



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-10	BOARD MEETING: November 17, 2015	PROJECT NO: 15-042	PROJECT COST: Original: \$704,500
FACILITY NAME: Morris Community Dialysis		CITY: Morris	
TYPE OF PROJECT: Substantive			HSA: IX

PROJECT DESCRIPTION: The applicant (Affiliated Dialysis of Joliet, LLC d/b/a Morris Community Dialysis) is proposing the establishment of a 10 station ESRD facility in 3,000 GSF of space in Morris, Illinois at a cost of approximately \$704,500. The anticipated project complete date is March 31, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicant (Affiliated Dialysis of Joliet, LLC d/b/a Morris Community Dialysis) is proposing the establishment of a 10 station ESRD facility in 3,000 GSF of space in Morris, Illinois at a cost of approximately \$704,500. The anticipated project complete date is March 31, 2017.
- **Board Staff** notes this project proposes to establish an End Stage Renal Dialysis (ESRD) facility in a building formerly used as an ESRD facility. In March 2015 Project #14-065, Fresenius Medical Care Holdings, Inc was approved to relocate its 10 station ESRD facility from Morris, to Plainfield. The applicants will establish operations in the discontinued facility at 1401 Lakewood Drive, Morris, once vacated by Fresenius Medical Holdings, Inc.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project proposes to establish 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 maintain access to life sustaining dialysis services to the residents of the Morris Community.

SUMMARY:

- Morris is currently served by two ESRD facilities. Silver Cross Renal Center Morris (DaVita), and Renal Care Group (RCG) Morris (Fresenius). Silver Cross Renal Center, a 9-station ESRD facility, reports having an operational capacity of 51.3% in the October 2015 ESRD Survey. RCG Morris, a 10-station ESRD facility, reports an operational capacity of 23%, and has recently received approval from the Illinois Health Facilities and Services Review Board to relocate to Plainfield (Project #14-065). Project #14-065 has a completion date of December 31, 2016. The applicants propose to take control of the vacated facility, located at 1401 Lakewood Drive, Morris, and establish a 10-station ESRD facility.
- The proposed facility will serve the residents of HSA IX ESRD planning area. The application contains a referral letter from Dr. David McFadden, M.D., (application, p. 68). The letter attests to Dr. McFadden treating 235 patients suffering from Stage 3 to Stage 5 kidney disease, and the anticipated referral of 20 of these patients to the facility within the first year of operation. Dr. McFadden then anticipates referring 25-30 patient annually for dialysis thereafter.
- There is a calculated need for 29 additional stations in the planning area, per the October 2015 ESRD Station Need Update. However, there are underutilized facilities in the planning area, resulting in a duplication of service.

PUBLIC HEARING/COMMENT

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

Alex Lapica DaVita Group Vice President that stated: *“I am a Group Vice President with Da Vita HealthCare Partners Inc. I am writing to oppose the Affiliated Dialysis of Joliet ("Affiliated") application to establish an 10-station dialysis facility in Morris. There is currently no need for additional stations in Morris Fresenius' project number 14-065 was approved on March 10, 2015 to relocate their existing 10-station Morris facility to Plainfield based on the rural nature of the Morris area and the inability of the Morris community to support two dialysis clinics. The FMC (RCG) Morris clinic was treating all of fourteen patients and FMC anticipated that the majority of these patients would transfer to FMC Plainfield North, FMC Plainfield, FMC Ottawa or DaVita's Morris facility. Further, while at least nine of the displaced FMC Morris patients would be expected to transfer to Da Vita's Morris facility based upon the proximity to their residences, DaVita already took the initiative to accommodate the current and future ESRD needs of the Morris community. At a projected cost of \$2,633,643, DaVita's project number 15-032 was approved on August 25, 2015 to discontinue their own existing 9-station Morris facility and establish a new 12-station ESRD facility in Morris. The anticipated project completion date is April 30, 2017.”*

FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicant is funding the project with a combination of cash and securities totaling \$42,500, Leases with a fair market value of \$267,000, and a term loan totaling 395,000. The applicants supplied financial viability ratios, and appear to be financially viable to fund the project in its entirety.

CONCLUSIONS:

- The applicants addressed a total of 20 criteria and have not met the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
1110.1430 (d) Unnecessary Duplication/Maldistribution of Service	There are underutilized facilities in the planning area, resulting in a duplication of service. (See Table One Below)
1120.130 Financial Viability	The applicant supplied historical and projected financial viability data, with substandard historical data for Cash on Hand, and substandard projected data for Cash on Hand, and Cushion Ratio. (See Table Four Below).

