598,582
FMV of Leased Space	\$733,921
Net Book Value of Existing Equipment	\$18,425
Total Uses of Funds	\$2,793,928
Sources of Funds	Clinical
Cash and Securities	\$2,041,582
Leases (fair market value)	\$733,921
Net Book Value of Existing Equipment	\$18,425
Total Sources of Funds	\$2,793,928

VI. Cost/Space Requirements

Table Two displays the project's cost/space requirements for the project. The clinical portion comprises approximately 100% of the cost and GSF.

TABLE TWO							
DaVita Alton Dialysis-Cost/Space Allocation							
Clinical Department	Cost	Existing GSF	Proposed GSF	New	Modernized	Vacated	As Is
ESRD	\$2,793,528	7,008	7,008	7,008	7,008	0	0
Total	\$2,793,528	7,008	7,008	7,008	7,008	0	0

VII. Section 1110.130 - Discontinuation – Review Criteria

- a) **Information Requirements – Review Criterion**
- b) **Reasons for Discontinuation – Review Criterion**
- c) **Impact on Access – Review Criterion**

The applicants propose to discontinue an existing 14 station ESRD facility in Alton, and establish a 14-station facility approximately .25 miles (.5 minute) away, in the same township. The applicants cite an existing facility that is suboptimal for its patients/staff, with deficiencies noted with the plumbing, the water treatment component, and inadequate space for 14 stations and two home therapy training rooms. The applicant also cites inadequate/inefficient space for patient pick-up/drop-off, which causes congestion with other businesses in the retail shopping plaza. The applicants note the proposed project will not negatively impact access to care, but instead improve access by providing the same number of stations in a more spacious facility, with easier access for those patients with mobility issues. The applicants sent impact letters to all (5) ESRD facilities in a 45-minute radius of the existing facility, and report to have not received any negative replies to the proposed relocation. The applicants note all medical records will be transferred to the replacement facility, and that all existing patients using the current facility will transfer to the replacement facility, upon project completion. It appears the applicants have addressed all necessary criteria in this section, and a positive finding can be made.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE DISCONTINUATION CRITERION (77 IAC 1110.130).

VIII. Section 1110.230 - Project Purpose, Safety Net Impact and Alternatives

A) Criterion 1110.230(b) - Purpose of the Project

The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

The applicants state that the purpose of the proposed project is to relocate its 14-

station ESRD facility to a larger location/building with modernized equipment, and more accessible for patient base. The applicants note suboptimal conditions at the existing facility, involving inadequate space and an antiquated water handling/purification system. The applicants note the existing facility serves 68 ESRD patients, and anticipates their transfer to the new facility, upon completion. These applicants note these 68 transfer patients will result in an operational capacity that surpasses the occupancy target of 80%. According to the November 2014 Update to the ESRD Inventory, there is an excess of 4 ESRD stations in HSA-XI. The applicants note the proposed project will not result in additional stations in the service area.

TABLE THREE Facilities within 45-Minutes of Alton Dialysis						
Facility	Ownership	City	Stations	Travel Time	Utilization	Met Occupancy?
BMA Southwestern Dialysis	Fresenius	Alton	19	1	55.2%	No
Edwardsville Dialysis	DaVita	Edwardsville	8	20	68.7%	No
Granite City Dialysis	DaVita	Granite City	20	21	65.8%	No
Maryville Dialysis	DaVita	Maryville	12	24	83.3%	Yes
DaVita Jerseyville Dialysis Center	DaVita	Jerseyville	7	25	73.8%	No
Sauget Dialysis	DaVita	East St. Louis	16	32	86.4%	Yes
Metro East Dialysis	DaVita	Belleville	36	37	72.6%	No
Average			118		72.26%	
Utilization data taken from September, 2014 Renal Network Data						

Table Three identifies facilities within a 45-minute time frame and their utilization as noted in the September 2014 ESRD Utilization survey. As seen in this table, 2 (28.5%) of the 7 facilities within a 45-minute travel radius are operating in excess of the State Standard (80%), and the applicants current facility is operating at 83.3% capacity.

