



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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| | | | |
|---|--|-------------------------------|---|
| DOCKET NO: H-07 | BOARD MEETING: August 25, 2015 | PROJECT NO: 15-025 | PROJECT COST: Original: \$4,517,588 |
| FACILITY NAME: South Holland Renal Center | | CITY: South Holland | |
| TYPE OF PROJECT: Substantive | | | HSA: VII |

PROJECT DESCRIPTION: The applicants (DaVita HealthCare Partners Inc., ISD Renal, Inc., and Genesis KC Development, LLC) are proposing the discontinuation of a 20 station ESRD facility and the establishment of a 24 station ESRD facility in South Holland. The cost of the project is \$4,517,588 and the expected completion date is October 31, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita HealthCare Partners Inc., ISD Renal, Inc., and Genesis KC Development, LLC) are proposing the discontinuation of a 20 station facility located at 16136 South Park Avenue, South Holland and the establishment of a 24 station facility at 16100 LaSalle Street, South Holland. The cost of the project is \$4,517,588 and the expected completion date is October 31, 2017.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

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

PURPOSE OF THE PROJECT:

The purpose of the project is to address the size, age and condition of the existing facility and to establish a new facility 2 minutes from the present facility to address the high utilization at the existing facility and the issues identified above.

SUMMARY:

- The State Board has projected an **excess of 2 stations** in the HSA VII ESRD Planning Area. The existing 20 station ESRD facility is currently operating at 100%. Average utilization of this 20 station ESRD facility for the past 8 quarters is 93.23%. The State Board Staff believes the discontinuation of the existing facility is warranted given its age (20 years), size (200 GSF per station) and the stated physical condition of the facility.
- The State Board Staff believes the relocation of the existing 20 station facility is warranted because of the facilities' current workload. The additional 4 stations are needed to address the projected workload. While average utilization of the 38 facilities within the 30 minute area (adjusted) is approximately 77.34%, the State Board Staff does not believe there is sufficient capacity in the 30 minute area (adjusted) to address the facility's current and projected workload. In addition the proposed facility will improve access as the proposed location will be located in a medically underserved area. The applicants are projecting 142 ESRD patients will utilize the proposed new facility within 2 years after project completion resulting in a utilization of 98.6%.

PUBLIC HEARING/COMMENT

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

CONCLUSION:

- The applicants have addressed a total of 23 criteria and did not meet the following:

| .State Board Standards Not Met | |
|--|---|
| Criteria | Reasons for Non-Compliance |
| Criteria 1120.140(c) Reasonableness of Project Costs | <p>The applicants' proposed cost per GSF is \$333.64. This exceeds the Adjusted State Board Standard of \$262.22 per GSF. The applicants stated the following:</p> <p><i>"New construction costs and contingencies exceed the Board standard by \$71.47 per GSF (or \$693,512). This is due to the fact the Applicants will develop and construct the facility themselves. Generally, when a dialysis project involves new construction, a third party developer will build the facility and lease it to the dialysis provider. As a result, the costs to build the core and shell are the developer's costs and captured in the fair market value of the leased space, which is a non-reviewable cost. In this case, the cost to build the core and shell (\$1,734,037) will be borne by the Applicants and reflected in the new construction contract and contingency costs. Importantly, the overall costs to build the Replacement Facility (\$4,517,588) is consistent with the project costs of other recently approved dialysis projects in the Chicago metro area, e.g., Tinley Park Dialysis - \$3,665,882, FMC New City - \$5,375,998, Calumet City Dialysis - \$4,118,967. "</i></p> |

STATE BOARD STAFF REPORT
South Holland Renal Center
Project #15-025

| APPLICATION SUMMARY/CHRONOLOGY | |
|--|---|
| Applicants | DaVita HealthCare Partners Inc., ISD Renal, Inc. Genesis KC Development, LLC |
| Facility Name | South Holland Renal Center |
| Location/Address | 16100 LaSalle Street, South Holland, Illinois |
| Permit Holder | ISD Renal, Inc. |
| Operating Entity | ISD Renal, Inc. |
| Owner of the Site | Genesis KC Development, LLC |
| Total Cost of the Project | \$4,517,588 |
| Total Facility Gross Square Feet | 9,703 GSF |
| Total Stations | 24 Stations |
| Can Applicants Request Another Deferral? | Yes |
| Project Type | Substantive |
| Application Received | June 5, 2015 |
| Application Deemed Complete | June 8, 2015 |
| Review Period Ends? | August 7, 2015 |
| Obligation Date | August 25, 2017 |
| Anticipated Completion Date | October 31, 2017 |