STATE BOARD STAFF REPORT
Project #15-042
Morris Community Dialysis

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	Affiliated Dialysis of Joliet, LLC d/b/a Morris Community Dialysis
Facility Name	Morris Community Dialysis
Location	1401 Lakewood Drive
Permit Holder	Affiliated Dialysis of Joliet, LLC
Operating Entity	Affiliated Dialysis of Joliet, LLC d/b/a Morris Community Dialysis
Owner of Site	Revive Enterprises, Inc.
GSF	3,000 GSF
Financial Commitment Date	March 31, 2017
Completion Date	March 31, 2017
Application Received	August 28, 2015
Application Deemed Complete	August 31, 2015
Review Period Ends	October 30, 2015
Review Period Extended by the State Board Staff?	Yes
Can the applicants request a deferral?	No

I. Project Description

The applicant (Affiliated Dialysis of Joliet, LLC d/b/a Morris Community Dialysis) is proposing the establishment of a 10 station ESRD facility in 3,000 GSF of space in Morris, Illinois at a cost of approximately \$704,500. The anticipated project complete date is March 31, 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 **does not** appear to be in conformance with the provisions of Part 1120.

III. General Information

The applicant is Affiliated Dialysis of Joliet, LLC d/b/a Morris Community Dialysis. Affiliated Dialysis and its owners report having ownership interest in 5 other dialysis facilities in Illinois (application, p. 36), and attest to each of its facilities and partners having no adverse actions taken against them in the year prior to the filing of this application. The operating entity is Affiliated Dialysis of Joliet, LLC. d/b/a Morris Community Dialysis, and the owner of the site is Revive Enterprises, Inc. The facility

will be located at 1401 Lakewood Drive, Morris, Illinois in the HSA IX 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.

IV. Health Service Area IV

HSA IV ESRD Planning Area includes the Illinois Counties of Grundy, Kankakee, Kendall, and Will. As of March 31, 2015 there are 255 ESRD stations and 17 ESRD facilities in this planning area. Table One identifies the four ESRD facilities within a 30-minute radius of the applicant facility. The number of stations and occupancy as of October 2015 is enclosed.

TABLE ONE					
Facilities 30 Minutes from Applicants Facility					
Facility	Ownership	City	Minutes ⁽¹⁾	Stations	Occupancy ⁽²⁾
Morris Dialysis	DaVita	Morris	2	12	51.3%
RCG Ottawa	Fresenius	Ottawa	25	12	63.8%
Silver Cross Renal Ctr. West	DaVita	Joliet	26	29	78.7%
Sun Health		Joliet	26	17	58.8%
1. Minutes determined by MapQuest					
2. Utilization as of September 30, 2015					

V. Project Description

The applicant (Affiliated Dialysis of Joliet, LLC) is proposing the establishment of a 10 station ESRD facility in 3,000 GSF of space in Morris, Illinois at a cost of approximately \$704,500. The anticipated project complete date is March 31, 2017.

Board Staff notes the proposed facility, located at 1401 Lakewood Drive, Morris, was formerly occupied by Fresenius Medical Care Holdings, Inc. RCG Morris was a 10-station ESRD facility that received approval from the Illinois Health Facilities and Services Review Board, to relocate to Plainfield. Project #14-065 was approved in March 2015, and its project completion date is December 31, 2016.

VI. Project Costs

The applicant (Affiliated Dialysis of Joliet, LLC) is proposing to establish a 10 station ESRD facility in 3,000 GSF of space in Morris, Illinois at a cost of approximately \$704,500. The anticipated project complete date is March 31, 2017, and the project is being funded through a combination of cash and securities and the fair market value of the lease. (See Table Two).

TABLE TWO			
Project Costs and Sources of Funds			
USE OF FUNDS	Clinical	Non Clinical	Total
Modernization Contracts	\$50,000	\$0	\$50,000
Contingencies	\$5,000	\$0	\$5,000
Movable or Other Equipment (not in construction contracts)	\$350,000	\$32,500	\$382,500
Fair Market Value of Leased Space/Equipment	\$267,000	\$0	\$267,000
TOTAL USES OF FUNDS	\$672,000	\$32,500	\$704,500
SOURCE OF FUNDS	Clinical	Non Clinical	Total
Cash and Securities	\$10,000	\$32,500	\$42,500
Fair Market Value of the Lease	\$267,000	\$0	\$267,000
Term Loan	\$395,000	\$0	\$395,000
TOTAL SOURCES OF FUNDS	\$672,000	\$32,500	\$704,500

VII. Section 1110.230 - Purpose of Project, Safety Net Impact Statement and Alternatives

A) Criterion 1110.2130 (a) - Purpose of the Project

The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served.

