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-04	September 13, 2016	16-023	Original: $4,237,705
FACILITY NAME: Irving Park Dialysis		CITY: Chicago	
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The applicants (DaVita HealthCare Partners, Inc. and Total Renal Care, Inc.) are proposing to establish a twelve station (12) ESRD facility located at 4343 North Elston Avenue, Chicago, Illinois. The cost of the project is $4,237,705 and the completion date is August 31, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita HealthCare Partners, Inc. and Total Renal Care, Inc.) are proposing to establish a twelve station (12) ESRD facility located at 4343 North Elston Avenue, Chicago, Illinois. The cost of the project is $4,237,705 and the completion date is August 31, 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 opposition were received by the State Board Staff. Letters of support were received from:
    - Alderman Margaret Laurino

CONCLUSIONS:

- There is a calculated need for fifty four (54) stations in the HSA VI ESRD Planning Area, per the June 24, 2016 ESRD Inventory Update. The number of stations requested [12 stations] will lessen the station need to 42 stations. 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 #16-023
DaVita Irving Park Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	DaVita HealthCare Partners, Inc and Total Renal Care, Inc.
Facility Name	DaVita Irving Park Dialysis
Location	4343 North Elston Avenue, Chicago, Illinois
Permit Holder	Total Renal Care, Inc.
Operating Entity	Total Renal Care, Inc.
Owner of Site	Clark Street Real Estate, LLC
Description	Establish twelve (12) station ESRD facility
Total GSF	6,950 GSF
Application Received	May 27, 2016
Application Deemed Complete	June 1, 2016
Review Period Ends	September 29, 2016
Financial Commitment Date	Upon Permit Issuance
Project Completion Date	August 31,2018
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes
Expedited Review?	Yes

I. Project Description

The applicants (DaVita HealthCare Partners, Inc. and Total Renal Care, Inc.) are proposing to establish a twelve station (12) ESRD facility located at 4343 North Elston Avenue, Chicago, Illinois. The anticipated cost of the project is $4,237,705 and the anticipated completion date is August 31, 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 Total Renal Care, Inc. 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. 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. Total Renal Care, Inc. is also the operating entity, and the owner of the site is Clark Street Real Estate, LLC. The proposed facility will be located at 4343 North Elston Avenue, Chicago, Illinois in the HSA VI ESRD Planning Area.

HSA VI ESRD Planning Area consists of the city of Chicago, where there is a current calculated need for fifty four (54) 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
16-015	Forest City Dialysis	Establishment	6/30/2018
16-016	Jerseyville Dialysis	Add One Station	6/30/2017
16-020	Collinsville Dialysis	Establishment	11/30/2017

IV. Project Costs and Sources of Funds

The applicants are funding the project with cash of $1,995,058 and the FMV of leased space of $2,242,647. The operating deficit and start-up costs are $1,708,587.

TABLE TWO
Project Costs and Sources of Funds

	Reviewable	Non Reviewable	Total
New Construction	$1,207,231	$0	$1,207,231
Contingencies	$110,000	$0	$110,000
Architectural and Engineering Fees	$106,450	$0	$106,450
Consulting and Other Fees	$55,000	$0	$55,000
Movable or Other Equipment	$516,377	$0	$516,377
FMV of Leased Space	$2,242,647	$0	$2,242,647
Total	$4,237,647	$0	$4,242,647
Cash			$1,995,058
Leases			$2,242,647
Total			$4,237,705

