



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-10	BOARD MEETING: August 25, 2015	PROJECT NO: 15-032	PROJECT COST: Original: \$2,633,643
FACILITY NAME: Morris Dialysis		CITY: Morris	
TYPE OF PROJECT: Substantive			HSA: IX

PROJECT DESCRIPTION: The applicants (DaVita Healthcare Partners, Inc. and Total Renal Care, Inc.) are proposing to discontinue a 9-station ESRD facility located at 1551 Creek Drive, Morris, Illinois and to establish a 12 station ESRD facility located at 180 East Waverly Street, Morris, Illinois. The cost of the project is \$2,633,643 and the anticipated completion date is April 30, 2017

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita Healthcare Partners, Inc. and Total Renal Care, Inc.) are proposing to discontinue a 9-station ESRD facility located at 1551 Creek Drive, Morris, Illinois and to establish a 12 station replacement ESRD facility located at 180 East Waverly Street, Morris, Illinois. The cost of the project is \$2,633,643 and the anticipated completion date is April 30, 2017.

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:

- The applicants note the purpose of the proposed project is to serve the residents of HSA-09, and the service area with a modern facility equipped to serve the growing ESRD population. The applicants note the existing facility contains numerous operational and logistical inefficiencies, which the expanded replacement facility will address. The applicants note the replacement facility will be located in close proximity to the original ESRD facility, in an effort to ensure continued access for the current patient base.

NEED FOR THE PROJECT:

- The June 2015 inventory update shows there is an excess of 23 stations in the HSA 9 ESRD planning area. **Per the applicants** *“The existing facility is suboptimal for patients and staff, and in need of repair. The existing facility house 9 dialysis stations in 4,352 GSF, or 483.6 GSF per station, which meets the Board’s standard for ESRD facilities of this size, but the space is inadequate to meet the facility’s storage needs.” The existing facility has only one restroom for up to 2 male and 7 female teammates. There is no dedicated conference room, and the existing conference room is a multi-purpose room that also serves as the teammates break room, and social workers/dieticians office.” “While the applicants are requesting the addition of 3 stations with this relocation, the replacement facility will be plumbed to accommodate up to 16 stations, which will allow for future census capacity of 96 in-center patients.”*

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 23 criteria and have not met the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.1430(c) (1) - Planning Area Need	There is a calculated excess of 23 stations in the HSA 9 ESRD planning area, and this discontinuation and establishment will add three stations to the calculated overage of stations in the HSA 9 ESRD planning area.
Criterion 1110.1430 (d)(1)(2)(3) - Unnecessary Duplication of Service/Maldistribution/Impact on Other Facilities	There are underperforming ESRD facilities in the service area and the addition of 3 ESRD stations will contribute to the current excess of 23 ESRD stations in HSA-09.
Criterion 1110.1430 (j) - Relocation of Existing Facility	For the past four quarters the applicant's average utilization is 66% at its existing facility and does not meet the State Board's Standard of 80%.

STATE BOARD STAFF REPORT

Project #15-032

Morris Dialysis

APPLICATION CHRONOLOGY	
Applicants(s)	DaVita HealthCare Partners Inc. and Total Renal Care, Inc
Facility Name	Morris Dialysis
Location	180 East Waverly Street, Morris, Illinois
Permit Holder	Total Renal Care, Inc.
Operating Entity	Total Renal Care, Inc.
Owner of Site	Arthur F. Hornsby
Number of Stations	12
Total GSF	5,854 GSF
Application Received	July 16, 2015
Application Deemed Complete	July 16, 2015
Review Period Ends	January 16, 2016
Financial Commitment Date	April 30, 2017
Project Completion Date	April 30, 2017
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 9-station ESRD facility located at 1551 Creek Drive, Morris, Illinois and to establishment a 12 station replacement ESRD facility located at 180 East Waverly Street, Morris, Illinois (approximately 1 mile away). The cost of the project is \$2,633,643 and the anticipated completion date is April 30, 2017.