The applicants stated the following:

The purpose of the project originates with the approval of project #14-065, which authorized the relocation of RCG Morris, a 10-station ESRD facility, from Morris to Plainfield, Illinois. This proposed relocation has resulted in an insufficient number of ESRD stations in Morris, and the potential need for additional stations. The applicants note the remaining ESRD facility in Morris, DaVita Silver Cross Renal Center, Morris, attested to its inability to absorb the entire patient population displaced by RCG Morris, at its 9-station facility. The proposed project would re-introduce 10 stations to the service area, to serve the existing population, and address projected growth in the future. The applicant notes this project will entail minimal cost, and eliminate unnecessary travel for the ESRD patients in the service area.

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

Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]

The applicant provided the following statement:

1. The applicant is of the belief that the approval of the proposed application will not have a negative impact on safety net services in the community, nor would it have an adverse impact on any provider or health care system to cross-subsidize safety net services.
2. Affiliated Dialysis of Joliet, LLC, was approved by Medicare in 2013 as a provider of home dialysis, training, and support services. During 2013 and the ensuing years (2014, 2015), the applicant attests to not providing services to any Medicaid beneficiaries, and reports no data pertaining to Medicaid revenues.

C) Criterion 1110.230 (c) - Alternatives to the Proposed Project

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The applicant considered four alternative to the proposed project.

1. Do Nothing

While the applicant reports no incurred costs in the pursuit of this option, it is noted that the extra cost is realized by the present/future patients of Dr. David McFadden, M.D., and the doctor himself, through increased travel costs, decreased accessibility, and scheduling hardships at existing facilities in the service area. These additional burdens almost always result in negative impacts on patient well being and outcomes. The applicant rejected this alternative.

2. Joint Venture with the Only Other Dialysis Provider in Morris

The applicant notes that a joint venture with the remaining dialysis provider, DaVita Healthcare, would have resulted in excessive utilization at their facility, and the eventual need to establish a larger, more modern facility. The applicants also acknowledged that buying into partnership with DaVita and their existing facility would come at an excessive cost, and result in issues in terms of patient referrals for Dr. David McFadden, M.D., the primary Nephrologist in Morris.

3. Establish a Facility Larger/Smaller in Size

The applicant rejected this alternative, citing an inability for either facility in Morris to achieve the standard utilization targets, using this alternative. Consequently, the applicant also believes a facility smaller in size would not fully meet the need for ESRD

services in Morris, resulting in an underserved population. Because of these reasons, the applicant rejected this alternative.

4. Utilize Other Facilities/Resources

The applicant notes the only other dialysis provider, DaVita Silver Cross Renal Center, expressed their inability to absorb the total patient population of RCG Morris, the Fresenius facility set to relocate per project #14-065, which renders this option infeasible.

5. Re-Occupy Discontinued RCG Morris Facility

The applicant accepted this alternative, due to its cost effectiveness, its efficiency, and its timeliness in reintroducing ESRD stations to an area in need. Cost associated with this alternative: \$704,500.

VIII. Section 1110.234 - Project Scope and Size, Utilization and Assurances

A) Criterion 1110.234 (a) - Size of Project

The applicant shall document that the physical space proposed for the project is necessary and appropriate.

The applicants are proposing to establish an 10-station dialysis facility. Pursuant to Section 1110, Appendix B of the HFSRB's rules, the State standard is 450-650 gross square feet per dialysis station for a total of 4,500 – 6,500 gross square feet for 10 dialysis stations. The total gross square footage of the proposed dialysis facility is 3,000 gross square feet or 300 GSF per station.

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

B) Criterion 1110.234 (b) - Project Services Utilization

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B.

By the second year of operation, annual utilization at the proposed facility shall exceed HFSRB's utilization standard of 80%. Pursuant to Section 1100.1430 of the HFSRB's rules, facilities providing in center hemodialysis should operate their dialysis stations at or above an annual utilization rate of 80%, assuming three patient shifts per day per dialysis station, operating six days per week. Dr. David McFadden, M.D. is currently treating 235 CKD patients that reside within the service area of the proposed facility, and whose condition is advancing to ESRD. Based upon attrition due patient death, transplant, return of function, or relocation, it is estimated that 20 of these patients within the first year and 25-30 patient annually thereafter. Based on these projections, it appears the applicant will be at 80% utilization two years after project completion.

