



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-07	BOARD MEETING: January 27, 2015	PROJECT NO: 14-069	PROJECT COST: Original: \$3,711,340
FACILITY NAME: Stony Creek Dialysis		CITY: Oak Lawn	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants (DaVita Healthcare Partners, Inc. and Renal Life Inc.) are proposing to discontinue a 12-station ESRD facility located at 9155 South Cicero Avenue, Oak Lawn, Illinois and the establishment of a 12 station ESRD facility located at 6236-6246 West 95th Street, Oak Lawn, Illinois. The cost of the project is \$3,711,340 and the anticipated completion date is June 30, 2016

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita Healthcare Partners, Inc. and Renal Life Inc.) are proposing to discontinue a 12-station ESRD facility located at 9155 South Cicero Avenue, Oak Lawn, Illinois and the establishment of a 12 station ESRD facility located at 6236-6246 West 95th Street, Oak Lawn, Illinois. The cost of the project is \$3,711,340 and the anticipated completion date is June 30, 2016

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project proposes to discontinue and establish a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).

PURPOSE OF THE PROJECT:

- On August 27, 2014 the State Board approved the discontinuation of a 12-station ESRD facility located at 9155 South Cicero Avenue, Oak Lawn, Illinois and the establishment of a 12 station ESRD facility located at 5433 West 95th Street, Oak Lawn, Illinois as Permit #14-024. Due to the denial of the applicants' zoning variance by the Village of Oak Lawn, the applicants have abandoned site 9155 South Cicero Avenue, Oak Lawn and are proposing to locate the 12-station ESRD facility at 6236-6246 West 95th Street, Oak Lawn, Illinois. The applicants have relinquished permit #14-024 as required by the State Board.

NEED FOR THE PROJECT:

- There is a calculated need for 32 stations in the HSA 7 ESRD planning area. Should the State Board approve this project there will be no change in the number of stations needed in the HSA-7 ESRD planning area. The current facility is operating at 86.11% (September 30, 2014) and is expecting all 62 patients to transfer to the proposed new facility. The proposed new facility is approximately 2.26 miles and 5 minutes from the existing facility. **Per the applicants** *“The existing facility is suboptimal for patients and staff, and in need of repair. Multiple physical plant upgrades are needed to plumbing, HVAC, and flooring. The patients do not have access to a clean sink on the treatment floor and need to rely on the use of alcohol wipes to clean their vascular access site. The RN station is too small to adequately prep medications. The water treatment room is outdated and in need of a complete overhaul.”*

PUBLIC HEARING/COMMENT

- A public hearing was offered in regard to the proposed project, but none was requested. No letters of support or opposition were received by the State Board Staff.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicants are financially viable as evidenced by their balance sheet and the project is economically feasible as the applicants have sufficient cash 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

Project #14-069

Stony Creek Dialysis

APPLICATION CHRONOLOGY	
Applicants(s)	DaVita HealthCare Partners Inc and Renal Life Link, Inc
Facility Name	Stony Creek Dialysis
Location	Oak Lawn, Illinois
Permit Holder	Renal Life Link, Inc.
Operating Entity	Renal Life Link, Inc.
Owner of Site	6230 Oak Lawn LLC c/o Repak Real Estate
Application Received	December 24, 2014
Application Deemed Complete	December 24, 2014
Review Period Ends	February 23, 2015
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. Project Description

The applicants are proposing to discontinue a 12-station ESRD facility located at 9155 South Cicero Avenue, Oak Lawn, Illinois and the establishment of a 12 station ESRD facility located at 6236-6246 West 95th Street, Oak Lawn, Illinois. The cost of the project is \$3,711,340 and the anticipated completion date is June 30, 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

The applicants are DaVita HealthCare Partners Inc and Renal Life Link, Inc. DaVita Healthcare Partners, Inc. currently operates over 2,000 dialysis centers throughout the United States. 81 of these facilities are in Illinois. Renal Life Inc. is a subsidiary of DaVita HealthCare Partners, Inc. Renal Life Inc. is a Delaware Corporation licensed to conduct business in the State of Illinois and is currently in good standing with the State of Illinois. The operating entity is Renal Life Link, Inc. and the owner of the site is 6230 Oak Lawn LLC c/o Repak Real Estate. The facility will be located at 6236-6246 West 95th Street, Oak Lawn, Illinois in the HSA 7 ESRD planning area. The proposed site is in a strip mall outside of a flood plain and in compliance with Executive Order #2005-5. There are no historic, architectural or archaeological sites within the project area. This is a substantive project and is subject to an 1110 and 1120 review. Project obligation will occur after permit issuance.

HSA 7 ESRD planning area includes Dupage and Suburban Cook County. There is a calculated need for 32 stations in this planning area. As of December 31, 2014 there are 1,252 stations and 68 ESRD facilities in this planning area. 15 of these facilities are owned by the applicants. Over the past two years the number of ESRD patients has grown at an approximate rate of 2.5% annually in this planning area.