I. Project Description

The applicants (DaVita HealthCare Partners Inc., ISD Renal, Inc., and Genesis KC Development, LLC) are proposing the discontinuation of a 20 station facility located at 16136 South Park Avenue, South Holland and the establishment of a 24 station facility at 16100 LaSalle Street, South Holland. The cost of the project is \$4,517,588 and the expected completion date is October 31, 2017.

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 **DOES NOT** appear to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are DaVita Healthcare Partners, Inc. ISD Renal, Inc. and Genesis KC Development, LLC. DaVita Healthcare Partners, Inc. currently operates over 2,179 dialysis centers throughout the United States. 89 of these facilities are in Illinois. ISD Renal Inc. a subsidiary of DaVita HealthCare Partners, Inc. is a Delaware Corporation approved to conduct business in the State of Illinois and is currently in good standing

with the State of Illinois. Genesis KC Development, LLC is a Delaware limited liability company approved to transact business in Illinois and is a wholly owned subsidiary of DaVita Healthcare Partners, Inc. The operating entity is ISD Renal Inc. and the owner of the site is Genesis KC Development, LLC. The new facility will be located at 16100 LaSalle Street, South Holland, Illinois in the HSA VII ESRD planning area. This is a substantive project and is subject to a Part 1110 and 1120 review. Project obligation will occur after permit issuance.

Below are the current approved Davita Projects that have not been completed to date.

| TABLE ONE | | | |
|---|----------------------------|---------------|-----------------|
| Current Davita Projects | | | |
| Project Number | Name | Project Type | Completion Date |
| 12-008 ⁽¹⁾ | Stony Island Dialysis | Expansion | 6/30/2015 |
| 13-070 | Belvidere Dialysis | Establishment | 3/31/2016 |
| 14-020 | Chicago Ridge Dialysis | Establishment | 01/31/2016 |
| 14-042 | Tinley Park Dialysis | Establishment | 10/31/2016 |
| 14-058 | Alton Dialysis | Relocation | 07/31/2016 |
| 14-069 | Stony Creek Dialysis | Relocation | 06/30/2016 |
| 15-004 | Machesney Park Dialysis | Establishment | 04/30/2017 |
| 15-003 | Vermillion County Dialysis | Establishment | 04/30/2017 |
| 15-020 | Calumet City Dialysis | Establishment | 07/31/2017 |
| 1. Request to extend the completion date to December 31, 2015 has been submitted. | | | |

IV. Project Uses and Sources of Funds

The applicants are funding this project with cash of \$4,517,588. The cost of the land is \$440,000.

| TABLE TWO | |
|--|--------------------|
| Project Uses and Sources of Funds | |
| Uses of Funds | |
| | |
| Site Survey and Soil Investigation | \$14,000 |
| New Construction Costs | \$2,962,193 |
| Contingencies | \$275,640 |
| Architectural and Engineering Fees | \$244,753 |
| Consulting and Other Fees | \$297,000 |
| Movable or Other Equipment | \$525,183 |
| Other Costs to be Capitalized | \$198,819 |
| Total Uses of Funds | \$4,517,588 |
| | |

| TABLE TWO | |
|--|--------------------|
| Project Uses and Sources of Funds | |
| Cash | \$4,517,588 |
| Total Sources of Funds | \$4,517,588 |

V. Section 1110.230 -Discontinuation

A) Criterion 1110.230 (a) (b) (c) – Discontinuation

The Applicants propose to discontinue the existing facility of 20-stations located at 16136 South Park Avenue, South Holland, Illinois and establish a 24-station facility 0.84 miles, or just over 2 minutes away, to 16100 LaSalle Street, South Holland, Illinois (the "replacement facility").

Per the applicants the existing facility is 20-years old and houses 20 dialysis stations in approximately 4,000 GSF, and has no room to expand. Additionally, the existing facility has had multiple physical plant concerns tied to the HVAC system and has had to undergo significant remediation repairs.