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

C) Criterion 1110.234 (e) - Assurances

The applicants must attest that the proposed project will be at 80% utilization within two years after project completion and maintain the 80% utilization for the life of the facility.

The applicants have provided the necessary attestation that the proposed project will be at 80% utilization two years after project completion.

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

IX. Section 1110.1430 - In-Center Hemodialysis Projects

A) Criterion 1110.1430 (b) - Background of Applicant

An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. [20 ILCS 3960/6] "*Adverse Action*" means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. (77 IAC 1130.140)

The applicant has provided the necessary attestation that no adverse actions have occurred within the past 3 years and that the applicants have given the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health access to any and all information required to verify information contained in the application for permit. The applicants are in good standing with the State of Illinois and the site chosen for this project meets the requirements of Executive Order #2005-5 and the requirements of the Illinois State Agency Historic Resources Preservation (20 ILCS 3420, as amended, 17 IAC 4180)

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

B) Criterion 1110.1430 (c) - Planning Area Need

The applicant shall document that the number of stations to be established or added is necessary to serve the planning area's population, based on the following:

- 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**

Per the October 2015 ESRD Update, there is a calculated need for 29 additional ESRD stations in the HSA IX ESRD Planning Area. The applicants have identified 194

individuals in Stage 4 and 5 who reside within the service area of the proposed facility that will likely need ESRD services. Of these 194 patients 50 patients are projected to need dialysis service within the next 24 months.

TABLE THREE Patients within the service area of proposed facility		
City	Zip Code	Patients
Channahon	60410	10
Morris	60450	77
Seneca	61360	9
Mazon	60444	9
Marsailles	61341	16
Gardner	60424	8
Coal City	60416	18
Ottawa	60350	7
Wilmington	60481	5
Dwight	60420	5
Minooka	60447	12
Braidwood	60408	4
Streator	61364	2
LaSalle	61301	2
Kinsman	60437	2
Grand Ridge	61325	1
South Wilmington	60474	1
Leland	60531	1
Serena	60549	1
Sheridan	60551	1
Dolton	60418	1
Crist Hill	60403	1
Newark	60541	1
Total		194

It appears all of the patients will come from within the HSA IX ESRD Planning Area and there is sufficient demand as evidenced by the referral letter provided by Dr. McFadden. There is a documented need for additional stations in the planning area, and a shortage of stations in the service area due to the relocation of RCG Morris (#14-065). It appears the applicant has met the requirement for planning area need.

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

C) Criterion 1110.1430 (d) - Unnecessary Duplication/Maldistribution

- 1) The applicant shall document that the project will not result in an unnecessary duplication.**
- 2) The applicant shall document that the project will not result in maldistribution of services.**
- 3) Impact on Other Providers**

There are four facilities within 30 minutes of the proposed facility, with only one reporting operational capacity that reached the 80% target occupancy (see Table One). The ratio of stations to population within 30 minutes is 1 station per 2,976 individuals and the ratio of stations to the State of Illinois is 1 station per 3,066 individuals. However, there appears to be a potential for unnecessary duplication of service, due to substandard operational capacity at three of the four (75%) ESRD facilities within a 30-minute radius.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (77 IAC 1110.1430 (d))

D) Criterion 1110.1430 (f) - Staffing

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and Joint Commission staffing requirements can be met.

The State Board relies upon Medicare Conditions of Participation to assure that relevant clinical and professional staffing needs are met. The applicant will seek Medicare certification for this facility if approved.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION STAFFING (77 IAC 1110.1430 (f))

E) Criterion 1110.1430 (g) - Support Services

An applicant proposing to establish an in-center hemodialysis category of service must submit a certification from an authorized representative that attests to each of the following:

- 1) Participation in a dialysis data system;**
- 2) Availability of support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and**

- 3) **Provision of training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training provided at the proposed facility or the existence of a signed, written agreement for provision of these services with another facility.**

The applicant has provided the necessary attestation that the proposed facility will participate in a dialysis data system, will make support services available to patients, and will provide training for selfcare dialysis, self-care instruction, home/home-assisted dialysis, and home training through its own support programs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SUPPORT SERVICES (77 IAC 1110.1430 (g))