IV. Project Description

The State Board approved the discontinuation of a 12-station ESRD facility located at 9155 South Cicero Avenue, Oak Lawn, Illinois and the establishment of a 12 station ESRD facility located at 5433 West 95th Street, Oak Lawn, Illinois at the August 27, 2014 State Board Meeting as Permit #14-024. Due to denial of the applicants' zoning variance by the Village of Oak Lawn, the Applicants have abandoned site 9155 South Cicero Avenue, Oak Lawn and are proposing to locate the 12-station ESRD facility at 6236-6246 West 95th Street, Oak Lawn, Illinois. The applicants have relinquished permit #14-024 as required by the State Board. The proposed dialysis facility will include approximately 7,342 gross square feet. The anticipated completion date is June 30, 2016.

V. Project Costs

The applicants are funding this project with cash of \$2,019,098 and the fair market value of leased space of \$1,692,242.

TABLE ONE	
Project Costs and Sources of Funds	
Site Preparation	\$60,000
Modernization	\$1,125,737
Contingencies	\$150,000
Architectural Engineering Fees	\$124,749
Consulting Fees	\$78,000
Movable Equipment	\$480,612
FMV of Leased Space	\$1,692,242
Total	\$3,711,340
Cash	\$2,019,098
FMV of Leased Space	\$1,692,242
Total	\$3,711,340

VI. Criterion 1110.130 (a) - Discontinuation

The applicants are proposing to discontinue the 12 station ESRD facility at 9155 South Cicero Avenue, Oak Lawn, Illinois. The applicants stated the following regarding the closing of the 12 station ESRD facility.

“The existing facility is suboptimal for patients and staff, and in need of repair. Multiple physical plant upgrades are needed to plumbing, HVAC, and flooring. The patients do not have access to a clean sink on the treatment floor and need to rely on the use of alcohol wipes to clean their vascular access site. The RN station is too small to adequately prep medications. The water treatment room is outdated and in need of a complete overhaul.

Further, the Existing Facility shares a parking lot with an MRI clinic, a pregnancy counseling center, and a physician's office. A limited number of handicapped parking spaces (2) are frequently unavailable for patients. Additionally, these handicapped spaces are centrally located in parking lot and not proximately located to the dialysis unit. Accordingly, when handicapped spaces are available, patients must walk excessive distances from their cars to the dialysis facility, which poses additional safety risks, these patients are often elderly, suffer multiple co-morbidities and/or rely on assistive devices. While some safety risks cannot be avoided during winter or periods of inclement weather, these risks can be minimized to reducing the length patients must walk from their cars to the dialysis center. The configuration of the parking lot also prohibits larger patient transport vehicles (vans) from dropping patients off and picking them up at the entrance to the dialysis unit. The drivers of these vehicles often are ticketed by the Oak Lawn police for parking on Cicero Avenue, while they escort patients to and from treatment. There is also no delivery zone for drivers that deliver supplies to the facility. Drivers either park near the front door of the facility, blocking the entrance / exit to the parking lot and creating an even greater issue during times of emergency, or they end up parking 2 blocks away and make multiple trips to cart in deliveries from the street.

Additionally, the design and size of the Existing Facility creates operational and logistical inefficiencies. The Existing Facility houses 12 dialysis stations in approximately 4,000 GSF, or 333.3 GSF per station, which is below the Board's minimum standard for in-center hemodialysis stations. As a result, the space is inadequate to store medical supplies, office supplies, and biohazard waste. The facility has no dedicated conference room. The lobby/patient seating area is too small by DaVita standards to appropriately accommodate patients in a 12-station dialysis unit. The mechanical room and the computer/server room for all of the neighboring medical businesses are housed inside the Existing Facility. There is no way to access the server/computer room without going through the treatment floor, creating a potential infection control concern. Additionally, the patient treatment floor configuration prohibits the viewing of all patients from the nursing station, resulting in an overall concern for patient safety based on inadequate sight-lines.

The site of the Replacement Facility is in a strip mall, approximately 2.26 miles away, with a large parking lot. Patient safety will be enhanced, as the larger patient transport

vehicles will be able to get closer to the building during drop off and pick up. Patients who drive will have more overall access to parking spaces and handicapped spaces. The increased size of the Replacement Facility will allow for a conference room, adequate hazardous waste area, restroom facilities, and an enhanced water treatment room, proper storage for all medical and office supplies, and sightlines to all patients on the treatment floor from the nursing station. Thus, the Applicants must relocate to a modern facility with enhanced accommodations and improved utilities to better provide for current and future ESRD patient needs.”

All existing patients are expected to transfer to the replacement facility. The applicants seek authority from the Board to discontinue its existing 12-station dialysis facility at 9155 South Cicero Avenue, Oak Lawn, Illinois and establish a 12-station dialysis facility at 6236-6246 West 95th Street, Oak Lawn, Illinois (the "Replacement Facility"). The Replacement Facility will be approximately 2.26 miles, or approximately 5 minutes, from the Existing Facility. All medical records are to be transferred to the proposed new facility. The applicants contacted all facilities within 45 minutes of the proposed facility as required.

