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:	BOARD MEETING:	PROJECT NO:	PROJECT COST:
H-05	May 10, 2016	16-009	Original: $2,399,308
FACILITY NAME: Collinsville Dialysis		CITY: Collinsville	
TYPE OF PROJECT: Substantive			HSA: XI

PROJECT DESCRIPTION: The applicants (DaVita HealthCare Partners, Inc. and Total Renal Care, Inc.) are proposing to establish an eight station (8) ESRD facility located at 101 Lanter Court, Building #2, in Collinsville, Illinois. The anticipated cost of the project is $2,399,308 and the anticipated completion date is November 30, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita HealthCare Partners, Inc. and Total Renal Care, Inc.) are proposing to establish an eight station (8) ESRD facility in 6,200 GSF of leased space located at 101 Lanter Court, Building #2, Collinsville, Illinois. The anticipated cost of the project is $2,399,308 and the anticipated completion date is November 30, 2017.
- There is currently an excess of 11 ESRD stations in HSA-11.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are proposing to establish a health care facility as defined by the Illinois Health Facilities Planning Act. (20 ILCS 3960/3)

PREVIOUSLY APPROVED PROJECTS IN THIS PLANNING AREA:

- 03/29/2016 - Fresenius Medical Care Belleville, Belleville, received permit to establish a 12 station ESRD facility at 6525 West Main Street in Belleville.

- 03/29/2016 - O'Fallon Dialysis, O'Fallon, received permit to establish a 12 station ESRD facility at 1941 Frank Scott Parkway E in O'Fallon.

- 02/16/2016 - DaVita Sauget Dialysis, Sauget, received permit to add 8 ESRD stations to an existing facility; facility now authorized for 24 ESRD stations.

SUMMARY OF THE PROJECT

- There is a calculated excess of (11) stations in the HSA XI ESRD Planning Area. There are eleven (11) facilities within thirty minutes of the proposed facility. Of these facilities, nine (9) are operational, and have an average utilization of approximately 74%. The applicants provided sufficient referral sources to justify establishment of an eight station facility. However, there are underperforming facilities in the planning area, and an excess of 11 ESRD stations.

PUBLIC HEARING/COMMENT:

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

CONCLUSIONS:

- The applicants addressed a total of twenty one (21) criteria and have been found non-compliant in the following areas:

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
1110.1430(c) Planning Area Need	There is a calculated excess of 11 ESRD stations in the planning area, and underutilized facilities in the service area.
1110.1430(d) Unnecessary Duplication/Maldistribution/Impact on Other Providers	There is a calculated excess of 11 ESRD stations in the planning area, and underutilized facilities in the service area.

STATE BOARD STAFF REPORT
Project #16-009
DaVita Collinsville Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	DaVita HealthCare Partners, Inc and Total Renal Care, Inc.
Facility Name	DaVita Collinsville Dialysis
Location	101 Lanter Court, Bldg #2, Collinsville, Illinois
Permit Holder	Total Renal Care, Inc.
Operating Entity	Total Renal Care, Inc.
Owner of Site	Lanter Business Park, LLC
Description	Establish eight (8) station ESRD facility
Total GSF	6,200 GSF
Application Received	February 18, 2016
Application Deemed Complete	February 19, 2016
Review Period Ends	June 17, 2016
Financial Commitment Date	November 30, 2017
Project Completion Date	November 30, 2017
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. Project Description

The applicants (DaVita HealthCare Partners, Inc. and Total Renal Care, Inc.) are proposing to establish an eight station (8) ESRD facility located at 101 Lanter Court, Collinsville, Illinois. The anticipated cost of the project is $2,399,308 and the anticipated completion date is November 30, 2017.