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

Purpose of 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 North Side of Chicago. Excluding the 2 facilities that are pediatric-specific, there are 59 dialysis facilities within 30 minutes of the proposed Irving Park Dialysis. Collectively the 59 facilities were operating at 71.3 % as of December 31, 2015, and lack sufficient capacity to accommodate Dr. No's projected ESRD patients. Based upon data from the Renal Network, there were 4,663 ESRD patients (or 23.9% of Illinois ESRD patients), residing within 30 minutes of the proposed Irving Park Dialysis, and that number is expected to increase. Dr. No M.D.'s practice, Kap J. No, M.D., S.C.,is currently treating 200 pre ESRD patients, with 141 CKD patients within 20 minutes of the proposed site of Irving Park Dialysis. Conservatively, that based upon attrition due to patient death, transplant, return of function, or relocation, Dr. No anticipates that at least 67 of these patients will initiate dialysis at the proposed facility 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 north side of Chicago who suffer from ESRD. ESRD patients are typically chronically ill individuals and adequate access to dialysis services is essential to their well-being. Per the 2010-2014 America Community Services 5-Year Estimates, the Chicago zip code of 60641 has 16% of its residents living below the Federal Poverty Level, compared with 14.4% of the total Illinois residents.(For a complete discussion see pages 99-100 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 2015 Community Care report, which details DaVita's commitment to quality, patient centric focus and community outreach, is attached . 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 adult ICHD facilities operating for over two years and within 30 minutes of the proposed Irving Park Dialysis is 71.3%. There are 200 patients from Dr. No's practice suffering from Stage 3,4, or 5 CKD. 141 patients reside within 20 minutes of the proposed site for Irving Park Dialysis. At least 67 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 page 178]

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%

Source: Page 133-134 Application for Permit

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

The applicants considered two options in reference to the proposed project. They are:

Utilize Existing Facilities
There are 61 dialysis facilities (two pediatric-specific), within a 30-minute radius of the proposed Irving Park Dialysis facility, operating a t a collective capacity of 71.3%. Based on this operational capacity, and the fact that 23.9% of the Illinois ESRD patient base resides within 30 minutes of the proposed facility, it was decided that the existing facilities were incapable of accommodating Dr. No's patient base, and this option was infeasible. The applicants identified no costs with this alternative.

Establish a New Facility
The applicants chose this option as most feasible, based on the utilization at existing facilities, the existing need for dialysis services in the GSA, and the projected need, based on population growth. The applicants determined the best alternative would be to establish 12 additional ESRD stations, in modernized, leased space. Project cost of this alternative: $4,237,705.

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 6,950 GSF of space to house twelve (12) stations or 579.1 GSF per station. This is in conformance with the State Board Standard of 450-650 BGSF per station. [Source Page 104 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 seven (67) patients in twelve (12) stations or 10,452 treatments per year or a utilization rate of 93% by the second year after project completion.

12 stations x 936 treatments per station per year = 11,232 total capacity/ 3 shifts per day
67 estimated patients x 156 treatment per year = 10,452 treatments
10,452/11,232 = 93% utilization by second year after project completion
[Source: Page 105 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 not include unfinished "shell" space.

The applicants provided the necessary assurance that shell space will not be incorporated in the spatial configuration of this project. [See page 107 of the Application for Permit]

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

VII. Criteria 1110.1430 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 § 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." [Application for Permit pages 67-68]

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. Gloria No, M.D. 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 THE APPLICANTS (77 IAC 1110.1430 (b) (1) (3)

B) Criterion 1110.1430 (c)(1), (2), (3), and (5) - Planning Area Need/Service to Planning Area Residents/Establishment of Category of Service/Service Accessibility

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 54 (54) ESRD stations in the HSA VI ESRD Planning area by CY 2018. The referring physician Dr. Gloria No's practice is currently treating 200 Stage 3, 4, and 5 CKD patients. One hundred forty one (141) patients reside within twenty (20) minutes of the proposed Irving Park Dialysis. Conservatively based upon attrition due to patient death, transplant, return of function, or relocation, Dr. No anticipates that at least sixty seven (67) 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	Patients	Zip Code	Patients
60053	1	60076	3
60077	5	60610	1
60613	5	60614	2
60618	17	60622	2
60625	37	60630	12
60631	1	60634	2
60639	2	60641	8
60646	14	60647	2
60651	1	60657	3
60659	17	60706	2
60707	2	60712	2
Total			141
Source: Application for Permit page 109			

There are sixty five (65) dialysis facilities within thirty (30) minutes of the proposed Irving Park Dialysis. Collectively these facilities were operating at 62.87% as of June 30, 2016 (see Table Five below). The State Board Staff notes nine facilities reported zero utilization data for this quarter, which may indicate they're in their "ramp up" phase, and reporting no utilization data.