Given the condition of the existing facility the State Board Staff has concluded that the discontinuation is warranted.

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

VII. Section Purpose, Safety Net Information, Alternatives

A. Criterion 1110.234 (a) – Purpose of the Project

The applicants have stated the following regarding the purpose of the project.

“The applicants propose to relocate the Existing Facility located at 9115 South Cicero Avenue, Oak Lawn, Illinois 60453 2.26 miles, or approximately 5 minutes to 6236-6246 West 95th Street, Oak Lawn, Illinois 60453 (the "Replacement Facility").

The Existing Facility is suboptimal for both patients and staff. As the Applicant does not own the building, it has determined that it will be better able to serve the needs of its patients if the service is relocated to a modern facility. While the Existing Facility shares a small parking lot with other medical businesses and shares a common wall with one, the mechanical room and the server/computer room for all of the businesses are housed within the Existing Facility. There is no way to access the server/ computer room without going through the treatment floor, creating a potential infection control concern. The Existing Facility has physical plant issues pertaining to plumbing, HVAC, and flooring. The site of the Replacement Facility was selected due to its proximity to the Existing Facility, the necessary space it provides for current and future expansion needs, as well as the parking availability for patients, staff, and vendors. The proposed Replacement Facility will create numerous operational and logistical efficiencies. The Existing Facility has suboptimal sight-lines for monitoring of patients. Work station design for

patient and staff visibility is fundamental in the design of any environment where caregivers must work as a team with groups of immobilized patients. Properly designed work stations and clinical areas allow clinicians to be aware of patients' conditions, their presence, their actions and their needs. Similarly, patients are able to communicate efficiently with staff to get their attention to report problems and to request assistance. This is fundamental in care delivery relative to safety, efficiency and flexibility in the care environment. Obstructed sight lines can be a significant issue in dialysis because of vascular access issues that occur during dialysis and blood loss risks relating to needles potentially dislodging. Also, obstructed sight lines pose increased safety risks because patients are often sleeping and may be unaware if their needle dislodges and are unable to leave their chairs without assistance when dialysis is being administered. Thus, the Applicants must relocate to a modern facility, with enhanced accommodations and improved utilities, to improve access and better provide for the needs of the area's ESRD patients and their families. The Replacement Facility is needed to serve the growing demand for dialysis services in the area. Currently, the Existing Facility serves 62 in-center ESRD patients. James J. Rydel, M.D., the Medical Director for Stony Creek Dialysis, anticipates all 62 current patients will transfer to the Replacement Facility. Furthermore, Dr. Rydel is currently treating 39 Stage 4 & 5 CKD patients who all reside within 20 minutes of the proposed facility. Conservatively, based upon attrition due to patient death, transplant, or return of function, it is projected that 25 of these pre-ESRD patients will require dialysis within the next 12 to 24 months. Thus, approximately 86 patients will receive treatment at the Replacement Facility within 24 months of project completion. The existing facility's 62 current patients represents an 84.7% utilization rate, which already exceeds the State's 80% standard. With the expected growth in patient volume, the Existing Facility must relocate in order to have the capacity to expand in subsequent years. The Replacement Facility will be plumbed to accommodate up to 16 stations. This will allow for a future census capacity of 96 in-center ESRD patients.

There are currently 54 existing or approved dialysis facilities within 30 minutes normal travel time of the proposed location of the Replacement Facility. As collected and reported by the Staff of the IHFSRB, the ESRD utilization for existing and approved facilities for the quarter ended September 30, 2014 is 71.62%. When excluding the 5 facilities that are not yet open/ operational (NxStage Oak Brook, Nocturnal Dialysis Spa, FMC Summit, Chicago Ridge Dialysis, and SAH Dialysis at 26th Street), the utilization jumps to 76.27%. Importantly, the utilization of existing and approved clinics within 20 minutes normal travel time of the proposed site is 75.04%. However, when excluding the 2 facilities that are not yet open/operational, the utilization is 80.72% or approximately 1 % above the State Board's utilization standard.”

B) Criterion 1110.234 (b) – Safety Net Impact

The applicants stated the following:

1. “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. A copy of DaVita's 2013 Community Care report, which details DaVita's commitment to quality, patient centric focus and community outreach, was previously submitted with Project No. 14-024. DaVita has taken on many initiatives to improve the lives of patients suffering from CKD and ESRD. These programs include the Kidney Smart, IMPACT, Cathaway, and transplant assistance programs. Furthermore, DaVita is an industry leader in the rate of fistula use and had the lowest day-90 catheter rates among large dialysis providers in 2013. Its commitment to improving clinical outcomes directly translated into 7% reduction in hospitalizations among DaVita patients. DaVita has improved clinical outcomes each year since 2000; generating an estimated \$204M in net savings to the American healthcare system in 2013. The proposed project will not impact the ability of other health care providers or health care systems to cross-subsidize safety net services. This project is for the relocation of an existing 12-station dialysis facility that has consistently operated above the Board's 80% utilization standard. All existing patients of the Existing Facility will transfer to the Replacement Facility. No patients from other area facilities will be transferred to the Replacement Facility as part of this project. Further, Dr. Rydel is currently treating 39 Stage 4 & 5 CKD patients who all reside within 20 minutes of the proposed facility. Conservatively, based upon attrition due to patient death, transplant, or return of function, it is projected that 25 of these pre-ESRD patients will require dialysis within the next 12 to 24 months. Thus, approximately 86 patients will receive treatment at the Replacement Facility within 24 months of project completion.

