



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-01	BOARD MEETING: June 21, 2016	PROJECT NO: 16-015	PROJECT COST: Original: \$3,140,963
FACILITY NAME: Forest City Rockford Dialysis		CITY: Rockford	
TYPE OF PROJECT: Substantive			HSA: I

PROJECT DESCRIPTION: The applicants (DaVita HealthCare Partners, Inc. and Machesney Bay, LLC) are proposing to establish a twelve station (12) ESRD facility located at 4103 West State Street, Rockford, Illinois. The cost of the project is \$3,140,963 and the completion date is June 30, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita HealthCare Partners, Inc. and Machesney Bay, LLC) are proposing to establish a twelve station (12) ESRD facility located at 4103 West State Street, Rockford, Illinois. The cost of the project is \$3,140,963 and the completion date is June 30, 2018.

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)

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.

CONCLUSIONS:

- There is a calculated need for nine (9) stations in the HSA I ESRD Planning Area, per the May 11, 2016 ESRD Inventory Update. The number of stations requested [12 stations] by the applicants exceeds the calculated need of nine (9) stations. Given the compounded annual growth rate of 4.67% for the period 2012-2015 in ESRD patients in this planning area we believe the three (3) additional stations are appropriate and reasonable. There is a total of six (6) facilities within thirty minutes; four (4) of the facilities are operating at 94.30%. The remaining two (2) facilities [both owned by DaVita Healthcare Partners, Inc.] are not yet operational, but both facilities have a different patient population than the proposed facility. Based upon the number of pre ESRD patients [110 pre ESRD patients] within ten (10) minutes of the proposed facility, there appears to be sufficient demand for the proposed facility and it appears the proposed project will serve the residents of the planning area and improve service accessibility. There does not appear to be a surplus of stations in the 30 minute service area when compared to the State of Illinois stations to population ratio. Finally, it does not appear that the proposed facility will have an adverse impact on other facilities because the patients identified for this project are not receiving dialysis at any other facilities in the planning area. Sufficient funds are available for the project and the project costs are reasonable when compared to the State Board Standards.
- The applicants addressed a total of twenty one (21) criteria and have successfully addressed them all.

STATE BOARD STAFF REPORT
Project #16-015
DaVita Forest City Rockford Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	DaVita HealthCare Partners, Inc and Machesney Bay, LLC
Facility Name	DaVita Forest Park Rockford Dialysis
Location	4103 West State Street, Rockford, Illinois
Permit Holder	Machesney Bay, LLC
Operating Entity	Machesney Bay, LLC
Owner of Site	Dyn Commercial Holdings, LLC
Description	Establish twelve (12) station ESRD facility
Total GSF	6,700 GSF
Application Received	April 1, 2016
Application Deemed Complete	April 8, 2016
Review Period Ends	August 6, 2016
Financial Commitment Date	Upon Permit Issuance
Project Completion Date	June 30, 2018
Review Period Extended by the State Board Staff?	Yes
Can the applicants request a deferral?	Yes

I. Project Description

The applicants (DaVita HealthCare Partners, Inc. and Machesney Bay, LLC) are proposing to establish a twelve station (12) ESRD facility located at 4103 West State Street, Rockford, Illinois. The anticipated cost of the project is \$3,140,963 and the anticipated completion date is June 30, 2018.

II. Summary of Findings

- A. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are DaVita HealthCare Partners Inc. and Machesney Bay, LLC. As of December 31, 2015, DaVita Healthcare Partners, Inc. operated or provided administrative services to a total of 2,251 U.S. outpatient dialysis centers. Machesney Bay, LLC is a Delaware Corporation licensed to conduct business in the State of Illinois and is currently in good standing with the State of Illinois. The operating entity is Machesney Bay, LLC. and the owner of the site is Dyn Commercial Holdings, LLC. The proposed facility will be located at 4103 West State Street, Rockford, Illinois in the HSA I ESRD Planning Area.

HSA I ESRD Planning Area consists of the Illinois Counties of Boone Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago Counties. There is a calculated need for nine (9) 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	9/30/2016
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	9/30/2017
16-016	Jerseyville Dialysis	Add One Station	6/30/2017

IV. Project Costs and Sources of Funds

The applicants are funding the project with cash of \$2,020,639 and the FMV of leased space of \$1,120,324. The operating deficit and start-up costs are \$1,338,019.