The applicants cited quantifiable goals as being the ability to improve access while monitoring patient demand, and that the facility will achieve quality outcomes as demonstrated by achieving 85% of patients having a URR greater than or equal to 65%, and 85% of patients having a Kt/V greater than or equal to 1.2.

B) Criterion 1110.230 (b) - Safety Net Impact Statement/Charity Care
The applicants stated the following

DaVita Healthcare Partners, Inc. and its affiliates are safety net providers of dialysis services to residents of the State of Illinois. DaVita is a leading provider of dialysis services in the United States and is committed to innovation, improving clinical outcomes, compassionate care, education and “Kidney-Smarting” patients, and community outreach. The proposed project will not impact the ability of other health care providers or health care systems to cross subsidize safety net services. The applicants propose to relocate a 14-station ESRD facility to a more modern, accessible facility less than a mile away, and anticipate all 68 of the current patients to transfer to the replacement facility upon project completion.

TABLE FOUR			
Safety Net Impact			
	2011	2012	2013
Net Patient Revenue	\$219,396,657	\$228,403,979	\$244,115,132
CHARITY CARE			
Charity (# of patients)	96	152	187
Charity (cost In dollars)	\$830,580	\$1,199,657	\$2,175,940
% Charity Care to Net Revenue	0.38%	0.53%	0.89%
MEDICAID	2011	2012	2013
Medicaid J# of patients)	729	651	679
Medicaid (revenue)	\$14,585,645	\$11,387,229	\$10,371,416
% Medicaid to Net Revenue	6.65%	4.99%	4.25%

C) Criterion 1110.230(c) - Alternatives to the Proposed Project
The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The applicants considered the following alternatives:

1. Do Nothing

The applicants deemed this option infeasible, due to the condition/location of the existing facility. The existing facility is in an undersized unit with inadequate water treatment service. The applicants feel these issues alone make this option infeasible. No costs were identified with this alternative.

2. Renovate Existing Facility

The applicants considered the option of renovating the existing facility, at 3511 College Avenue, but note the existing facility (5,500 GSF) lacks sufficient space to house 14 stations, and 2 HOME Therapy training rooms. The applicants have anticipated future expansion initiatives with the understanding that additional space will be needed. Due to this imminent need, the applicants rejected this option. The applicants identified no project costs with this alternative.

3. Utilize Existing Facilities

Throughout the application, the applicants have noted the substandard infrastructure, and inadequate space at the original facility. The applicants considered discontinuing the existing facility and transferring patients to existing facilities within the GSA. This option is infeasible because there is insufficient capacity to accommodate all Alton dialysis patients. The applicants supplied no project costs with this alternative.

4. Relocate Alton Dialysis (Option Chosen)

The applicants found this as the most suitable alternative for addressing the spatial and infrastructural deficiencies identified at the existing facility. The applicants note the proposed replacement facility site is in close proximity (under three miles), and should allow the entire existing 68 patient contingency to transfer to the new facility with little to no disruption in service. The site chosen consists of 7,008 GSF of space, which will easily accommodate the 14 stations, and 2 HOME therapy training rooms. The cost associated with this option: \$2,793,928.

IX. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space – Review Criteria

A) Size of Project

The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive.

The applicants propose to establish a 14 station ESRD facility in 7,008 GSF of leased space. The State board standard is 450-650 GSF per station. The applicants note the project is allocating 500.5 GSF per station. The proposed project meets the spatial standards established by the State Board, and a positive finding has been made.

TABLE FIVE SIZE OF PROJECT 14-058 DaVita Alton Dialysis, Alton				
Department/	Proposed	State Standard	Difference	Met

Service	BGSF/DGSF			Standard?
ESRD Facility	7,008 GSF (14 Stations)	450-650 GSF (500.5 GSF/Station)	149.5 GSF under per station minimum	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT CRITERION (77 IAC 1110.234(a)).