2. The Existing Facility already has an 84.7% utilization rate, which is above the State's 80% standard as such, the proposed facility is necessary to accommodate the growing demand for dialysis services, as it will allow for future expansion. Accordingly, the proposed dialysis facility will not impact other general health care providers' ability to cross-subsidize safety net services.

3. The proposed project is for the relocation of Stony Creek Dialysis just 2.26 miles from its current location. Patients currently treated at Stony Creek Dialysis will receive treatment at the new facility. As such, the discontinuation of service at the current location will not negatively impact the safety

TABLE TWO 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

TABLE TWO Safety Net Impact			
	2011	2012	2013
% Medicaid to Net Revenue	6.65%	4.99%	4.25%

Criterion 1110.234 (c) – Alternatives to the Proposed Project
The applicants stated the following:

1. Do Nothing

“The Existing Facility is suboptimal for patients and staff, and in need of repair. Multiple physical plant upgrades are needed to plumbing, HVAC, and flooring. The patients do not have access to a clean sink on the treatment floor and need to rely on the use of alcohol wipes to clean their vascular access site. The RN station is too small to adequately prep medications. The water treatment room is outdated and in need of a complete overhaul. As the Existing Facility shares a parking lot with an MRI clinic, a pregnancy counseling center, and a physician's office, the limited number of allowable handicapped parking spaces (2) are frequently unavailable; these handicapped spaces are centrally located in parking lot and not directly in front of the dialysis unit. The configuration of the parking lot prohibits the larger patient transport vehicles (vans) from dropping patients off and picking them up by the entrance to the building, The drivers of these vehicles often get ticketed by the Oak Lawn police for parking on Cicero Avenue, while they escort patients to and from treatment. There is also no delivery zone for drivers that deliver supplies to the facility, Drivers either park near the front door of the facility, blocking the entrance/exit to the parking lot and creating an even greater issue during times of emergency, or they end up parking % block away and make multiple trips to cart in deliveries from the street. Additionally, the design and size of the Existing Facility creates operational and logistical inefficiencies. There is no capital cost with this alternative.

2. Renovate the Existing Facility

As the Applicants do not own the building, it has determined that it will be better able to serve the needs of its patients if the service is relocated to a modern facility, The Existing Facility houses 12 dialysis stations in approximately 4,000 GSF, or 333.3 GSF per station, which is below the Board standard for in-center hemodialysis stations, As a result, the space is inadequate to store medical supplies, office supplies, and biohazard waste. The facility also has no dedicated conference room. The lobby j patient seating area is too small by DaVita standards to appropriately accommodate patients in a 12-station dialysis unit. Additionally, the patient treatment floor configuration prohibits the viewing of all patients from the nursing station, resulting in an overall concern for patient safety based on inadequate sight-lines. The Applicants considered renovating the Existing Facility. However, many of the issues identified cannot be addressed through renovation, The Existing Facility is landlocked and cannot accommodate future growth or expansion, Thus, the Applicants decided to relocate to a modern facility with an updated functional design and space to expand, to address the growing need for dialysis services in the community, to better address its patients' needs and improve access to a broader patient-base.

3. Utilize Existing Facilities

The Replacement Facility is needed to serve the growing demand for dialysis services in the area. Currently, the Existing Facility serves 62 in-center ESRD patients, James J. Rydel, M.D" the Medical Director for Stony Creek Dialysis, anticipates all 62 current patients will transfer to the Replacement Facility. Furthermore, Dr. Rydel is currently treating 39 Stage 4 & 5 CKD patients who all reside within 20 minutes of the proposed facility. Conservatively, based upon attrition due to patient death, transplant, or return of function, it is projected that 25 of these pre-ESRD patients will require dialysis within the next 12 to 24 months. Including the Existing Facility, there are currently 54 existing or approved dialysis facilities within 30 minutes normal travel time of the proposed location of the Replacement Facility. Importantly, the utilization of operating clinics within 20 minutes normal travel time of the proposed site is 80.72% or approximately 1% above the State Board's utilization standard. Accordingly, there is insufficient capacity to accommodate all of Dr. Rydel's projected patients. With the expected growth in patient volume, the Existing Facility must relocate in order to have the capacity to expand in subsequent years. The Replacement Facility will be plumbed to accommodate up to 16 stations, which will allow for a future census capacity of 96 in-center ESRD patients. There is no capital cost with the alternative of utilizing Existing Facilities. However, the Existing Facilities, in their present state, will not be able to accommodate the project growth in ESRD patients over the next 24 months".