F) Criterion 1110.1430 (h) - Minimum Number of Stations

The minimum number of in-center hemodialysis stations for an End Stage Renal Disease (ESRD) facility is:

- 1) **Four dialysis stations for facilities outside an MSA;**
- 2) **Eight dialysis stations for a facility within an MSA.**

The proposed dialysis facility will be located in the Chicago-Joliet-Naperville metropolitan statistical area ("MSA"). A dialysis facility located within an MSA must have a minimum of eight dialysis stations. The applicant proposes to establish a 10-station dialysis facility.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION MINIMUM NUMBER OF STATIONS (77 IAC 1110.1430 (h))

G) Criterion 1110.1430 (i) - Continuity of Care

An applicant proposing to establish an in-center hemodialysis category of service shall document that a signed, written affiliation agreement or arrangement is in effect for the provision of inpatient care and other hospital services.

Affiliated Dialysis of Joliet, LLC has an agreement with Morris Hospital to provide inpatient care and other hospital services.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION CONTINUITY OF CARE (77 IAC 1110.1430 (i))

H) Criterion 1110.1430 (k) - Assurances

The applicant has attested that by the second year after project completion, Morris Dialysis expects to achieve and maintain 80% target utilization; and Morris Dialysis also

expects hemodialysis outcome measures will be achieved and maintained at the following minimums:

- Greater than or equal to 85% of hemodialysis patient population achieves urea reduction ratio (URR) greater than 65%; and,
 - Greater than or equal to 85% of hemodialysis patient population achieves Kt/V
- Daugirdas II .1.2

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

X. FINANCIAL

A) Criterion 1120.140 (a) - Availability of Funds

The applicant is funding this project with \$42,500 in cash and securities, \$267,000 from the fair market value of a lease, and a term loan totaling \$395,000. The applicant supplied a letter from Heartland Bank & Trust Company, Peoria, attesting to the possession of funds in excess of \$375,000 to cover expenses and financing.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 IAC 1120.120)

B) Criterion 1110.130 (b) - Financial Viability

The applicant is funding this project with \$42,500 in cash and securities, \$267,000 from the fair market value of a lease, and a term loan totaling \$395,000. The applicant supplied historical and projected financial viability data, with substandard historical data for Cash on Hand, and substandard projected data for Cash on Hand, and Cushion Ratio. See Table Four.

TABLE FOUR					
Financial Ratio Information					
Affiliated Dialysis of Joliet, LLC d/b/a Morris Dialysis					
Ratio	Standard	Historic			Projected
		2013	2014	2015	2017
Current Ratio	>=1.5	7.7	2.25	1.88	2.97
Net Margin Percentage	>=3.5%	64.78%	55.2%	56.8%	10.98%
Percent Debt to Total Capitalization	<=80%	N/A	N/A	N/A	72.8%
Days Cash on Hand	>=45	.27	94.2	89.9	17.2
Cushion Ratio	>=5	N/A	N/A	N/A	1.55

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO NOT BE IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130)

XI. ECONOMIC FEASIBILITY

A) Criterion 1110.140 (a) - Reasonableness of Financing Arrangements

B) Criterion 1110.140 (b) - Terms of Debt Financing

The applicant is funding this project with \$42,500 in cash and securities, \$267,000 from the fair market value of a lease, and a term loan totaling \$395,000. The applicant supplied sufficient attestation (application p. 126) attesting to the reasonableness of financing, and terms of debt financing. It appears the applicant has met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1140 (a), 77 IAC 1140.140 (b))

C) Criterion 1110.140 (c) - Reasonableness of Project Costs

Modernization and contingency costs are \$ \$55,000 or \$18.33 per GSF. This appears reasonable when compared to the State Board Standard of \$189.19 per GSF.

Contingency costs are \$5,000 and are 10% of modernization contracts. This appears reasonable when compared to the State Board Standard of 10-15%.

Movable or Other Equipment (Not in Construction Contracts) costs total \$350,000 or \$35,000 per station and include the following costs. The State Board standard is \$52,119 per station.

Fair Market Value of Leased Space and Equipment – These costs total \$267,000. The State Board does not have a standard for these costs.

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

D) Criterion 1110.140 (d) - Projected Operating Costs

The projected operating cost per treatment is \$391.72, per patient day. This appears reasonable when compared to previously approved projects.

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

E) Criterion 1110.140 (e) - Projected Capital Costs

The projected capital cost per treatment is \$215.85. This appears reasonable when compared to previously approved projects.

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

15-042 Morris Community Dialysis - Morris