B) Criterion 1110.234 (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 applicants and Dr. Suresh Mathew, M.D., identified 68 patients from the current facility who are expected to transfer to the new facility, and notes this 68-patient complement has the capacity to have the new facility operating in excess of the State standard of 80%. The applicants have documented by the second year after project completion (2016), they will be above the State Board's target occupancy of 80% (Application, P. 130).

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED SERVICES UTILIZATION CRITERION (77 IAC 1110.234(b)).

X. Section 1110.1430 - In-Center Hemodialysis Projects – Review Criteria

The criterion for establishing an ESRD facility reads as follows:

A. Criterion 1110.1430(a) - Background of Applicant

An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character, to adequately provide a proper standard of health care service for the community.* [20 ILCS 3960/6]

Provided is a list of all health care facilities currently owned and/or operated by the applicants, including licensing, certification and accreditation identification numbers, a certified statement from the applicants that no adverse action has been taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application, and authorization permitting HFPB and Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted. The applicants appear fit, willing and able and have the qualifications, background and character to adequately provide a proper standard of healthcare service for the community.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION BACKGROUND OF APPLICANT

(77 IAC 1110.1430 (a))

B) Criterion 1110.1430 (c) (1) (2) (3) (5) - Planning Area Need

- 1. Planning Area Need**
- 2. Service to Planning Area Residents**
- 3. Service Demand**
- 5. Service Accessibility**

1) 77 Ill. Adm. Code 1100 (formula calculation)

According to the November 2014 update to the IDPH Inventory of Health Care Facilities (“Inventory”), HSA-XI shows an excess of 4 ESRD stations. This is inconsequential, because the applicants are relocating 14 ESRD stations, and not adding any more stations to the service area. The applicants note the existing facility is located in an outdated building with limited clinical space and substandard water handling/treatment technologies. According to the applicants, these combined issues make discontinuation/relocation a plausible alternative.

2) Service to Planning Area Residents

The primary purpose of this project is to ensure the provision of life-sustaining ESRD services to the existing patient base in Alton and HSA-XI, through modern, expanded facilities. The applicants note the existing facility is undersized, and has inadequate water handling/treatment technologies. The applicants note 68 existing ESRD patients at the Alton facility will transfer to the new location, resulting in a projected operational capacity exceeding the State standard of 80%.

3) Establishment of In-Center Hemodialysis Services

Board Staff note the September 2014 ESRD utilization data reports an operational capacity of 75%, and the June 2014 ESRD utilization data reports an operational capacity of 80.9%. The applicants anticipate the entire 68-patient complement transferring to the replacement facility upon project completion, resulting in an operational capacity exceeding the 80th percentile. The applicants provided a listing of existing patients, as well as referral data that supports the claim of sufficient operational capacity upon project completion (application, pgs. 181-183).

4) Service Accessibility

As mentioned earlier, the proposed discontinuation/relocation is necessary to address spatial and infrastructure issues present at the existing facility. Board Staff identified operational capacity in excess of the State standard of 80% for

June 2014, and the applicants project to be operating in excess of the State Standard (80%), providing all 68 patients served at the existing facility transfer to the new facility upon project completion. The applicants' note the current facility is undersized, in need of repair, has insurmountable patient accessibility issues, and cannot accommodate current and future demands for dialysis services. The replacement facility is located approximately .25 miles (.5 minutes) away, which is essentially on the same city block.

Conclusion

Although the applicants' facility and other facilities in the 30-minute drive radius are not operating at the prescribed occupancy target, it appears the applicant facility will achieve sufficient operational capacity upon project completion. The noted spatial issues, combined with the inadequate water handling/treatment system, make the proposed discontinuation/relocation of the 14-station ESRD facility a valid proposal, and a positive finding has been made for the criteria in this section.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PLANNING AREA NEED CRITERION (77 IAC 1110.1430(b) (1) (2) (3) (5)).