TABLE TWO Project Costs and Sources of Funds			
	Reviewable	Non Reviewable	Total
New Construction	\$1,211,052	\$0	\$1,211,052
Contingencies	\$110,000	\$0	\$110,000
Architectural and Engineering Fees	\$103,700	\$0	\$103,700
Consulting and Other Fees	\$76,000	\$0	\$76,000
Movable or Other Equipment	\$519,887	\$0	\$519,887
FMV of Leased Space	\$1,120,324	\$0	\$1,120,324
Total	\$3,140,963	\$0	\$3,140,963
Cash			\$2,020,639
Leases			\$1,120,324
Total			\$3,140,963

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 the West side of Rockford. There are 4 dialysis facilities within 30 minutes of the proposed Forest City Rockford Dialysis; collectively the 4 facilities were operating at 93.8 % as of December 31, 2015, and lack sufficient capacity to accommodate ESRD patients Dr. Murdakes projects will need dialysis. Based upon data from the Renal Network, there were 463 ESRD patients residing within 30 minutes of the proposed Forest City Rockford Dialysis, and that number is expected to increase. Dr. Charlene Murdakes' practice, RNA of Rockford, LLC, is currently treating 3,105 pre ESRD patients that reside within 30 minutes of the proposed site for Forest City Rockford Dialysis. 110 Stage 4 or Stage 5 patients reside in 3 nearby zip codes, all within 10 minutes of the proposed facility. Conservatively, that based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Murdakes anticipates that at least 68 of the current 110 Stage 4 or Stage 5 CKD patients that reside within 10 minutes of the proposed site will require dialysis within 12 to 24 months of project completion. The establishment of a 12-station dialysis facility will improve access to necessary dialysis treatment for those individuals on the west side of Rockford who suffer from ESRD. ESRD patients are typically chronically ill individuals and adequate access to dialysis services is essential to their well-being. Residents of the west side of Rockford are economically disadvantaged. 37.5% of the residents live below the federal poverty level, compared with 14.4% of total Illinois residents. Low income residents often face financial barriers to healthcare and lack adequate access to primary care and kidney care screening. As a result, many of these patients are not diagnosed with CKD until the late stages when it can be too late to reverse the damage.(For a complete discussion see pages 68-70 of the application for permit.)

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, was previously included as part of Applicants' application for Proj. No. 16-009. As referenced in the report, DaVita led the industry in quality , with 50% of

its dialysis centers earning four or five stars in the federal Five-Star ratings, compared with the 21% industry average. The proposed facility will not impact the ability of other healthcare providers or healthcare systems to cross subsidize safety net services. The utilization of existing dialysis facilities operating for over two years and within 30 minutes of the proposed Forest City Rockford Dialysis is 93.8%. There are 3,105 patients from Dr. Murdakes' practice suffering from Stage 3,4, or 5 CKD that reside within 30 minutes of the proposed Forest City Rockford Dialysis. 110 of the Stage 4 or 5 CKD patients reside in there nearby zip codes, within 10 minutes of the proposed facility. At least 68 of these patients will be expected to commence dialysis treatment within 12 to 24 months of project completion. AS such the proposed facility is necessary to allow the existing facilities to operate at a more 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. [See Application for Permit pages 133-134]

TABLE THREE			
DaVita Healthcare Partners, Inc. Illinois Facilities			
Safety Net Impact			
	2013	2014	2015
Net Patient Revenue	\$228,115,132	\$266,319,949	\$311,351,089
CHARITY CARE			
Charity (# of patients)	187	146	109
Charity (cost In dollars)	\$2,175,940	\$2,477,363	\$2,791,566
% Charity Care to Net Revenue	.9%	.9%	.8%
MEDICAID			
Medicaid (# of patients)	679	708	422
Medicaid (revenue)	\$10,371,416	\$8,603,971	\$7,381,390
% Medicaid to Net Revenue	4.5%	3.2%	2.3%
<i>Source: Page 133-134 Application for Permit</i>			

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:

There are 4 dialysis facilities within 30 minutes of the proposed Forest City Rockford Dialysis facility, that have been operational for at least the last two years. Collectively these facilities were operating at 93.8% as of December 31, 2015. Three of the existing facilities are operating below the State Board's 80% standard and cannot accommodate all of Dr. Dalal's projected referrals. Furthermore, over the past three years, patient census at existing facilities within the proposed O'Fallon Dialysis' GSA has increased nearly 13% (or 4.3% annually) from 490 patients as of September 30, 2012 to 553 patients as of September 30, 2015. And lack sufficient capacity to accommodate the ESRD patients that Dr. Murdakes project will need dialysis services. Based upon data from the Renal Network, there were 463 ESRD patients residing within 30 minutes of the

proposed Forest City Rockford Dialysis, and that number is expected to increase. Charlene Murdakes practice is currently treating 3,105 Stage 3, 4, and 5 CKD patients that reside within 30 minutes of the proposed site for Forest City Rockford Dialysis. 110 of the Stage 4 and 5 patients reside in three zip codes located within 10 minutes of the proposed facility. Conservatively, based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Murdakes anticipates at least 68 of the current 110 Stage 4 and 5 CKD patients residing within the 10 minutes of the proposed site will require dialysis within 12 to 24 months of project completion. [See Application for Permit page 73]. The applicants chose the option to establish a new facility, based on the high utilization at existing facilities.

VI. Project Size, Projected Utilization, Assurances

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

To demonstrate compliance with this criterion the applicants must provide evidence that the proposed facility meets the State Board Gross Square Footage Standard outlined in 77 IAC 1110 Appendix B.

The applicants are proposing 6,700 GSF of space to house twelve (12) stations or 558 GSF per station. This appears reasonable when compared to the State Board Standard of 450-650 BGSF per station. [Source Page 75 of the application for permit].

B) Criterion 1110.234 (b) – Projected Utilization

To demonstrate compliance with this criterion the applicants must provide evidence that the proposed facility meets the State Board Utilization Standard outlined in 77 IAC 1110 Appendix B.

The applicants are estimating providing dialysis to sixty eight (68) patients in twelve (12) stations or 9,204 treatments per year or a utilization rate of 81.9% by the second year after project completion.

12 stations x 936 treatments per station per year = 11,232 total capacity/ 3 shifts per day
68 estimated patients x 156 treatment per year = 10,608 treatments
 $10,608/11,232 = 94.4\%$ utilization by second year after project completion
[Source: Page 76 of the Application for Permit]

C) Criterion 1110.234 (e) - Assurances

To demonstrate compliance with this criterion the applicants must provide assurance that the proposed project will achieve and maintain target occupancy of eighty percent [80%] within two years after project completion.

The applicants provided the necessary assurance that the proposed twelve (12) station facility will be at the target occupancy of eighty percent (80 %) by the second year after project completion. [See page 111 of the Application for Permit]

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

Arturo Sida, Assistant 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 § 1110.230(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 67-68 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 42-45] and the proposed site is in compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.).

Additionally Dr. Charlene Murdakes is licensed in the State of Illinois and has never been disciplined. [<https://ilesonline.idfpr.illinois.gov/DPR/Lookup/LicenseLookup.aspx>]

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

To determine compliance with this criterion the applicants must provide documentation that:

1. there is a calculated need for ESRD stations;
2. the proposed facility will serve the residents of the planning area;
3. that there is demand for the stations; and,
5. service accessibility will be improved

There is a calculated need for nine (9) ESRD stations in the HSA I ESRD Planning area by CY 2018. The referring physician Dr. Charlene Murdakes' practice, "RNA of Rockford, LLC," is currently treating 3,105 Stage 3, 4, and 5 CKD patients. One hundred ten (110) patients reside within ten (10) minutes of the proposed Forest City Rockford Dialysis. Conservatively based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Murdakes anticipates that at least sixty eight (68) 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
61101	Rockford	48
61102	Rockford	44
61103	Rockford	18
Total		110
<i>Source: Application for Permit page 78</i>		

There are six (6) dialysis facilities within thirty (30) minutes of the proposed Forest City Rockford Dialysis. Collectively these facilities were operating at 62.87% as of March 31, 2016 (see Table Five below). The State Board Staff notes two facilities are currently in their “ramp up” phase, and reporting no utilization data. If the utilization data was tabulated of the four operational facilities, the average operational capacity would be 94.30%.