The current facility has been operating at over 90 percent utilization for over 2 years and is currently operating at 98 percent capacity. Accordingly, it can only accommodate two additional patients before a fourth shift is required to accommodate patient need. Operating a fourth shift is suboptimal for both patients and staff. When a fourth shift is operated, the dialysis facility operates nearly around the clock with staff opening the facility around 5:00 a.m. and closing it around midnight. Not only is staffing a fourth shift difficult for clinic personnel, it is also suboptimal for the patients themselves who are chronically ill and usually elderly. Patients, many of whom rely on assistive devices, such as canes and walkers, are faced with additional safety hazards when arriving and departing the facility in the dark. Some of these hazards cannot be avoided in the winter, but patients feel more secure when coming and going during the day.

The parking lot for existing facility can only accommodate 8 cars and there are no handicapped spaces. As soon as these 8 parking spaces are full, other patients who drive must park between 200 - 500 feet away in a Walgreen's parking lot and walk excessive distances from their cars to the dialysis facility posing 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. In addition, only one patient transport vehicle will fit in the lot at a time to drop off and pick up patients, causing delays and tying up traffic in front of the facility. The facility is not equipped to adequately handle deliveries of supplies. The rear door to the facility is a single door, not a double door, Since drivers need to break down most deliveries to fit within the single door, they either park near the back door of the facility and block a potential emergency exit, or they park on the street and make multiple trips to cart in deliveries.

Additionally, the design and size of the Existing Facility creates operational and logistical inefficiencies. As a result, the space is inadequate to store medical supplies and office supplies, requiring some supplies to be stored in the BioMed and mechanical rooms. The facility has no dedicated conference room, as the space doubles as the office of the Facility Administrator. As a result, there is no appropriate setting for either private meetings with the Medical Director or for multiple teammates meeting at the same time with a patient. The lobby/patient seating area is too small by DaVita standards to appropriately accommodate patients in a 20-station dialysis unit. As a result, there is no wheelchair storage in the clinic. Additionally, the patient treatment floor configuration creates suboptimal sight lines for monitoring patients.

There will be no impact on access as the applicants are proposing to relocate the existing facility approximately 2 minutes from its existing site. All patients currently receiving treatment will transfer to the proposed new facility. Based upon the information provided by the applicants the discontinuation of the 20 station ESRD facility appears warranted.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION DISCONTINUATION (77 IAC 1110.230 (a) (b) (c))

VI. Section 1110.230 - Purpose, Safety Net Impact Statement, Alternatives

A) Criterion 1110.230 (a) – Purpose of the Project

The purpose of the project is to address the high utilization at the facility (98.33%) and physical plant issues at the existing facility by relocating to a site 2 minutes from the present location. The design and size of the existing facility created operational and logistical inefficiencies and many of the building issues identified by the applicants could not be addressed through renovation. The existing facility is landlocked and cannot accommodate future growth or expansion.

B) Criterion 1110.230 (b) – Safety Net Impact Statement

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. A copy of DaVita's 2014 Community Care report was provided by the applicants. As referenced in the report, DaVita led the industry in quality, with 50 percent of its dialysis centers earning four or five stars in the federal Five-Star Ratings, compared to the 21 percent industry average. DaVita also led the industry in Medicare's Quality Incentive Program, ranking No.1 in three out of four clinical measures. 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 has the lowest day-90 catheter rates among large dialysis providers. During 2000 - 2014, DaVita improved its fistula adoption rate by 103 percent. 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 \$204 million 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. The Existing Facility has been operating over 90 percent utilization for over 2 years and is currently operating at 98 percent capacity, treating 118 ESRD patients. Dr. Cline, the Medical Director for South Holland anticipates all 118 current patients will transfer to the Replacement Facility. No patients are expected to transfer from other existing facility. The addition of four stations will allow the Replacement Facility to operate at 82 percent utilization, just above the Board's target utilization. The Replacement Facility is needed to address the growing need for dialysis in the South Holland community.