II. Summary of Findings

- A. The State Board Staff finds the proposed project **does not** appear 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 Total Renal Care, Inc. DaVita Healthcare Partners, Inc. currently operates over 2,000 dialysis centers throughout the United States. 81 of these facilities are in Illinois. Total Renal Care Inc. is a subsidiary of DaVita HealthCare Partners, Inc. Total Renal Care Inc. is a California-based 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 Total Renal Care, Inc. and the owner of the site is Arthur F. Hornsby. The replacement facility will be located at 180

East Waverly Street, Morris, Illinois in the HSA 9 ESRD planning area. The proposed site is located 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 9 ESRD planning area includes Grundy, Kankakee, Kendall, and Will Counties. There is a calculated excess of 23 stations in this planning area. As of June 2015, there are 251 stations and 16 ESRD facilities in this planning area. 4 of these facilities are owned by the applicants.

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 Description

The applicants propose to discontinue a 9-station ESRD facility, located at 1551 Creek Drive, in Morris. The applicant propose to establish a 12-station replacement facility in 6,700 GSF of leased space, located at 180 East Waverly Street, Morris, approximately one mile away from the discontinued facility. The applicants cite lack of space substandard clinical conditions for the discontinuation/relocation. The anticipated completion date is April 30, 2017.

V. Project Costs

The applicants are funding this project with cash/securities totaling \$1,793,577 the fair market value of leased space of \$712,780, and other funds and sources from the net book value of existing equipment totaling \$127,286.

TABLE TWO			
Project Costs and Sources of Funds			
Uses of Funds	Clinical	Non-Clinical	Total Costs
Modernization Contracts	\$1,010,000	\$146,000	\$1,156,000
Contingencies	\$60,000	\$10,000	\$70,000
Architectural and Engineering Fees	\$93,000	\$14,000	\$107,000
Consulting & Other Fees	\$94,000	\$13,500	\$107,500
Movable Equipment	\$295,585	\$57,492	\$353,077
FMV of Leased Space	\$623,000	\$89,780	\$712,780
Other Costs to be Capitalized (Net Book Value of Existing Equipment)	\$127,286	\$0	\$127,286
Total	\$2,302,871	\$330,772	\$2,633,643
Sources of Funds			
Cash/Securities	\$1,552,585	\$240,992	\$1,793,577
FMV of Leased Space	\$623,000	\$89,780	\$712,780
Other Funds and Sources	\$127,286	\$0	\$127,286
Total	\$2,302,871	\$330,772	\$2,633,643

VI. Criterion 1110.130 (a) - Discontinuation

The applicants are proposing to discontinue the 9 station ESRD facility at 1551 Creek Drive, Morris, Illinois. The applicants stated the following regarding the closing and reestablishment of a 12 station ESRD facility.

“The existing facility has numerous operational and logistical inefficiencies. While the existing facility houses 9 dialysis stations in 4,352 GSF, or 483.6 GSF per station, which meets the Board’s standard for in-center hemodialysis facilities of this size, the space is inadequate to meet the facility’s storage needs. The treatment floor is compact, making it difficult for nurses to have telephone conversations with medical providers without being overheard. The Administrative assistants’ office, which also serves as the reception desk, has no window, just an opening in the wall between her office and the waiting area, creating additional privacy concerns.”

All existing patients are expected to transfer to the replacement facility. The applicants seek authority from the Board to discontinue its existing 9-station dialysis facility at 1551 Creek Drive, Morris, Illinois and establish a 12-station dialysis facility at 180 East Waverly Street, Morris, Illinois (the "Replacement Facility"). The Replacement Facility will be approximately 1 mile, or approximately 2 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 seek authority from the Board to discontinue its existing 9-station dialysis facility at 1551 Creek Drive, Morris, Illinois and establish a 12-station dialysis facility at 180 East Waverly Street, Morris, Illinois (the "Replacement Facility"). The Replacement Facility will be approximately 1 mile, or approximately 2 minutes, from the existing facility.