4. Relocate Stony Creek Dialysis

*DaVita determined that the most effective and efficient way to serve its patients and address the dialysis needs of HSA 7 is to relocate the existing facility. The proposed site for the Replacement Facility is located 2.26 miles from the current site, and will adequately serve Stony Creek Dialysis's current and projected patient-base. Thus, the Applicants selected this option. **The cost associated with this option is \$3,711,340.**"*

VIII. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234 (a) - Size of Project

The applicants are proposing 12 stations in 7,342 GSF of space or 619 GSF per station. This appears reasonable when compared to the State Board standard of 450-650 GSF per station. The State Board Staff concludes that based upon the information provided in the application for permit the applicants have successfully met the State Board's GSF standard.

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

B) Criterion 1110.234(b) - Project Services Utilization

The facility is currently operating at 86.11% and the applicants believe all 62 of the current patients will transfer to the proposed new facility. The State Board Staff concludes that based upon the information provided in the application for permit the

applicants will meet the State Board's target occupancy standard of 80% within two years after project completion.

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

IX. Section 1110.1430 – Need for Project

A) Criterion 1110.1430 (b)(1)(3)- Background of Applicant

The applicants have provided the necessary information required by this criterion and have attested that the applicants have not had any adverse actions for the prior 3 years. See application for permit pages 71-84.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION BACKGROUND OF APPLICANT (77 IAC 1110.1430 (b) (1) (3))

B) Criterion 1110.1430 (c) (1) Planning Area Need

- 1) 77 Ill. Adm. Code 1100 (Formula Calculation)
- 2) Service to Planning Area Residents
- 3) Service Demand – Establishment of In-Center Hemodialysis Service
- 5) Service Accessibility

There is a calculated need for 32 stations in the HSA 7 ESRD planning area. This discontinuation and establishment will have no effect on the calculated need for stations in the HSA 7 ESRD planning area. James J. Rydel, M.D., the Medical Director for Stony Creek Dialysis, anticipates all 62 current patients will transfer to the proposed new facility. Dr. Rydel is currently treating 39 Stage 4 & 5 CKD patients who all reside within 20 minutes of the proposed facility. Conservatively, based upon attrition due to patient death, transplant, or return of function, it is projected that 25 of these pre-ESRD patients will require dialysis within the next 12 to 24 months. Thus, approximately 86 patients will receive treatment at the proposed facility within 24 months of project completion. The relocation is necessary to provide essential care to ESRD patients in the Oak Lawn community, as the existing Facility is in need of repair and cannot adequately serve the patient needs. The proposed facility will better accommodate current and future demand for dialysis services and ensure dialysis services are accessible to residents of Oak Lawn.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1110.1430 (c) (1) (2) (3) (5))

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

There are 54 facilities within 30 minutes of the proposed site. Of that number 5 are not operational. Average occupancy of the remaining 49 facilities is 75.68%. The ratio of

stations to population is 1 station per every 2,332 individuals compared to the State of Illinois ratio of 1 station per every 3,102 individuals. The State Board Staff does not believe there will be an impact on other facilities in the 30 minute area because the proposed project is a relocation of an existing facility.

Utilization of the 54 facilities was not taken into consideration for this application because the existing facility was operating in excess of the State Board Standard, there was a calculated need in the planning area and the proposed facility would not increase the number of stations in the planning area. The State Board Staff has concluded that the applicants' proposal will not create an unnecessary duplication of service or a maldistribution of service or will impact other area facilities.

TABLE THREE				
Facilities within 30 minutes of Proposed Site				
Facility	City	HSA	Adjusted Drive Time ⁽¹⁾	% Occupancy ⁽²⁾
Stoney Creek Dialysis	Oak Lawn	7	5.75	86.11%
FMC Dialysis Services -Burbank	Burbank	7	9.2	94.87%
Alsip Dialysis Center	Alsip	7	10.35	66.67%
RCG-Scottsdale	Chicago	6	10.35	68.98%
Dialysis Center of America -Crestwood	Crestwood	7	12.65	75.69%
Mount Greenwood Dialysis	Chicago	6	12.65	91.67%
Fresenius Medical Care Evergreen Park	Evergreen Park	7	12.65	92.22%
FMC -Southside	Chicago	6	12.65	85.47%
Palos Park Dialysis	Orland Park	7	14.95	51.39%
West Lawn Dialysis	Chicago	6	14.95	90.28%
FMC -Merrionette Park	Merrionette Park	7	14.95	70.83%
FMC Dialysis Services of Willowbrook	Willowbrook	7	16.1	69.17%
Fresenius Medical Care -Midway	Chicago	6	16.1	97.22%
Beverly Dialysis	Chicago	6	16.1	95.24%
Markham Renal Center	Markham	7	17.25	68.70%
Direct Dialysis -Crestwood Care Centre	Crestwood	7	18.4	68.52%
FMC -Neomedica -Marquette Park	Chicago	6	18.4	87.50%
FMC -Blue Island Dialysis Ctr.	Blue Island	7	19.55	92.36%
LaGrange Dialysis Center	Westchester	7	20.7	85.83%
FMC Elmhurst	Elmhurst	7	21.85	64.88%
Fresenius Medical Care Oak Forest	Oak Forest	7	21.85	29.17%
Dialysis Center of America -Orland Park	Orland Park	7	23	75.93%
Fresenius Medical Care Hazel Crest	Hazel Crest	7	23	81.25%
Community Dialysis of Harvey	Harvey	7	23	59.26%
USRC Oak Brook	Downers Grove	7	24.15	55.13%
Fresenius Medical Care Chatham	Chicago	6	24.15	68.75%