II. Summary of Findings

A. The State Board Staff finds the proposed project appears to **not** 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 2,179 dialysis centers throughout the United States. Total Renal Care, Inc is a California 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 Lanter Business Park, LLC. The proposed facility will be located at 101 Lanter Court, Building #2, Collinsville, Illinois in the HSA XI ESRD Planning Area. HSA XI ESRD Planning Area consists of the Illinois Counties of Clinton, Madison, Monroe, and St. Clair. There is a calculated excess of (11) ESRD stations in this planning area. This is a substantive

project subject to an 1110 and 1120 review. Obligation of the project will occur after permit issuance.

Table One below outlines the current DaVita Projects approved by the State Board and not yet completed.

TABLE ONE
Current DaVita Projects

Project Number	Name	Project Type	Completion Date
13-070	Belvidere Dialysis	Establishment	3/31/2016
14-020	Chicago Ridge Dialysis	Establishment	04/30/2016
14-042	Tinley Park Dialysis	Establishment	10/31/2016
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
15-025	South Holland Dialysis	Discontinuation/Establishment	10/31/2017
15-032	Morris Dialysis	Discontinuation/Establishment	04/30/2017
15-033	Lincoln Park Dialysis	Discontinuation/Establishment	04/30/2017
15-035	Montgomery Dialysis	Establishment	04/30/2017
15-048	Park Manor Dialysis	Establishment	02/28/2018
15-049	Huntley Dialysis	Establishment	02/28/2018
15-052	Sauget Dialysis	Expansion	08/31/2017
15-054	Washington Heights Dialysis	Establishment	09/30/2017
16-004	O'Fallon Dialysis	Establishment	09/30/2017

Source: Information provided by the Applicants

IV. Project Costs and Sources of Funds

The applicants are funding the project with cash of $1,859,455 and the FMV of leased space of $539,853. The operating deficit and start-up costs are $550,000.

TABLE TWO
Project Costs and Sources of Funds

	Reviewable	**Non Reviewable**	**Total**
Modernization	$710,000	$370,323	$1,080,323
Contingencies	$71,000	$37,000	$108,000
Architectural and Engineering Fees	$80,000	$12,000	$92,000
Consulting and Other Fees	$65,000	$15,000	$80,000
Movable or Other Equipment	$414,690	$84,442	$499,132
FMV of Leased Space	$361,353	$178,500	$539,853
Total	$1,702,043	$697,265	$2,399,308
Cash	$1,340,690	$518,765	$1,859,455
Leases	$361,353	$178,500	$539,853
Total	$1,702,043	$697,265	$2,399,308

Source: Application for Permit page 6

V. Purpose of the Project, Safety Net Impact Statement, and Alternatives

The information for these three criteria is informational only.

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

The applicants stated the following in part:
"The purpose of the project is to improve access to life sustaining dialysis services to the residents of Collinsville and the surrounding area. There are 9 dialysis facilities within 30 minutes of the proposed Collinsville Dialysis; collectively these facilities were operating at 77.25%, just below the State standard, as of December 31, 2015. Furthermore, patient census among the existing facilities within the Collinsville GSA has increased approximately 5% over the past two years. This growth is anticipated to continue to increase for the foreseeable future. The US Centers for Disease Control and Prevention estimates 10% of American adults have some level of CKD, and the National Kidney Fund of Illinois estimates over 1 million Illinoisans have CKD and most do not know it. Further, Dr. Kanungo's practice, St. Louis Nephrology and Hypertension, is currently treating 122 Stage 4 and 5 CKD patients who reside in the Collinsville GSA. Conservatively based upon attrition due to patient death, transplant, return of function, or relocation, Dr, Kanungo anticipates at least 42 of these patients will initiate dialysis at the proposed facility within 12 to 24 months following project completion. Based upon historical utilization trends, the existing facilities will not have sufficient capacity to accommodate Dr. Kanungo's projected referrals. The establishment of an 8-station dialysis facility will improve access to necessary dialysis treatment for those individuals in the Collinsville and surrounding area who suffer from ESRD. ESRD patients are typically chronically ill individuals and adequate access to dialysis services is essential to their well being."