“The existing facility has numerous operational and logistical inefficiencies. While the existing facility houses 9 dialysis stations in 4,352 GSF, or 483.6 GSF per station, which meets the Board’s standard for in-center hemodialysis facilities of this size, the space is inadequate to meet the facility’s storage needs. The treatment floor is compact, making it difficult for nurses to have telephone conversations with medical providers without being overheard. The Administrative assistants’ office, which also serves as the reception desk, has no window, just an opening in the wall between her office and the waiting area, creating additional privacy concerns.”

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 2014 Community Care report, which details DaVita's commitment to quality, patient centric focus and community outreach, was previously submitted with Project No. 15-025. 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. During the period 2000-2014 DaVita improved its fistula utilization rate by 103 percent. The applicants are funding the project with cash and securities totaling \$1,938,380, and fair market value of a lease totaling \$2,194,270. A review of the applicants’ audited financial statements indicates that sufficient cash is available to fund the project.*

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. As shown in Table 1110.1430(b), average utilization at existing dialysis facilities within 30 minutes normal travel time of the Replacement Facility is 61.8%, as of March 31, 2015. The Existing Facility already has 70.4% utilization rate, as of April 30, 2015, which is below the State Board's 80% standard. However, within a 20 minute drive time of the Replacement Facility, there will be no other in-center hemodialysis facilities, once FMC Morris closes. The utilization of Morris Dialysis, should it capture the 9 FMC Morris patients that reside closest to the proposed replacement facility, would immediately climb to 87.0% and exceed the State Board's utilization standard of 80%. Accordingly, there will be insufficient capacity to accommodate all of Dr. Kravets' future projected patients. Dr. Kravets anticipates all 38 current patients will transfer to the Replacement Facility. Dr. Kravets is currently treating 82 Stage 4 & 5 CKD patients who reside within approximately 30 minutes of the Replacement Facility. Conservatively, based upon attrition due to patient death, transplant, or return of function, it is projected that 51 of these pre-ESRD patients will require dialysis within 12 to 24 months of project completion. 11 of these CKD patients reside less than 20 minutes from the proposed Replacement Facility. We predict at least 58 patients will receive treatment at the Replacement Facility within 24 months of project completion. The Replacement Facility is needed to address the growing need for dialysis in the Morris community.

The proposed project is for the relocation of Morris Dialysis just 1.05 miles from its current location. Patients currently treated at Morris Dialysis 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			
	2012	2013	2014
Net Patient Revenue	\$228,403,979	\$244,115,132	\$266,319,949
Amount of Charity Care (Charges)	\$1,199,657	\$2,175,940	\$2,477,363
Cost of Charity Care	\$1,199,657	\$2,175,940	\$2,477,363
CHARITY CARE			
Charity (# of patients)	152	187	146
Charity (cost In dollars)	\$1,199,657	\$2,175,940	\$2,477,363
% Charity Care to Net Revenue	.05%	.08%	.09%
MEDICAID			
Medicaid (# of patients)	651	679	708

TABLE THREE Safety Net Impact			
	2012	2013	2014
Medicaid (revenue)	\$11,387,229	\$10,371,416	\$8,603,971
% Medicaid to Net Revenue	0.4%	0.4%	0.3%

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. The existing 16-year old facility has physical plant, privacy, and functionality concerns, and simply cannot accommodate the expected future patient volume. The existing facility, located at 1551 Creek Drive, Morris, is located near the East Fork Nettle Creek flood plain. The parking lot frequently floods, even with small amounts of rain, and is in a continuous state of disrepair. Additionally, the design and size of the existing facility creates operational and logistical inefficiencies.” Based on these assertions, the applicants rejected this alternative. There was no cost identified 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 9 dialysis stations in approximately 4,352 GSF, or 483.6 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 and office supplies. The facility also has no dedicated conference room. The lobby j patient seating area is too small by DaVita standards to appropriately accommodate patients. 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 38 in-center ESRD patients, Dr. Teresa Kravets, M.D., the Medical Director for Morris Dialysis, anticipates all 38 current patients will transfer to the Replacement Facility. Furthermore, Dr. Kravets is currently treating 82 Stage 4 & 5 CKD patients who all reside within 30 minutes of the proposed facility. Conservatively, based upon attrition due to patient death, transplant, or return of function, it is projected that 51 of these pre-ESRD patients will require dialysis within the next 12 to 24 months. Including the Existing Facility, there are currently 8 existing or approved dialysis facilities within 30 minutes normal travel time of the proposed location