The proposed project is for the relocation of South Holland Renal Center just 0.84 miles from its current location. Patients currently treated at South Holland Renal Center will receive treatment at the new facility. As such, the discontinuation of service at the current location will not negatively impact the safety net.”

| TABLE THREE Safety Net Impact Statement Illinois DaVita Dialysis Facilities | | | |
|--|---------------|---------------|---------------|
| | 2012 | 2013 | 2014 |
| Net Revenue | \$228,403,979 | \$244,115,132 | \$266,319,949 |
| Charity Patients # | 152 | 187 | 146 |
| Charity Costs | \$1,199,657 | \$2,175,940 | \$2,477,363 |
| Charity Costs/Net Revenue | 0.53% | 0.89% | 0.93% |
| Medicaid Patients # | 651 | 679 | 708 |
| Medicaid Revenue | \$11,387,229 | \$10,371,416 | \$8,603,971 |
| Medicaid Revenue/Net Revenue | 4.99% | 4.25% | 3.23% |

C) Criterion 1110.230 (c) – Alternatives

The applicants considered three alternatives to the proposed project:

1. Do Nothing
2. Renovate the existing facility
3. Utilize other dialysis facilities

The State Board does not consider “doing nothing” as a viable alternative. The remaining two alternatives were rejected. According to the applicants the design and size of the existing facility created operational and logistical inefficiencies and many of the building issues identified by the applicants could not be addressed through

renovation. The existing facility is landlocked and cannot accommodate future growth or expansion. The utilization of existing and approved clinics within 20 minutes normal travel time of the proposed site is 76.0% or just 4% below the State Board's utilization standard and cannot accommodate the expected patient growth. There was no capital costs associated with these alternatives.

VII. Section 1110.234 - Size of Project, Projected Utilization, Assurances

A) Criterion 1110.234 (a) - Size of the Project

The applicants are proposing 9,703 GSF for 24 stations or 405 GSF per station. This is within the State Board Standard of 450-650 GSF per station. The applicants have successfully addressed this criterion.

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

B) Criterion 1110.234 (b) - Projected Utilization

Kenneth Cline, M.D, the Medical Director for South Holland Renal Center, anticipates all 118 current patients will transfer to the Replacement Facility. Furthermore, Dr. Cline is currently treating 38 Stage 4 & 5 CKD patients who reside within approximately 10 minutes of the proposed facility. Based upon attrition due to patient death, transplant, or return of function, it is projected that 24 of these pre-ESRD patients will require dialysis within the next 12 to 24 months. Thus, approximately 142 patients will receive treatment at the replacement facility within 24 months of project completion.

$(142 \text{ patients} \times 3 \text{ times a week} \times 52 \text{ weeks} = 22,152 \text{ treatments}) / (24 \text{ stations} \times 3 \text{ times a day} \times 6 \text{ days a week} \times 52 \text{ weeks}) = 22,464 \text{ available treatments} = 98.6\%$

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

C) Criterion 1110.234 (e) –Assurances

The applicants have provided the necessary assurance that the facility will be at target occupancy within 2 years after project completion at page 179 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.234 (e))

VIII. Section 1110.1430 - Planning Area Need

A) Criterion 1110.1430 (b) (1) (3) – Background of Applicants

The applicants have attested that there have been no adverse actions against the applicants in the past three years and that the State Board and the Illinois Department of Public Health can access any and all documents to verify information in this application for permit. The applicants are in compliance with of Illinois Executive Order #2005-5 the site of the proposed dialysis facility is located outside of a flood plain. The applicants are in compliance with the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as there are no significant historic, architectural or archaeological resources located within the proposed project area.

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

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

The State Board has projected a calculated excess of 2 ESRD stations in the HSA VII ESRD Planning Area. The facility is currently treating 118 patients and these patients are to transfer to the proposed new facility. The referring physician has identified 38 patients who are suffering from Stage 4 or 5 CKD who all reside within an approximate 10 minute commute of the proposed facility. Of these 38 patients 24 are expected to require dialysis in the next 12-24 months. The facility is currently operating at 100% utilization and if the 24 pre ESRD patients materialize the applicants can justify the 4 additional stations being requested.

The State Board Staff believes there is sufficient demand for the facility as evidenced by the facility's current 100% utilization. The proposed facility will serve the residents of the HSA VII ESRD Planning Area. In addition it appears the proposed facility will improve access as the proposed location has been determined to be in a medically underserved area.