B) Criterion 1110.230(b) – Safety Net Statement

The applicants provided a safety net statement at page eighty-six (86) of the application for permit. The applicants stated the following:

This criterion is required for all substantive and discontinuation projects. 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, is attached as attachment 40. As referenced in the report, DaVita led the industry in quality with 50% of its dialysis centers earning 4 or 5 stars in the federal Five Star ratings, compared to the 21% industry average DaVita also led the

industry in Medicare's Quality Incentive Program, ranking #1 in three out of four clinical measures and receiving the fewest penalties. 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. The proposed project will not impact the ability of other health care providers or health care systems to cross-subsidize safety net services. The utilization of existing dialysis facilities within the Collinsville GSA is 77.25 %. There are 122 patients from Dr. Kanungo's practice suffering from Stage 3, 4, or 5 CKD. Dr. Kanungo anticipates 42 of these patients will be referred to the proposed Collinsville Dialysis within 12 to 24 months of project completion. As such, the proposed facility is necessary to allow existing facilities to operate at their optimum capacity while at the same time accommodating the growing demand for dialysis services. Accordingly, the proposed dialysis facility will not impact other general health care providers' ability to cross-subsidize safety net services. Further patient census in the Collinsville GSA has increased by approximately 5% in each of the past two years, and this growth is expected to continue for the foreseeable future. The U.S. Centers for Disease Control and Prevention estimates 10% of American adults have some level of CKD and the National Kidney Fund of Illinois estimates over 1 million Illinoisans have CKD and most do not know it. As more working families obtain health insurance through the ACA and 1.5 million Medicaid beneficiaries transition from traditional fee for service Medicaid to Medicaid managed care, more individuals in high risk groups will have better access to primary care and kidney screening. As a result of these health care reform initiatives, there will likely be tens of thousands of newly diagnosed cases of CKD in the years ahead. Once diagnosed, many of these patients will be further along in the progression of CKD due to the lack of nephrologist care prior to diagnosis. It is imperative that enough stations are available to treat this new influx of ESRD patients, who will require dialysis in the next couple of years. (see Application for Permit pages 165-166)

TABLE THREE			
DaVita Healthcare Partners, Inc. Illinois Facilities Safety Net Impact			
	2012	**2013**	**2014**
Net Patient Revenue	$228,403,979	$228,115,132	$266,319,949
CHARITY CARE			
Charity (# of patients)	152	187	146
Amount of Charity Care (charges)	$1,199,657	$2,175,940	$2,477,363
Charity (cost In dollars)	$1,199,657	$2,175,940	$2,477,363
% Charity Care to Net Revenue	0.05%	0.08%	0.09%
MEDICAID			
Medicaid (# of patients)	651	679	708

TABLE THREE			
DaVita Healthcare Partners, Inc. Illinois Facilities Safety Net Impact			
	2012	**2013**	**2014**
Medicaid (revenue)	$11,387,229	$10,371,416	$8,603,971
% Medicaid to Net Revenue	0.40%	0.40%	0.30%
Source: Pages 166 and 178 of the Application for Permit			

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

The applicants looked at one other option to the proposed project which was utilizing existing facilities within the HSA XI ESRD planning area. The applicants stated the following:

Maintain The Status Quo/Do Nothing
The applicants considered this option. Dr. Kanungo and his partner currently round at five different ESRD facilities in the Collinsville GSA, and all are experiencing high utilization. Due to this high utilization, the applicants rejected this alternative, citing an inability to accommodate the 42 proposed patients expected to need dialysis in the next 12 to 24 months. There were no costs with this alternative.