of the Replacement Facility. More importantly, once the existing Morris facility closes, there will be no other dialysis providers within a 20-minute drive radius. Accordingly, there will be insufficient capacity to accommodate all of Dr. Kravet'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, as stated above, there will be no other existing ESRD facilities in a 20 minute drive radius, once the existing facility closes, creating access issues for its patient base."

4. Relocate Morris Dialysis

*DaVita determined that the most effective and efficient way to serve its patients and address the dialysis needs of HSA 9 is to relocate the existing facility. The proposed site for the Replacement Facility is located 1.05 miles from the current site, and will adequately serve Morris Dialysis's current and projected patient-base. Thus, the Applicants selected this option. **The cost associated with this option is \$2,633,643.**"*

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 5,854 GSF of space or 488 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 66.7% and Board staff notes the facility reports having substandard historical utilization data. However, the applicants believe all 38 of the current patients will transfer to the proposed new facility, and the additional 51 pre-stage ESRD patients currently being treated by Dr. Kravets, will result in sufficient utilization (80%), by 2018, the facility's second year of operation. 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))

C) Criterion 1110.234 (e) – Assurance

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 page 101.

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

IX. Section 1110.1430 – In-Center Hemodialysis Projects

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 52-65.

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) (2) (3) (5) - 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 excess of 23 stations in the HSA 9 ESRD planning area, and this discontinuation and establishment will add three stations to the calculated overage of stations in the HSA 9 ESRD planning area. Dr. Teresa Kravets, M.D., the Medical Director for Morris Dialysis, anticipates all 38 current patients will transfer to the proposed new facility. Dr. Kravets is currently treating 82 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 51 of these pre-ESRD patients will require dialysis within the next 12 to 24 months. Thus, approximately 89 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 Morris, as the existing Facility is in need of repair and cannot adequately serve the patient needs. Regardless, the applicants failed to meet the requirements of this criterion, based on the existence of excess stations in the planning area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1110.1430 (b) (1) (2) (3) (5))

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

Board staff has determined that there are 3 facilities within 30 minutes of the proposed site. Of that number, two are operating below the 80th percentile. Average occupancy of these three facilities is 64.4%. The ratio of stations to population is 1 station per every 2,976 individuals compared to the State of Illinois ratio of 1 station per every 3,066 individuals. The State Board Staff believes the relocation will have a negative impact on other facilities in the 30 minute area; the addition of 3 ESRD stations will contribute to the current excess of 23 ESRD stations in HSA-09

Utilization of the 3 facilities, and the applicant facility was taken into consideration for this application because only one of the four was operating in excess of the State Board Standard. There is a calculated station excess in the planning area and the proposed replacement facility would increase the number of excess stations in the planning area. The State Board Staff has concluded that the applicants' proposal will contribute to an existing station excess, resulting in unnecessary duplication of service or a maldistribution of service.

TABLE FOUR				
Facilities within 30 minutes of Proposed Site				
Facility	City	HSA	Adjusted Drive Time ⁽¹⁾	% Occupancy ⁽²⁾
Silver Cross Renal Ctr. West	Joliet	9	24	82.18%
Sun Health	Joliet	9	24	56.86%
RCG Ottawa	Ottawa	2	27	54.17%
1. Adjusted time determined by MapQuest and adjusted per 77 IAC 1100.510 (d)				
2. Utilization as of June 30, 2015				

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION MALDISTRIBUTION (77 IAC 1110.1430 (c) (1) (2) (3))

- D) Criterion 1110.1430 (e) - Staffing**
- 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 applicants have responded to these criteria at pages 84-92 of the application for permit.