TABLE THREE
Facilities within 30 minutes of Proposed Site

Facility	City	HSA	Adjusted Drive Time ⁽¹⁾	% Occupancy ⁽²⁾
FMC -Ross Dialysis -Englewood	Chicago	6	24.15	91.67%
Fresenius Medical Care Cicero	Cicero	7	24.15	35.42%
Downers Grove Dialysis Center	Downers Grove	7	25.3	66.67%
Hazel Crest Renal Center	Hazel Crest	7	25.3	92.98%
South Holland Renal Center	South Holland	7	25.3	93.33%
Dialysis Center of America -Berwyn	Berwyn	7	25.3	88.69%
Fresenius Medical Care of Roseland	Chicago	6	26.45	95.83%
USRC Bolingbrook Dialysis	Bolingbrook	7	27.6	60.26%
Olympia Fields Dialysis Center	Matteson	7	27.6	68.06%
Fresenius Medical Care Lombard	Lombard	7	28.75	58.33%
Fresenius Medical Care Far South Holland	South Holland	7	28.75	83.33%
Greenwood Dialysis Center	Chicago	6	28.75	79.17%
DaVita Lawndale Dialysis	Chicago	6	28.75	32.29%
Bolingbrook Dialysis Center	Bolingbrook	9	29.9	86.11%
US Renal Care Villa Park	Villa Park	7	29.9	82.05%
Chicago Heights Dialysis	Chicago Heights	7	29.9	79.17%
FMC Garfield	Chicago	6	29.9	81.06%
Stony Island Dialysis	Chicago	6	29.9	75.52%
Grand Crossing Dialysis	Chicago	6	29.9	87.50%
Woodlawn Dialysis	Chicago	6	29.9	65.10%
Loyola Dialysis Center	Maywood	7	29.9	66.11%
Fresenius Medical care River Forest	River Forest	7	29.9	75.00%
Mt. Sinai Hospital Med Ctr.	Chicago	6	29.9	91.67%
Average				75.68%
Chicago Ridge Dialysis	Worth	7	5.75	0.00%
SAH Dialysis at 26th Street	Chicago	6	27.6	0.00%
Nocturnal Dialysis Spa	Villa Park	7	24.15	0.00%
NxStage Oak Brook	Oak Brook	7	21.85	0.00%
Fresenius Medical Care Summit	Summit	7	16.1	0.00%
Average				68.80%
1. Adjusted time determined by MapQuest and adjusted per 77 IAC 1100.510 (d)				
2. Utilization as of September 30, 2014				

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION MALDISTRIBUTION (77 IAC 1110.1430 (d) (1) (2) (3))

- D) Criterion 1110.1430 (f) - Staffing**
- E) Criterion 1110.1430 (g) - Support Services**
- F) Criterion 1110.1430 (h) - Minimum Number of Stations**
- G) Criterion 1110.1430 (i) - 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 applicants have responded to these criteria at pages 89-102 of the application for permit.

This project proposes to discontinue one facility and establish another facility approximately 2.26 miles away. All staff will transfer to the proposed new facility and all support services will be provided at the new facility. The facility is a 12 station facility and therefore meets the requirements of the minimum number of stations. The applicants have a transfer agreement with Advocate Christ Medical Center. See application of permit pages 108-130.

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 Chicago Naperville Joliet ·Gary, IL·IN-WI Metropolitan Statistical Area (MSA) with the establishment of a 12 station facility. The State Board Staff concludes the applicants have successfully addressed these four criteria.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION STAFFING, SUPPORT SERVICES, MINIMUM NUMBER OF STATIONS, CONTINUITY OF CARE (77 IAC 1110.1430 (f) (g) (h) (i))

H) Criterion 1110.1430 (j) - 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.

The applicants are proposing to relocate a 12 station ESRD facility from 9155 South Cicero Avenue, Oak Lawn, Illinois and establish a 12-station dialysis facility at 6236-6246 West 95th Street, Oak Lawn, Illinois (the "Replacement Facility"). The Replacement Facility will be approximately 2.26 miles, or approximately 5 minutes, from the Existing Facility. The current facility is operating at 86.11% occupancy. All 62 of the current patients are expected to transfer the proposed new facility.