The number of stations requested [12 stations] by the applicants is within the current station need for the service area. Given the compounded annual growth rate of 4.67% for the period 2012-2015 in ESRD patients in this planning area, the twelve (12) additional

stations appear appropriate. Additionally based upon the information provided in the application for permit 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]
FMC North Kilpatrick	Fresenius	Chicago	28	3	80.36%
Logan Square Dialysis	DaVita	Chicago	28	6	74.4%
FMC Northcenter	Fresenius	Chicago	16	6	67.7%
Nephron Dialysis Swedish Covenant		Chicago	16	7.5	95.8%
FMC Logan Square	Fresenius	Chicago	12	7.5	59.7%
FMC West Belmont	Fresenius	Chicago	17	8.7	82.3%
Big Oaks Dialysis	DaVita	Niles	12	11.2	48.6%
Resurrection Medical Ctr.		Chicago	14	11.2	0.0%
Center for Renal Replacement		Lincolnwood	16	12.5	70.8%
Lincoln Park Dialysis Ctr.	DaVita	Chicago	22	12.5	68.1%
TRC Children's Dialysis		Chicago	8	12.5	0.0%
FMC West Willow	Fresenius	Chicago	12	10	51.3%
FMC Uptown	Fresenius	Chicago	12	13.7	85.7%
FMC Chicago Dialysis Ctr.	Fresenius	Chicago	21	13.7	51.5%
Circle Medical Mgmt.		Chicago	27	13.7	0.0%
FMC Northwest	Fresenius	Norridge	16	15	79.1%
FMC West Metro	Fresenius	Chicago	12	15	243%
Loop Renal Ctr.	DaVita	Chicago	28	15	60.7%
FMC Polk Street	Fresenius	Chicago	24	15	44.4%
FMC Northwestern University	Fresenius	Chicago	42	15	54.3%
Monteclare Dialysis Ctr.	DaVita	Chicago	16	16.2	98.9%
FMC Skokie	Fresenius	Skokie	14	16.2	67.8%
Stroger Hospital of Cook County		Chicago	9	16.2	27.7%
Garfield Kidney Ctr.	DaVita	Chicago	16	16.2	103.1%
FMC Lakeview	Fresenius	Chicago	14	16.2	65.4%
U of I Hospital Dialysis		Chicago	26	17.5	87.8%
FMC Humboldt Park	Fresenius	Chicago	34	17.5	0.0%
DaVita Westside Dialysis	DaVita	Chicago	12	17.5	33.3%
Rush University St. Luke's Med. Ctr.		Chicago	6	17.5	0.0%
FMC Rogers Park	Fresenius	Chicago	20	18.7	72.5%
FMC Northfield	Fresenius	Northfield	12	18.7	0.0%
FMC Dialysis Congress Pkwy	Fresenius	Chicago	30	18.7	71.1%
FMC Des Plaines	Fresenius	Des Plaines	12	20	45.8%
Austin Community Kidney Ctr.	Fresenius	Chicago	16	20	63.5%
RCG Mid-America Evanston	Fresenius	Evanston	14	20	79.7%
Mt. Sinai Hospital Medical Ctr.		Chicago	16	20	91.6%
FMC Prairie	Fresenius	Chicago	24	20	72.2%
FMC Bridgeport	Fresenius	Chicago	27	21.2	82.1%
West Suburban Hospital Dialysis	Fresenius	Oak Park	46	21.2	88.7%
Evanston Renal Ctr.	DaVita	Evanston	18	22.5	76.8%
FMC of Chicago West	Fresenius	Chicago	31	22.5	68%
Little Village Dialysis	DaVita	Chicago	16	22.5	93.7%