This project proposes to discontinue one facility and establish another facility approximately 1 mile away. All staff will transfer to the proposed new facility and all support services will be provided at the new facility. The replacement facility will be a

12 station facility and therefore meets the requirements of the minimum number of stations. The applicants have a transfer agreement with Morris Hospital, Morris. See application of permit pages 84-98.

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 (e) (f) (g) (h))

H) Criterion 1110.1430 (j) - Relocation of Facilities

The applicants are proposing to discontinue an existing 9 station ESRD facility located at 1551 Creek Drive, Morris, Illinois and establish a 12-station replacement facility at 180 East Waverly Street, Morris, Illinois. The Replacement Facility will be approximately 1 mile, or approximately 2 minutes, from the Existing Facility. The current facility is operating at 66.67% occupancy. All 38 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. The existing facility is not equipped to adequately handle delivery of supplies. The rear door is a single door, not a double door, which requires delivery drivers to break down deliveries to fit through its single-width entry, and either park near the back door of the facility, blocking an emergency exit, or on the street, making multiple trips to cart in deliveries.”

Additionally, the design and size of the existing facility creates operational and logistical inefficiencies. The dedicated storage area is insufficient for storage of medical and office supplies, and there is no dedicated conference/meeting room for the facility’s social worker or dietician.” See application for permit page 99.

To meet this criterion the applicants shall document that the existing facility has met the utilization targets (80%) for the latest 12-month period for which data is available; and that the proposed facility will improve access for care to the existing patient population. The applicants have averaged 66% over the past four quarters. The applicants have failed to meet the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION RELOCATION OF FACILITY (77 IAC 1110.1430 (j))

I) Criterion 1110.1430 (i) -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 page 101.

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

X. FINANCIAL

A. Criterion 1120.120 - Availability of Funds

The applicants are funding this project with cash and securities totaling \$1,793,577, the fair market value of leased space of \$712,780, and other funds and sources identified as net book value of existing equipment which totals \$127,286. A review of the applicants' 2014 10-K statement (submitted with application #15-020) indicates sufficient resources are available to fund the project.

TABLE FIVE		
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

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 6,700 GSF of space for 10 years at \$13.00 per GSF, with cost of living increases annually not to exceed 5%. 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.

Modernization and Contingency Costs– These costs are \$1,070,000 or \$182.77. This appears reasonable when compared to the State Board Standard of \$189.19

Contingency Costs – These costs are \$60,000 and are 5.9% of modernization costs. This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural Engineering Fees – These costs are \$93,000 or 8.6% of modernization and contingency costs. This appears are reasonable when compared to the State Board Standard of 6.90-10.36%.

Consulting and Other Fees – These costs total \$94,000. The State Board does not have an applicable set of standards for these costs.

Movable Equipment – These costs are \$295,585 or \$24,632 per station. This appears reasonable when compared to the State Board Standard of \$52,119 per station.

TABLE SIX			
Movable Equipment			
	Clinical	Non-Clinical	Total
Communications	\$81,850	\$0	\$81,850
Water Treatment	\$131,575	\$0	\$131,575
Bio-Medical Treatment	\$8,885	\$0	\$8,885
Clinical Equipment	\$55,245	\$0	\$55,245
Clinical Furniture/Fixtures	\$18,030	\$0	\$18,030
Lounge Furniture/Fixtures	\$0	\$3,065	\$3,065
Storage Furniture/Fixtures	\$0	\$5,862	\$5,862

TABLE SIX Movable Equipment			
	Clinical	Non-Clinical	Total
Business Office Fixtures	\$0	\$14,665	\$14,665
General Furniture/Fixtures	\$0	\$23,400	\$23,400
Signage	\$0	\$10,500	\$10,500
Total	\$295,585	\$57,492	\$353,077

Fair Market Value of Leased Space and Equipment – These costs total \$623,000. The State Board does not have an applicable set of standards for these costs.