Utilize Existing Facilities.
The applicants identified nine ESRD facilities within a 30-minute travel radius of Collinsville Dialysis. The applicants note that all of these facilities are highly utilized, and the 42 pre-ESRD patients identified by Dr. Kanungo's practice as referral patients have nowhere to go. Because these existing facilities lack sufficient capacity to serve these patients, the applicants rejected this alternative. **The applicants identified no project costs with this alternative.**

Establish a New Facility
"As noted above, there are currently 42 stage 4 and 5 CKD patients who are under the care of Dr. Kanungo, who live in the GSA for the proposed Collinsville Dialysis facility, who will likely initiate dialysis within 2 years of project completion. The applicants claim the establishment of a 8-station dialysis facility will improve access to necessary dialysis treatment for those individuals in and around Collinsville who suffer from ESRD. ESRD patients are typically chronically ill individuals and adequate access to dialysis services is essential to their well-being. As a result, DaVita chose this option." **The applicants identified a cost of $2,399,308 for this alternative**.

VI. Project Size, Projected Utilization, Assurances

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

The applicants are proposing 4,150 GSF of clinical space (6,200 GSF total), to house twelve (8) stations or 518 GSF per station. This appears reasonable when compared to the State Board Standard of 360-520 GSF per station. (*See page 108 of the application for permit).*

B) Criterion 1110.234 (b) – Projected Utilization

The applicants are estimating providing dialysis to forty two (42) patients in eight (8) stations or 6,552 treatments per year or a utilization rate of 87.5% by the second year after project completion. *(See page 109 of the Application for Permit)*

8 stations x 936 treatments per station per year = 7,488 total capacity/ 3 shifts per day
42 estimated patients x 156 treatment per year = 6,552 treatments
6,552/7,488 = 87.5% utilization by second year after project completion

C) Criterion 1110.234 (e) - Assurances

The applicants provided the necessary assurance that the proposed eight (8) station facility will not include unfinished (shell) space. This criterion is inapplicable.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT, PROJECTED UTILIZATION, AND ASSURANCES (77 IAC 1110.234 (a) (b) (c))

VII. In Center Dialysis Center

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

Assistant Arturo Sida, Corporate Secretary DaVita Healthcare Partners, Inc. attested: *"I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that no adverse action as defined in 77 IAC 1130.140 has been taken against any in-center dialysis facility owned or operated by DaVita HealthCare Partners Inc. or Total Renal Care, Inc. in the State of Illinois during the three year period prior to filing this application.*

Additionally, pursuant to 77 Ill. Admin. Code § l110.230(a)(3)(C), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for permit. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for permit." *(See pages 100-101 of the application for permit)*

The site of the proposed dialysis facility complies with the requirements of Illinois Executive Order *#2006*-5 *(See Application for Permit 41-45)* and the proposed site is compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS 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

There is a calculated excess of eleven (11) ESRD stations in the HSA XII ESRD Planning area by CY 2018. The referring physician Dr. Sriraj Kunango's practice, St. Louis Nephrology & Hypertension, is currently treating 122 Stage 3, 4, and 5 CKD patients. One hundred twenty two (122) patients reside within thirty (30) minutes of the proposed Collinsville Dialysis. Conservatively based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Kunango anticipates that at least forty two (42) of these patients will initiate dialysis at the proposed facility within 12 to 24 months following project completion. The table below documents the zip code and city of the projected referrals to the proposed facility.

TABLE FOUR
Zip Code and City of Estimated Referrals

Zip Code	City	Referrals
62001	Alhambra	5
62018	Cottage Hills	1
62025	Edwardsville	18
62034	Glen Carbon	12
62040	Pontoon Beach	14

TABLE FOUR Zip Code and City of Estimated Referrals		
Zip Code	**City**	**Referrals**
62060	Madison	1
62061	Marine	1
62062	Maryville	6
62203	East St. Louis	41
62204	East St. Louis	1
62206	Cahokia	15
62208	Fairview Heights	1
62221	Belleville	1
62223	Belleville	1
62232	Caseyville	4
62234	Collinsville	32
62249	Highland	5
62254	Lebanon	2
62269	O'Fallon	1
62294	Troy	12
Total		122
Source: Application for Permit page 113		