The number of stations requested [12 stations] by the applicants exceeds the calculated need of nine (9) stations. Given the compounded annual growth rate of 4.67% for the period 2012-2015 in ESRD patients in this planning area the three (3) additional stations are appear appropriate. Additionally based upon the information provided in the application for permit it appears the proposed facility will serve the residents of the planning area, that there is sufficient demand for the proposed project and service accessibility will be improved.

TABLE FIVE					
Facilities within thirty (30) minutes of Proposed Facility					
Facility	Ownership	City	Stations	Minutes (1)	Utilization (2)
Stonecrest Dialysis	Fresenius	Rockford	11	9.2	95.45%
DaVita Rockford Dialysis	DaVita	Rockford	22	4	89.39%
Roxbury Dialysis	Davita	Rockford	16	17.2	108.33%
Churchview Dialysis	Davita	East Rockford	24	18.4	84.03%
Total Stations/Average			73		94.30%
Machesney Park Dialysis ^[3]	DaVita	Machesney Park	12	19.5	0.0% *
Belvidere Dialysis ^[4]	Davita	Belvidere	12	27.6	0.0*
Total Stations/Average			97		62.87%
<i>Source: Application for Permit page 81</i>					
1. Time determined by MapQuest					
2. Utilization as of March 31, 2016					
3. Permit #15-004 approved April 21, 2015 not yet operational					
4. Permit #13-070 approved March 11, 2014 Permit renewed completion date September 30, 2016					

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

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

To demonstrate compliance with this criterion the applicants must provide documentation that

1. Identifies all ESRD facilities within thirty [30] minutes of the proposed site;
2. Demonstrate that there is not a surplus of ESRD stations in this thirty minute service area; and
3. Demonstrate the proposed project will not impact other providers in the service area.

It does not appear there will be an unnecessary duplication of service with the proposed establishment of this facility because of the average utilization of the operational facilities within the thirty (30) minute service area exceeds the State Board standard of 80% [see Table Five above]. Additionally there is an annual compounded growth in this planning area of 4.67% for the period 2012-2015. This pattern of utilization has occurred historically, and it appears that the need for ESRD stations will increase in the future.

The ratio of stations to population in the thirty minute service area is one [1] station per every 3,299 individuals. The State of Illinois ratio is one [1] station per every 2,924 individuals. To have a surplus of stations in this thirty [30] minute service area the number of stations has to be 1.5 times the State of Illinois ratio. There is no surplus of stations in this thirty minute service area based upon this station to population ratio.

Per the applicants:

“The proposed dialysis facility will not have an adverse impact on existing facilities in the GSA. As discussed throughout this application, the utilization of existing dialysis facilities operating for over 2 years and within 30 minutes of the proposed Forest City Rockford Dialysis is 93.8%. No patients are expected to transfer from the existing dialysis facilities to the proposed Forest City Rockford Dialysis.

b. There are 4 existing dialysis facilities that have been operating for 2 or more years within the proposed 30 minute GSA for Forest City Rockford Dialysis. As of December 31, 2015, the 4 facilities were operating at an average utilization of 93.8%. Based upon data from The Renal Network, there were 463 ESRD patients residing within 30 minutes of the proposed Forest City Rockford Dialysis. This growth is anticipated to continue to increase for the foreseeable future. Due to health care reforms like the ACA and the transition 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 nephrologists 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. Accordingly, there will be insufficient capacity for Dr. Murdakes' projected ESRD patients.”

Based on our review of the information submitted the proposed facility will not result in an unnecessary duplication of service based upon the average utilization of the existing

operating facilities within 30 minutes of 94.30% and the compounded annual growth of 4.67% over the past four years. While there is two facilities not yet operational, these two facilities have identified a pre ESRD population that is different than the population this project aims to serve. There is no surplus of stations in this service area based upon our review of the information submitted by the applicants. Additionally we do not believe the proposed facility will impact other facilities in the planning area because different pre ESRD population and applicants assertion that no patients will transfer to the proposed new facility.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS 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

To demonstrate compliance with this criterion the applicants must provide documentation that the facility will be appropriately staffed.

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 86-95 of the Application for Permit]

E) Criterion 1110.1430 (g) - Support Services

To demonstrate compliance with this criterion the applicants must provide documentation that adequate support services will be available.