Other Costs to be Capitalized – These costs total \$127,286. The State Board does not have an applicable standard for these costs.

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 \$203.14. 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))

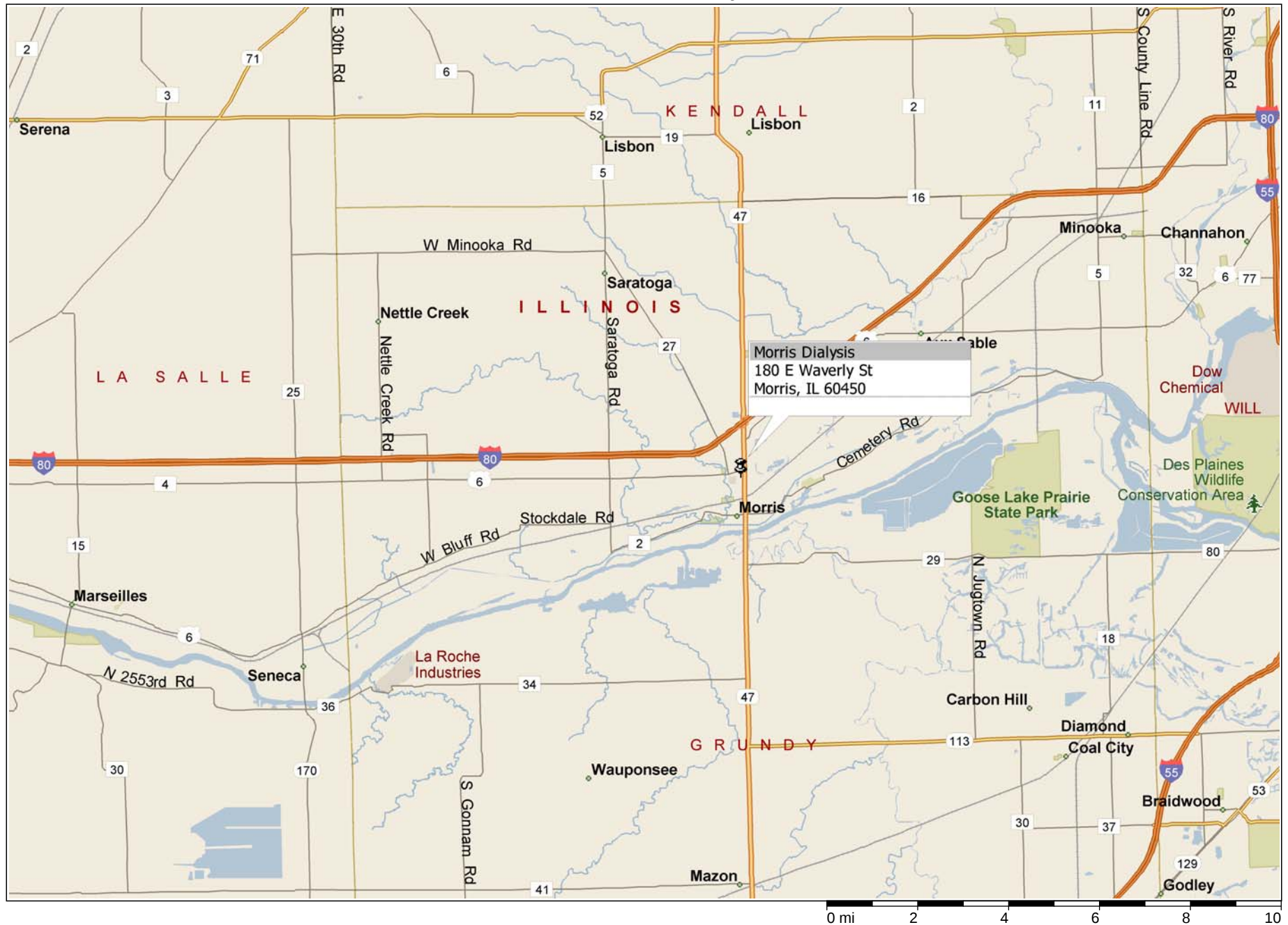
E. Criterion 1120.140 (e) Projected Capital Costs