There are ten (10) dialysis facilities within thirty (30) minutes of the proposed Collinsville Dialysis, with two reporting no utilization data, due to their recent approval from the IHFSRB. Collectively, these facilities were operating at 74.05% as of December 31, 2015 (see Table Five below). The State Board Staff notes an increase in utilization at the eight (8) existing facilities in the established service area, but notes there being an excess of stations in the planning area, due in part to the approval of Fresenius Medical Care Belleville (Project #15-062), and DaVita O'Fallon Dialysis (Project #16-004), at the March 2016 IHFSRB Meeting. There is a calculated excess of 11 stations in the planning area, and only two of the ten facilities (20%) in the GSA for the proposed facility are operating in excess of the State standard (80%), resulting in a negative finding for this criterion

TABLE FIVE Facilities within thirty (30) minutes of Proposed Facility					
Facility	**Ownership**	**City**	**Stations**	**Minutes** (1)	**Utilization** (2)
Sauget Dialysis	Davita	Sauget	24	13	60.4%
Maryville Dialysis	DaVita	Maryville	14	13	72.6%
Granite City Dialysis	Davita	Granite City	20	14	72.5%
Fresenius Medical Care Regency Park	Fresenius	O'Fallon	20	17	85.8%
Shiloh Dialysis	DaVita	Shiloh	12	17	80.5%
Fresenius Medical Care Belleville*	Fresenius	Belleville	12	18	0%
O'Fallon Dialysis*	DaVita	O'Fallon	12	19	0%
Edwardsville Dialysis	DaVita	Edwardsville	8	19	77%
Renal Care of Illinois/Metro East Dialysis	DaVita	Belleville	36	20	78.7%
Fresenius Medical Care Southwestern Illinois	Fresenius	Alton	19	21	64.9%
Alton Dialysis	DaVita	Alton	14	22	71.4%
Total Stations/Average			191		73.55%

*Project approved at the March 2016 IHFSRB Meeting/Facility under construction
^Average utilization taken among the 8 operational facilities.
1.Time determined by MapQuest
2. Utilization as of December 31, 2015

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

C) Criterion 1110.1430 (d) (1) (2) (3) – Unnecessary Duplication of Service/Mal-Distribution of Service/Impact on Other Facilities

The applicants reported a ratio of stations to population in the area to be 1 station/3,197 residents. This is above the State Standard of 1 station/3,001 residents. However, due to the recent approval of 2 ESRD facilities in HSA-XI, there is an excess of 11 stations, which suggests the incorporation of additional stations may contribute to unnecessary duplication of service. These excess stations, combined with 8 of ten facilities in the 30-minute service area operating beneath the State Board standard of 80%, lend to Mal-distribution of service, and will likely have a negative impact on the other area facilities.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE/MALDISTRIBUTION OF SERVICE/IMPACT ON OTHER FACILITIES (77 IAC 1110.1430 (d) (1) (2) (3))

D) Criterion 1110.1430 (f) - Staffing

The facility will be Medicare certified and will be appropriately staffed in accordance with Medicare and State requirements. The facility will be an open medical staff facility. Curriculum Vitae was provided for the medical director as required. *See pages 121-130 of the Application for Permit*

E) Criterion 1110.1430 (g) - Support Services

DaVita utilizes an electronic dialysis data system. The proposed facility will have available all needed support services required by CMS which may consist of clinical laboratory services, blood bank:, nutrition, rehabilitation, psychiatric services, and social services; and patients, either directly or through other area DaVita facilities, will have access to training for self-care dialysis, self-care instruction, and home hemodialysis and peritoneal dialysis. *(See page 131-133 of the Application for Permit).*

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

The proposed dialysis facility will be located in the St Louis - St. Charles - Farmington metropolitan statistical area. A dialysis facility located within an

MSA must have a minimum of eight dialysis stations. The applicants propose to establish an 8-station dialysis facility.