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

C) Criterion 1110.1430 (d) – Unnecessary Duplication of Service

There are 42 facilities with 847 stations within 30 minutes (adjusted) of the proposed facility. Of these 42 facilities 4 are not yet operational. Average occupancy of the 38 facilities with 787 stations is 77.34%. The ratio of stations per population within this geographic service area is one station per every 2,059 individual. The State of Illinois ratio is 1 station per every 3,066 individuals. All of the identified patients will either transfer from the existing facility or will be referrals of pre-ESRD patients. No patients

will be transferred from other existing dialysis facilities. The proposed dialysis facility will not lower the utilization of other area providers that are operating below the occupancy standards. It does not appear the discontinuation and establishment of a new facility will impact other facilities in the planning area or result in an unnecessary duplication or maldistribution of service.

| TABLE FOUR | | | | | |
|--|--------------------|------------|-----------------|-------------------------------------|-----------------------------------|
| Facilities within 30 minutes of Proposed Facility | | | | | |
| Name | City | HSA | Stations | Adjusted Time ⁽³⁾ | Utilization ⁽⁴⁾ |
| South Holland Renal Center ⁽¹⁾ | South Holland | 7 | 20 | 3.45 | 100.00% |
| Community Dialysis of Harvey | Harvey | 7 | 16 | 5.75 | 61.10% |
| DSI - Markham | Markham | 7 | 24 | 8.05 | 73.61% |
| Fresenius Medical Care Oak Forest | Oak Forest | 7 | 12 | 9.2 | 56.94% |
| FMC - South Holland | South Holland | 7 | 17 | 10.35 | 85.96% |
| FMC - Hazel Crest | Hazel Crest | 7 | 16 | 11.5 | 86.46% |
| Country Hills Dialysis | Country Club Hills | 7 | 24 | 12.65 | 73.61% |
| DSI Hazel Crest | Hazel Crest | 7 | 19 | 13.8 | 80.70% |
| DaVita Chicago Heights Renal Care | Chicago Heights | 7 | 16 | 14.95 | 81.25% |
| FMC - Crestwood | Crestwood | 7 | 24 | 16.1 | 67.36% |
| FMC - Alsip | Alsip | 7 | 20 | 16.1 | 69.17% |
| FMC South Suburban | Olympia Fields | 7 | 27 | 17.25 | 85.19% |
| Fresenius Medical Care of Roseland | Chicago | 6 | 12 | 17.25 | 98.61% |
| Concerto Dialysis | Crestwood | 7 | 9 | 18.4 | 70.37% |
| DaVita Stony Island Dialysis | Chicago | 6 | 32 | 18.4 | 72.92% |
| Fresenius Medical Care Steger | Steger | 7 | 18 | 19.55 | 62.04% |
| FMC - Merrionette Park | Merrionette Park | 7 | 24 | 19.55 | 72.22% |
| Fresenius Medical Care South Deering | Chicago | 6 | 20 | 19.55 | 37.50% |
| DaVita Olympia Fields Dialysis Center | Matteson | 7 | 24 | 20.7 | 59.72% |
| FMC - Blue Island | Blue Island | 7 | 28 | 20.7 | 74.40% |
| Fresenius Medical Care Chatham | Chicago | 6 | 16 | 20.7 | 82.24% |
| FMC - Greenwood Dialysis Center | Chicago | 6 | 28 | 20.7 | 81.55% |
| Fresenius Medical Care of Mokena | Mokena | 9 | 12 | 23 | 77.78% |
| FMC - Orland Park | Orland Park | 7 | 18 | 24.15 | 78.70% |
| DaVita - Stony Creek | Oak Lawn | 7 | 12 | 24.15 | 94.44% |
| DaVita Mount Greenwood Dialysis | Chicago | 6 | 16 | 24.15 | 103.13% |
| FMC - Garfield | Chicago | 6 | 22 | 24.15 | 81.25% |
| FMC - South Shore | Chicago | 6 | 16 | 24.15 | 73.96% |
| Grand Crossing Dialysis | Chicago | 6 | 12 | 25.3 | 88.89% |
| FMC - Jackson Park Dialysis | Chicago | 6 | 24 | 25.3 | 72.22% |
| FMC - Evergreen Park | Evergreen Park | 7 | 30 | 27.6 | 92.22% |
| FMC Ross Dialysis - Englewood | Chicago | 6 | 16 | 27.6 | 87.50% |