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

The applicants are projecting \$17.72 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))

#15-032 Morris Dialysis



END STAGE RENAL DIALYSIS - FACILITY PROFILE 2013

Ownership, Management and General Information

Name: Davita Morris Dialysis Center
Address: 1551 Creek Drive
City: Morris
County: Grundy
HSA: 9
Medicare ID: 14-2740

Legal Entity Operator: Total Renal Care Inc.
Legal Entity Owner:
Ownership Type: For Profit Corporation
Property Owner: Dr. Keith Jaeschke
Other Ownership:
Medical Director Name: Teresa Kravets, MD
Provides Incenter Nocturnal Dialysis: ☐

STATION INFORMATION

Authorized Stations as of 12/31/2013: 9
Certified Stations by CMS: 9
Peak Authorized Stations Operated: 9
Authorized Stations Setup and Staffed in Oct 1-7: 9
Isolation Stations Set up in Oct 1-7: 9
(subset of authorized stations)
Number of Shifts Operated per day

FACILITY STAFFING - FULL TIME EQUIVALENT

Full-Time Work Week: 6
Registered Nurse : 2
Dialysis Technician : 4
Dietician : 0
Social Worker: 0
LPN : 0
Other Health : 0
Other Non-Health: 0

Dialysis Station Utilization for the Week of Oct 1 - 7

Date of Operation	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7
Hours operated	12	11	12	11	12	11	0
Number of Patients Treated	17	17	14	19	17	20	0

Facility Utilization Information

Facility Reported Patient Information

Patients treated as of 1/1/2013: 31
(Beginning patients)
Patients treated as of 12/31/2013: 41
(Ending patients)
Total Unduplicated patients treated in calendar year: 42

Facility Reported Treatment Information

In-Center Treatments in calendar year: 4,794
Number of Missed Treatments: 187
Average Daily Treatments:
Average Treatment Time (min): 210.0

ADDITIONS to the FACILITY

New Patients: 20
Transient Patients: 11
Patients Re-Started: 1
Post-Transplant Patien: 0
Total: 32

LOSSES to the FACILITY

Recovered patients: 3
Transplant Recipients: 0
Patients transferred out: 10
Patients voluntarily discontinued: 6
Patients lost to follow up: 0
Patients deceased: 9
Total: 28

USE RATE for the FACILITY

Treatment Capacity/year (based on Stations): 8,424
Use Rate (Treatments/Treatment capacity): 57%
Use Rate (including Missed Treatments): 59%
Use Rate (Beginning patients treated): 57%
Use Rate (Year end Patients/Stations*6): 76%
Renal Network Use Rate: 65%

Patients and Net Revenue by Payor Source

	Medicare	Medicaid	Private Insurance	Private Pay	Other Public	TOTAL	Charity Care
	85.0%	2.5%	10.0%	0.0%	2.5%	100.0%	5.0%
Patient	34	1	4	0	1	40	2
1/1/2013 to 12/31/2013	54.9%	18.3%	26.1%	0.0%	0.8%	100.0%	2.6%
Net Revenue	\$2,219,582	\$740,029	\$1,054,353	\$0	\$30,817	\$4,044,780	\$105,635

Patients by Age and Sex

AGE GROUPS	MALE	FEMALE	TOTAL
<14 yrs	0	0	0
15-44 yr	2	0	2
45-64 yr	7	5	12
65-74 yr	7	9	16
75 < yrs	4	8	12
Total	20	22	42

Patients by Race

Asian Patients:	1
Native American/ Indian:	0
Black/ African American :	2
Hawaiian /Pacific Islande	0
White:	39
Unknown :	0
TOTAL:	42

Patients by Ethnicity

Hispanic Latino Patients:	0
Non-Hispanic Latino Patien	42
Unknown Ethnicity Patients	0
TOTAL:	42