G) Criterion 1110.1430 (i) – Continuity of Care

DaVita HealthCare Partners Inc. has an agreement with the Anderson Hospital, Maryville, to provide inpatient care and other hospital services. *(See page 135-143 of the Application for Permit).*

H) Criterion 1110.1430 (k) - Assurances

The applicants have provided the necessary assurance that the facility will be at target occupancy within 2 years of project completion and meet the quality standards of the State Board. (*See pages 146-147 of the Application for Permit).*

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

VIII. FINANCIAL VIABILITY

A) Criterion 1120.120 - Availability of Funds

The applicants are funding this project with cash and securities totaling $1,859,455, the fair market value of leased space of $539,853. A review of the applicants' 2014 10-K statement (submitted with application #15-020) indicates sufficient resources are available to fund the project.

TABLE SIX
DaVita Healthcare Partners, Inc.
(Dollars in thousands)
31-Dec-14

	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

Source: DaVita Healthcare Partners, Inc. 2014 10K

TABLE SEVEN
DaVita Healthcare Partners, Inc.
Credit Rating

	Standard & Poor's	Moody's	Fitch [1]
Corporate credit rating	BB	Ba3	
Outlook	stable	stable	
Secured debt	BB	Ba1	
Unsecured debt	B+	B1	

Source: The Applicant
1. *Davita is not followed by Fitch*

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.

XI. ECONOMIC FEASIBILITY

A) Criterion 1120.140 (a) – Reasonableness of Financing Arrangements
B) Criterion 1120.140 (b) – Terms of Debt Financing

The applicants provided a Letter of Intent to lease the property located at 101 Lanter Court, Building 2, Collinsville, Illinois. The landlord is Lanter Business Park, LLC and the tenant is Total Renal Care. The lease is for 6,200 Rentable Square Feet (RSF). The primary term of the lease is ten (10) years. The base rent for one year is $12.00/SF with rent escalation occurring at 2% annually. The tenant will be responsible for paying standard NNN expenses including Taxes, Insurance and CAM (Common Area Maintenance Charges), and the applicants were given an 8% discount. *(See Application for Permit pages 149-153)*

TABLE EIGHT
Fair Market Value of the Lease for Collinsville Dialysis

	Annual Rent	Discount Factor	Present Value of Rent	Clinical	Non-Clinical
2018	$74,400	0.9259	$68,887	$46,110	$22,777
2019	$75,888	0.8573	$65,059	$43,547	$21,511
2020	$77,406	0.7938	$61,445	$41,128	$20,316
2021	$78,954	0.7350	$58,031	$38,843	$19,188
2022	$80,533	0.6806	$54,811	$36,688	$18,123
2023	$82,144	0.6302	$51,767	$34,650	$17,116
2024	$83,786	0.5835	$48,889	$32,724	$16,165
2025	$85,462	0.5403	$46,175	$30,908	$15,268
2026	$87,171	0.5002	$43,603	$29,186	$14,417
2027	$88,915	0.4632	$41,185	$27,568	$13,618
FMV of Lease			**$539,852**	**$361,353**	**$178,500**

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

Only clinical costs are reviewed.

Modernization and Contingencies Costs are $781,000 or $188.19 per GSF for 4,150 GSF. This appears reasonable when compared to the State Board Standard of $189.19 per GSF.

Contingencies Costs are $71,000 and are 10% of the modernization costs of $710,000. This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural Fees are $80,000 and are 10.2% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 7.18-10.78%%.

Consulting and Other Fees are $65,000. The State Board does not have a standard for this cost.

Movable of Other Equipment is $414,690 or $51,836 per station (8 stations). This appears reasonable when compared to the State Standard of $52,119 per station.

Fair Market Value is $361,353. The State Board does not have a standard for this cost.

D) Criterion 1120.140 (d) - Direct Operating Costs

Direct operating costs per treatment is $228.94. This appears reasonable when compared to previously approved projects. (*See page 163 of the application for permit.)*

E) Criterion 1120.140 (e) – Projected Capital Costs

Capital Costs per treatment are expected to be $23.96 per treatment. This appears reasonable when compared to previously approved projects. *(See page 164 of the application for permit.)*

16-009 DaVita Collinsville Dialysis - Collinsville