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. 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 96-98 of the Application for Permit].

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

To demonstrate compliance with this criterion the applicants must propose a minimum of eight [8] dialysis stations in an MSA.

The proposed dialysis facility will be located in the Rockford metropolitan statistical area. A dialysis facility located within an MSA must have a minimum of eight dialysis stations. The applicants propose to establish a 12-station dialysis facility.

G) Criterion 1110.1430 (i) – Continuity of Care

To demonstrate compliance with this criterion the applicants must provide a copy of a transfer agreement with a licensed hospital in the State of Illinois.

DaVita HealthCare Partners Inc. has an agreement with the Rockford Memorial Hospital to provide inpatient care and other hospital services. [See page 100-108 of the Application for Permit].

H) Criterion 1110.1430 (k) - Assurances

To demonstrate compliance with this criterion the applicants must provide assurance that the facility will be at target occupancy within two years after project completion and meet the quality standards of the State Board.

The applicants have provided the necessary assurance that the facility will be at target occupancy within two [2] years of project completion and meet the quality standards of the State Board. [See pages 111-112 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

To document compliance with this criterion the applicants must demonstrate that sufficient funds are available to complete the project.

The applicants are funding this project with cash and securities totaling \$2,020,639, and the fair market value of leased space of \$1,120,324. A review of the applicants' 2015 10-K statement (submitted with application #16-004) indicates sufficient resources are available to fund the project.

TABLE SIX DaVita Healthcare Partners, Inc. (Dollars in thousands) 31-Dec-15			
	2015	2014	2013
Cash	\$1,499,116	\$965,241	\$946,249
Current Assets	\$4,503,280	\$3,876,797	\$2,472,278
Current Liabilities	\$2,399,138	\$2,088,652	\$2,462,049
LTD	\$9,001,308	\$8,383,280	\$8,141,231
Net Patient Service Revenue	\$9,052,419	\$8,501,454	\$8,013,649
Total Revenue	\$13,781,837	\$12,795,106	\$11,764,050
Operating Expenses	\$12,611,142	\$10,979,965	\$10,213,916
Net Income	\$427,410	\$723,114	\$633,446
<i>Source: DaVita Healthcare Partners, Inc. 2015 10K</i>			

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	
<i>Source: The Applicant</i>			
<i>1. Davita is not followed by Fitch</i>			

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

To demonstrate compliance with the criteria the applicants must demonstrate that the financing is reasonable.

The applicants provided a Letter of Intent to lease the property located at 4103 West State Street, Rockford, Illinois. The landlord is Dyn Commercial Holdings, LLC and the tenant is Total Renal Care. The lease is for approximately, 6,700 of Rentable Square Feet (RSF) which includes 889 SF of common area. The primary term of the lease is ten (10) years. The base rent for one year is \$23.95/SF, with 10% increases every 5 years during the term of the lease. [See Application for Permit pages 114-123]

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

To demonstrate the applicants must provide documentation that the proposed project costs are reasonable when compared to the State Board Standards.

Only clinical costs are reviewed.

New Construction and Contingencies Costs are \$1,321,052 or \$197.17 per GSF for 6,700 GSF. This appears reasonable when compared to the State Board Standard of \$270.09 per GSF.

Contingencies Costs are \$110,000 and are 9% of the new construction costs of \$1,211,052. This appears reasonable when compared to the State Board Standard of 10%.

Architectural Fees are \$103,700 and are 7.8% of new construction and contingencies. This appears reasonable when compared to the State Board Standard of 6.6.4% to 9.8%.

Consulting and Other Fees are \$76,000. The State Board does not have a standard for this cost.

Movable of Other Equipment is \$519,887 or \$43,324 per station (12 stations). This appears reasonable when compared to the State Standard of \$52,119 per station.

Fair Market Value of Leased Space/Equipment is \$1,120,324. 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 \$176.33. This appears reasonable when compared to previously approved projects. [See page 131 of the application for permit.]

E) Criterion 1120.140 (e) – Projected Capital Costs

Capital Costs per treatment are expected to be \$17.01 per treatment. This appears reasonable and is consistent with projects of this type.. [See page 132 of the application for permit.]

16-015 DaVita Forest City Dialysis - Rockford