C) Criterion 1110.1430 (d) (1) (2) (3) - Unnecessary Duplication / Maldistribution

- 1. Unnecessary Duplication**
- 2. Maldistribution**
- 3. Impact on Other Facilities**

There are 5 facilities within 30 minutes of the proposed facility. 4 of the 5 facilities are not operating at target occupancy of 80%. However because the proposed project is for a discontinuation and establishment the State Board Staff concludes there will be no unnecessary duplication of service.

The applicants attest that the ratio of stations to population in the geographic service area is 117.4% over the State average, and the proposed ESRD facility will not result in a maldistribution of services.

The applicants identified 68 existing ESRD patients currently served by Alton Dialysis, who are expected to transfer to the new facility, upon project completion. Because the proposed project is a discontinuation and establishment of an ESRD facility the State Board staff concludes there will be no impact on other ESRD facilities in the 30 minute area. A positive finding has been made for this criterion.

TABLE SIX Facilities within 30-Minutes of Alton Dialysis						
Facility	Ownership	City	Stations	Travel Time	Utilization	Met Occupancy?
BMA Southwestern Dialysis	Fresenius	Alton	19	1	55.2%	No
Edwardsville Dialysis	DaVita	Edwardsville	8	20	68.7%	No
Granite City Dialysis	DaVita	Granite City	20	21	65.8%	No
Maryville Dialysis	DaVita	Maryville	12	24	83.3%	Yes
DaVita Jerseyville Dialysis Center	DaVita	Jerseyville	7	25	73.8%	No
Average			66		69.36%	
Utilization data taken from September, 2014 Renal Network Data						

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE UNNECESSARY DUPLICATION/MALDISTRIBUTION CRITERION (77 IAC 1110.1430 (c) (1) (2) (3)).

- D) Criterion 1110.1430 (e)-Staffing Availability**
- E) Criterion 1110.1430 (f) – Support Services**
- F) Criterion 1110.1430 (g) – Minimum Number of Stations**
- G) Criterion 1110.1430 (h) – Continuity of Care**

To address these criteria the applicants must provide a staffing plan, the support services to be provided, the number of stations to be established, and a copy of the affiliation agreement with a hospital within the area.

The proposed 14 station ESRD facility will be located in the St. Louis-IL (Metro East) MSA, meeting the requirements of this criterion. The applicants have provided the required affiliation agreement on pages 120-127 of the application for permit. The transfer agreement is with Christian Hospital-Northeast, St. Louis, Missouri. The applicants have met the requirements of this criterion.

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. The applicants will meet the minimum number of stations of eight within the St Louis-IL MetroEast with the establishment of a 14 station facility. The State Board Staff concludes the applicants have successfully addressed these four criteria.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE MINIMUM NUMBER OF STATIONS CRITERION (77 IAC 1110.1430 (g)).

H) Criterion 1110.1430 (i) - Relocation of Facilities

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.**

The applicants note the current facility is suboptimal for both patients and staff. Its outdated infrastructure has the potential to generate negative inspection findings from the Center for Medicare and Medicaid Services. The applicants note the option of relocating the existing 14-station ESRD facility to more modernized, accessible space to be the most plausible option at this time. The existing facility has operated at an average utilization of 81.84% over the past four quarters. The State Board staff has concluded based the average utilization over the past four quarters that the applicants have successfully addressed this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE RELOCATION CRITERION (77 IAC 1110.1430 (i) (1) (2)).

I) Criterion 1110.1430 (j) -Assurances

The Criterion states:

“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 1.2.”**

The applicants provided the required certification information on page 130 of the application for permit as required of the criterion. The applicants note DaVita patients in Illinois have achieved the following adequacy outcomes, and the same is expected for DaVita Alton Dialysis after project completion.

- 85% of patients had a URR $\geq$ 65%
- 85% of patients had a Kt/V $\geq$ 1.2
- Occupancy at or above the 80% target utilization

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES CRITERION (77 IAC 1110.1430 (j)).