The applicants stated the following:

The existing facility is suboptimal for patients and staff, and in need of repair. Multiple physical plant upgrades are needed to plumbing, HVAC, and flooring. The patients do not have access to a clean sink on the treatment floor and need to rely on the use of alcohol wipes to clean their vascular access site. The RN station is too small to

adequately prep medications. The water treatment room is outdated and in need of a complete overhaul. Further, the existing facility shares a parking lot with an MRI clinic, a pregnancy counseling center, and a physician's office. A limited number of handicapped parking spaces (2) are frequently unavailable for patients. Additionally, these handicapped spaces are centrally located in parking lot and not proximately located to the dialysis unit. Accordingly, when handicapped spaces are available, patients must walk excessive distances from their cars to the dialysis facility which poses additional safety risks. These patients are often elderly, suffer multiple co-morbidities and/or rely on assistive devices. While some safety risks cannot be avoided during winter or periods of inclement weather, these risks can be minimized by reducing the length patients must walk from their cars to the dialysis center. The configuration of the parking lot also prohibits larger patient transport vehicles (vans) from dropping patients off and picking them up at the entrance to the dialysis unit. The drivers of these vehicles often are ticketed by the Oak Lawn police for parking on Cicero Avenue while they escort patients to and from treatment. There is also no delivery zone for drivers that deliver supplies to the facility. Drivers either park near the front door of the facility, blocking the entrance / exit to the parking lot and creating an even greater issue during times of emergency, or they end up parking 'h block away and make multiple trips to cart in deliveries from the street. Additionally, the design and size of the Existing Facility creates operational and logistical inefficiencies. The existing facility houses 12 dialysis stations in approximately 4,000 GSF, or 333.3 GSF per station which is below the Board's minimum standard for in-center hemodialysis stations, As a result, the space is inadequate to store medical supplies, office supplies and biohazard waste. The facility has no dedicated conference room. The lobby/patient seating area is too small by DaVita standards to appropriately accommodate patients in a 12-station dialysis unit. The mechanical room and the computer/server room for all of the neighboring medical businesses are housed inside the Existing Facility. There is no way to access the server/computer room without going through the treatment floor, creating a potential infection control concern. Additionally, the patient treatment floor configuration prohibits the viewing of all patients from the nursing station, resulting in an overall concern for patient safety based on inadequate sight-lines.

The site of the replacement facility is in a strip mall, approximately 2.26 miles away, with a large parking lot. Patient safety will be enhanced, as the larger patient transport vehicles will be able to get closer to the building during drop off and pick up. Patients who drive will have more overall access to parking spaces and handicapped spaces. The increased size of the Replacement Facility will allow for a conference room, adequate hazardous waste area, restroom facilities, and an enhanced water treatment room, proper storage for all medical and office supplies, and sightlines to all patients on the treatment floor from the nursing station. Thus, the Applicants must relocate to a modern facility with enhanced accommodations and improved utilities to better provide for current and future ESRD patient needs. See application for permit page 131

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION RELOCATION OF FACILITY (77 IAC 1110.1430 (j))

I) Criterion 1110.1430 (k) -Assurances

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. See application for permit pages 132-133

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

X. FINANCIAL

A. Criterion 1120.120 - Availability of Funds

The applicants are funding this project with cash of \$2,019,098 and the fair market value of leased space of \$1,692,242. A review of the applicants' audited financial statements indicates sufficient resources are available to fund the project.

TABLE FOUR 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 IS IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.120 (a))

B. Criterion 1120.130 – Financial Viability

The applicants qualify for the financial waiver because all funding will be coming from internal resources; therefore no financial ratios needed to be provided.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130 (b))

XI. ECONOMIC FEASIBILITY

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

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

The State Board considers leasing as debt financing. The applicants have signed a letter of intent to lease 7,342 GSF of space for 15 years with 3 five year options at \$25 per GSF with a \$17 tenant improvement. There will be 10% increase every five years in the base rent. This lease appears reasonable when compared to previously approved projects.

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

C. Criterion 1120.140 (c) –Reasonableness of Project Costs
Only the clinical costs are being reviewed as per 20 ILCS 3960.

Site Preparation Costs – These costs are \$60,000 and are 4.7% of modernization and contingency costs. This appears reasonable with compared to the State Standard of 5%.

Modernization and Contingency Costs– These costs are \$1,275,737 or \$173.76. This appears reasonable when compared to the State Board Standard of \$189.19

Contingency Costs – These costs are \$150,000 and are 13.32% of modernization costs. This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural Engineering Fees – These costs are \$124,749 or 9.78% of modernization and contingency costs. This appears are reasonable when compared to the State Board Standard of 7.08-10.62%.

Movable Equipment – These costs are \$480,612 or \$40,051 per station. This appears reasonable when compared to the State Board Standard of \$53,682 per station.