| TABLE FOUR | | | | | |
|---|--------------|------------|-----------------|-------------------------------------|-----------------------------------|
| Facilities within 30 minutes of Proposed Facility | | | | | |
| Name | City | HSA | Stations | Adjusted Time ⁽³⁾ | Utilization ⁽⁴⁾ |
| DaVita Emerald Dialysis | Chicago | 6 | 24 | 27.6 | 79.17% |
| DSI Renal Services - Scottsdale | Chicago | 6 | 36 | 28.75 | 63.41% |
| Lake Park Dialysis | Chicago | 6 | 32 | 28.75 | 65.10% |
| Beverly Dialysis Center | Chicago | 6 | 12 | 29.9 | 94.79% |
| FMC - Bridgeport | Chicago | 6 | 27 | 29.9 | 87.65% |
| Woodlawn Dialysis | Chicago | 6 | 32 | 29.9 | 65.63% |
| Total Stations/Average | | | 787 | | 77.34% |
| | | | | | |
| Calumet Dialysis Center ⁽²⁾ | Calumet City | 7 | 16 | 10.35 | 0.00% |
| DaVita Chicago Ridge Dialysis ⁽²⁾ | Worth | 7 | 16 | 26.45 | 0.00% |
| DaVita Tinley Park Dialysis ⁽²⁾ | Tinley Park | 7 | 12 | 20.7 | 0.00% |
| Fresenius Medical Care New City ⁽²⁾ | Chicago | 6 | 16 | 31.05 | 0.00% |
| Total Stations/Average | | | 847 | | 66.97% |
| 1. South Holland Renal Center subject to this relocation application. | | | | | |
| 2. Facilities approved by State Board not yet operational. | | | | | |
| 3. Time determined by MapQuest and adjusted per 1100.510 (d) 1.15 x. | | | | | |
| 4. Utilization as of June 30, 2015 | | | | | |

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE (77 IAC 1110.1430 (d))

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

The proposed facility will be Medicare certified and to meet Medicare certification the proposed new facility will be required to be appropriately staffed. Curriculum Vitae for the Medical Director and DaVita's training program overview were provided by the applicants at pages 160-167 of the application for permit as required. The proposed new facility will participate in a dialysis data system, will make support services available to patients, and will provide training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training as required. The facility will have the minimum number of stations for a facility located in the Chicago-Joliet-Naperville metropolitan statistical area. An agreement with Ingalls Memorial Hospital has been provided that states that the hospital will provide inpatient care and other hospital services as needed.

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 Facility

Over the past eight quarters the applicants have exceeded the State Board Target occupancy of 80%.

| TABLE FIVE | |
|------------|-------------|
| Quarter | Utilization |
| 1 | 93.33% |
| 2 | 97.50% |
| 3 | 93.33% |
| 4 | 95.00% |
| 5 | 93.33% |
| 6 | 94.17% |
| 7 | 98.33% |
| 8 | 100.00% |
| Average | 95.62% |

While there is an excess of 2 stations in the planning area, the applicants' current workload will justify the 24 stations being requested. $(114 \text{ patients} \times 3 \text{ times a week} \times 52 \text{ weeks}) / (24 \text{ stations} \times 3 \text{ times a day} \times 6 \text{ days a week} \times 52 \text{ weeks per year}) = 17,784 / 22,464 = 80\%$

| | |
|------------------|--------|
| Stations | 24 |
| Current patients | 114 |
| Treatments | 17,784 |
| Capacity | 22,464 |
| Utilization | 80% |

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 the proposed facility will be at target occupancy within two years after project completion.