FINANCIAL

XI. 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The applicants are funding the project with cash and securities totaling \$2,041,582 the FMV of the leases totaling \$733,921, and Other Funds and Sources attributed to the Net Book Value of Existing Equipment totaling \$18,425. A review of the applicants' financial statements indicates that sufficient cash is available to fund the project.

TABLE SEVEN		
Davita Healthcare Partners, Inc		
Dollars in thousands		
	2013	2012
Net Patient Service Revenue	\$8,013,649	\$7,116,684
Total Net Revenue	\$11,764,050	\$8,186,280
Operating Expenses	\$10,213,916	\$6,889,196
Operating Income	\$1,550,134	\$1,297,084
Net Income	\$743,965	\$641,459
Cash and Cash Equivalents	\$946,249	\$533,748
Current Assets	\$3,472,278	\$2,887,050
Total Assets	\$17,098,877	\$16,014,633
Current Liabilities	\$2,462,049	\$2,016,425
LTD	\$8,141,231	\$8,326,534
Total Liabilities	\$11,796,036	\$11,517,016

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120 (a)).

XII. 1120.130 - Financial Feasibility

A. Criterion 1120.130 - Financial Viability

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 because the project is being funded with internal sources including capital expended through a lease. The applicants are funding the project with cash and securities totaling \$2,041,582 the FMV of the leases totaling \$733,921, and Other Funds and Sources attributed to the Net Book Value of Existing Equipment totaling \$18,425. A review of the applicants' audited financial statements indicates that sufficient cash is available to fund the project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL FEASIBILITY CRITERION (77 IAC 1120.130 (a)).

XII. Section 1120.140 - Economic Feasibility

A. Criterion 1120.140(a) - Reasonableness of Financing Arrangements

B. Criterion 1120.140(b) - Terms of Debt Financing

The applicants have signed a letter of intent to lease 7,008 GSF of space for 10 years at \$15 per GSF for years 1-5 and \$16.50 for years 6-10. This is a triple net lease in which the applicants pays the net real estate taxes on the leased asset, net building insurance and net common area maintenance. There is a tenant improvement allowance of \$8.00 per GSF. This lease appears reasonable when compared to previously approved projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND THE TERMS OF DEBT FINANCING (77 IAC 1120.140 (a) (b)).

C. Criterion 1120.140(c) - Reasonableness of Project Cost

The applicant shall document that the estimated project costs are reasonable and shall document compliance with the State Board's standards as detailed in 77 IAC 1120.

Modernization and Contingencies – These costs total \$1,245,000 or \$177.65 per gross square feet. ($\$1,245,000 / 7,008 \text{ GSF} = \177.65). This appears reasonable when compared to the State Board standard of \$178.33 (mid-point of construction: 2015).

Contingencies – These costs total \$100,000. These costs are 8.7% of modernization costs. This appears reasonable when compared to the State Board standard of 10-15% of modernization costs.

Architect and Engineering Fees – These costs total \$121,000 or 9.7% of modernization and contingency costs. This appears reasonable when compared to the State Board standard of 6.76%-10.16 % of new construction and contingency costs.

Consulting and Other Fees – These costs total \$77,000. The State Board does not have a standard for this cost.

Moveable Equipment - These costs total \$598,582 or \$42,755 per station. This appears reasonable when compared to the State Board standard of \$49,127.

Fair Market Value of Leased Space - These costs are \$733,921. The State Board does not have a standard for these costs.

Other Costs to be Capitalized-Net Book Value of Existing Equipment – These costs total \$18,425. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.140 (c)).

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 cost means the fully allocated costs of salaries, benefits and supplies for the service.

The applicants anticipate the direct operating costs per treatment to be \$247.72. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT DIRECT OPERATING COSTS CRITERION (77 IAC 1120.140 (d)).

E) Criterion 1120.140 (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 anticipate the total effect of the Project on Capital Costs per treatment to be \$25.36. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1120.140 (e)).

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