Communications	\$82,200
Water Treatment	\$109,300
Bio-Medical Equipment	\$8,885
Clinical Equipment	\$192,860
Clinical Furniture/Fixtures	\$18,780
Lounge Furniture	\$3,065
Storage Furniture/Fixtures	\$5,862
Business Office Fixtures	\$20,860
General Furniture/Fixtures	\$27,500
Signage	<u>\$11,300</u>

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140(c))

D. Criterion 1120.140 (d) –Direct Operating Costs
To address this criterion the applicants must provide the direct operating cost per treatment.

The applicants are projecting direct operating costs per treatment to be \$245.56. This appears reasonable when compared to previously approved projects.

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

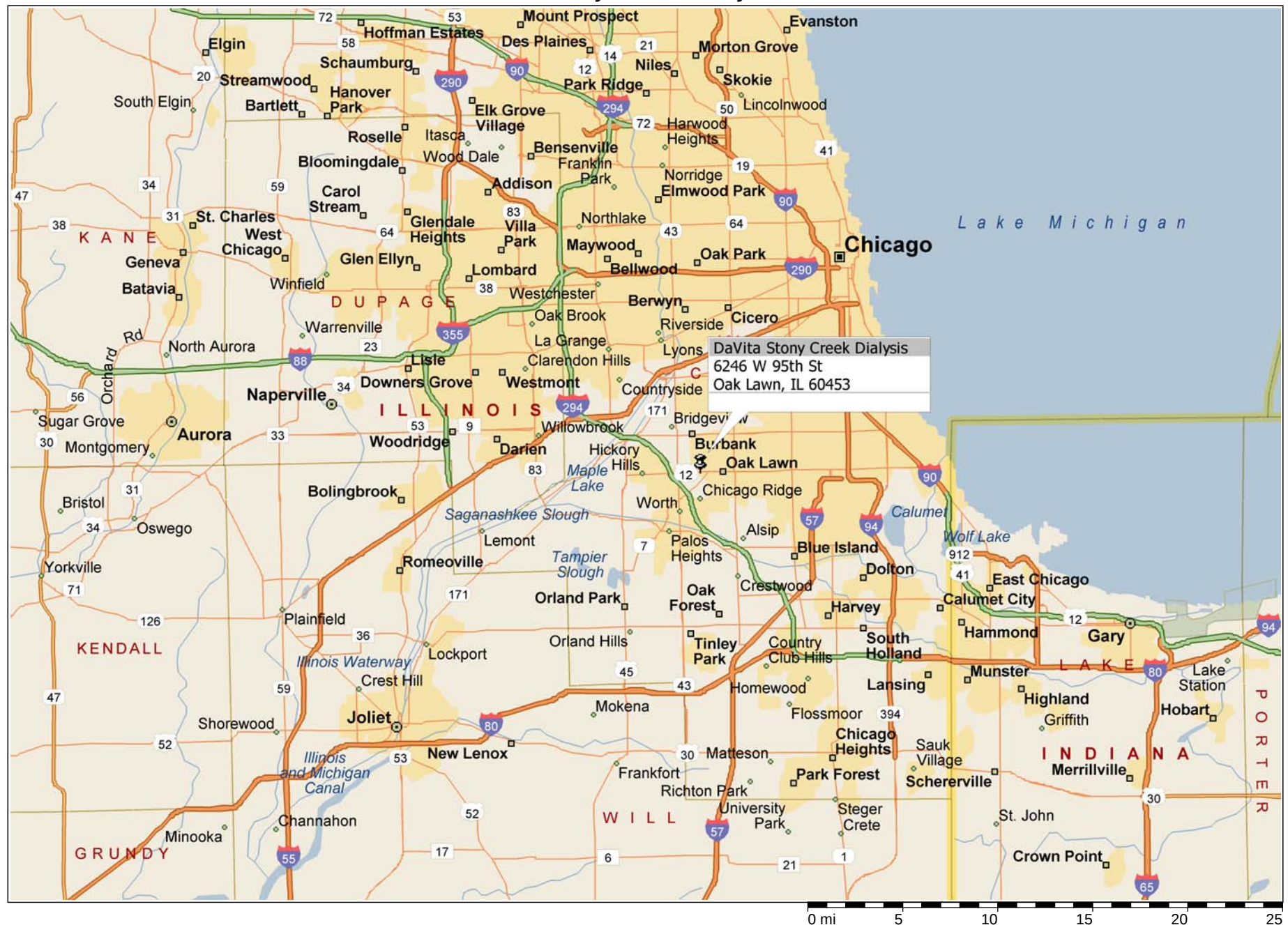
E. Criterion 1120.140 (e) Projected Capital Costs

To address this criterion the applicants must provide the projected capital costs per treatment.

The applicants are projecting \$15.90 capital costs per treatment. This appears reasonable when compared to previously approved projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PROJECTED CAPITAL COSTS (77 IAC 1120.140(e))

14-069 DaVita Stony Creek Dialysis - Oak Lawn



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