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

IX. Section 1120 - Financial Viability

A) Criterion 1120.120 – Availability of Funds

The applicants are funding this project with cash of \$4,517,588. A review of the applicants' audited financial statements indicates that sufficient funds are available to fund this project.

| TABLE SIX DaVita Healthcare Partners, Inc (Dollars in thousands) December 31, 2014 | | |
|--|--------------|--------------|
| | 2014 | 2013 |
| Cash | \$965,241 | \$946,249 |
| Current Assets | \$3,876,797 | \$2,472,278 |
| Current Liabilities | \$2,088,652 | \$2,462,049 |
| LTD | \$8,383,280 | \$8,141,231 |
| Net Patient Service Revenue | \$8,501,454 | \$8,013,649 |
| Total Revenue | \$12,795,106 | \$11,764,050 |
| Operating Expenses | \$10,979,965 | \$10,213,916 |
| Net Income | \$723,114 | \$633,446 |
| Average revenue/treatment | \$342 | \$340 |
| Average expense/treatment | \$273.60 | \$285.60 |

B) Criterion 1120.130 – Financial Viability

The applicants are funding this project from internal sources (cash) therefore the applicants have qualified for the financial viability waiver that allows applicants that are funding projects from internal sources to forego providing financial viability ratios.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH FINANCIAL VIABILITY (77 IAC 1120.130)

X. 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 are not financing this project with debt; therefore these criteria are not applicable. However there will be a lease for 15 years between the landlord Genesis KC Development, LLC and ISD Renal, Inc., the operating entity. The terms of the lease are \$24.86 years 1-5, \$27.34 years 6-10, and \$30.07 years 11-15 with three five year options to renew the lease. The lease appears reasonable when compared to previously approved leases for projects of similar scope and size.

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

C) Criterion 1120.140(c) –Reasonableness of Project Costs

Site Survey and Soil Investigation Costs are \$14,000 which are less than 1% of the new construction and contingencies.

New Construction and Contingency Costs are \$3,237,833 or \$333.64. This appears **HIGH** when compared to the State Board Standard of \$262.22

**TABLE SEVEN
State Board Standard**

| | |
|--|----------|
| State Board Standard (CY 2008) ⁽¹⁾ | \$207 |
| Inflation Factor | 3% |
| Years to Inflate (CY 2015) ⁽²⁾ | 7 |
| Adjusted State Board Standard | \$262.22 |
| 1. State Board Standard and Inflation Factor Approved as 1120 Appendix A | |
| 2. Years to inflate midpoint of construction | |

Contingences Costs are \$275,640 or 9.3% of construction costs. This appears reasonable when compared to the State Board Standard of 10%.

Architectural/Engineering Fees are \$244,753 or 7.56% of construction and contingency costs. This appears reasonable when compared to the State Board Standard of 6.89-10.35%.

Consulting and Other Fees are \$297,000. The State Board does not have a standard for these costs.

Movable or Other Equipment Costs are \$525,163 or \$21,882 per station. This appears reasonable when compared to the State Board Standard of \$55,293.

TABLE EIGHT
Movable Equipment

| | |
|-----------------------------|-----------|
| Communications | \$123,005 |
| Water Treatment | \$142,965 |
| Bio-Medical Equipment | \$12,485 |
| Clinical Equipment | \$123,180 |
| Clinical Furniture Fixtures | \$34,425 |
| Lounge Furniture Fixtures | \$5,465 |
| Storage Furniture Fixtures | \$8,023 |
| Business Office Fixtures | \$27,235 |
| General Furniture Fixtures | \$38,000 |
| Signage | \$10,400 |
| Total Equipment | \$525,183 |

Other Costs to be Capitalized – These costs are \$198,819 and are the fair market value of the equipment to be transferred to the new facility.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140 (c))

D) Criterion 1120.140 (d) - Projected Operating Costs

The applicants are projecting \$238.48 in operating costs per treatments. The State Board does not have a standard for these costs.

| | |
|---------------------------------------|-----------------|
| Operating Costs | |
| Operating Expenses | \$4,836,374 |
| Treatments: | 20,280 |
| Operating Costs per Treatment: | \$238.48 |

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

E) Criterion 1120.140 (e) – Projected Capital Costs

The applicants are projecting \$8.13 in capital costs per treatment. The State Board does not have a standard for these costs.

| | |
|----------------------|-----------|
| Capital Costs | |
| Depreciation: | \$154,977 |

| | |
|-------------------------------------|---------------|
| Amortization: | \$9,895 |
| Total Capital Costs: | \$164,872 |
| Treatments: | 20,280 |
| Capital Costs per Treatment: | \$8.13 |

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

#15-025 South Holland Renal Center