TABLE FIVE Facilities within thirty (30) minutes of Proposed Facility					
SAH Dialysis at 26th Street	St. Anthony	Chicago	15	23.7	35.5%
Emerald Dialysis	DaVita	Chicago	24	23.7	81.2%
FMC Niles	Fresenius	Niles	32	25	57.2%
Kenwood Dialysis	DaVita	Chicago	32	25	67.1%
Woodlawn Dialysis	DaVita	Chicago	32	25	61.9%
FMC Garfield	Fresenius	Chicago	22	25	76.5%
Arlington Heights Renal Ctr.	DaVita	Arlington Heights	18	26.2	55.5%
Maple Avenue Kidney Ctr.		Oak Park	18	26.2	65.7%
FMC Highland Park	Fresenius	Highland Park	20	26.2	52.5%
FMC Deerfield	Fresenius	Deerfield	12	26.2	29.1%
Satellite Dialysis of Glenview		Glenview	16	26.2	0.0%
Glenview Dialysis Ctr.	Fresenius	Glenview	20	27.5	61.6%
North Avenue Dialysis Ctr.	Fresenius	Melrose Park	24	27.5	80.5%
FMC New City	Fresenius	Chicago	16	28.7	0.0%
FMC Chatham	Fresenius	Chicago	16	30	84.3%
FMC Ross Dialysis-Englewood	Fresenius	Chicago	16	30	91.6%
Grand Crossing Dialysis	DaVita	Chicago	12	30	91.6%
Loyola Dialysis Ctr.		Maywood	30	30	0.0%
FMC Melrose Park	Fresenius	Melrose Park	18	30	69.4%
Dialysis Ctr. of America-Berwyn	Fresenius	Berwyn	28	30	89.2%
FMC Cicero	Fresenius	Cicero	16	30	63.5%
DaVita Lawndale Dialysis	DaVita	Chicago	16	30	94.7%
Total Stations/Average			1,264		60.23%

Source: Application for Permit page 111
1.Time determined by MapQuest
2. Utilization as of June 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))

B) Criterion 1110.1430 (d)(1), (2), and (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.

The potential for unnecessary duplication of service exists with the proposed establishment of this facility because of the average utilization of the operational facilities within the thirty (30) minute service area does not exceed the State Board standard of 80% [see Table Five above]. Of the 65 facilities identified, nineteen (29.2%) report operational capacities in excess of the State Board standard (80%).

The ratio of stations to population in the thirty minute service area is one [1] station per every 2,097 individuals. The State of Illinois ratio is one [1] station per every 2,918 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 adult ICHD facilities operating for over two years and within 30 minutes of the proposed Irving Park Dialysis is 71.3%. Importantly, 4,663 ESRD patients (or 23.9% of Illinois ESRD patients), reside within 30 minutes of the proposed facility, and this number is expected to increase. Further, no patients are expected to transfer from the existing facilities to the proposed Irving Park Dialysis."*

b. Excluding the two facilities that are pediatric-specific, there are 59 existing dialysis facilities that have been operating for 2 or more years within the proposed 30 minute GSA for Irving Park Dialysis. As of December 31, 2015, the 59 facilities were operating at an average utilization of 71.3%. Based upon December 31, 2015 data from the Renal Network, 4,663 ESRD patients (or 23.9% of Illinois ESRD patients)reside within 30 minutes of the proposed Irving Park Dialysis, and this number is expected to increase."

Based upon the review of updated ESRD utilization information (June 2016), it appears there are underutilized facilities in the GSA. However, the applicants identified a sufficient patient referral population to have the proposed facility operating at or above the State standard (80%), by its second year of operation. Additionally, the applicants do not anticipate any existing patients transferring to the proposed facility after project completion, which indicates there will be no negative impact on existing providers. Based on these assertions and findings, a positive finding results for this criterion.

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), and (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 117-119 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 128 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 Chicago 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 Swedish Covenant Hospital to provide inpatient care and other hospital services. [See page 133-144 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 page 148 of the Application for Permit].

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA STAFFING, SUPPORT SERVICES, MINIMUM NUMBER OF STATIONS, CONTINUITY OF CARE, AND ASSURANCES (77 IAC 1110.1430 (F), (G), (H), (I), AND (K))

VII. 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 $1,995,058, and the fair market value of leased space of $2,242,647. 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

Source: DaVita Healthcare Partners, Inc. 2015 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
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 4343 North Elston Avenue, Chicago, Illinois. The landlord is Clark Street Real Estate, LLC and the tenant is Total Renal Care. The lease is for approximately, 6,950 of Rentable Square Feet (RSF). The primary term of the lease is fifteen (15) years. The base rent for one year is $35.00/SF, with 10% increases every 5 years during the term of the lease. [See Application for Permit pages 151-168]

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 $1,317,231 or $189.52 per GSF for 6,950 GSF. This is reasonable when compared to the State Board Standard of $270.09 per GSF for new construction in 2017 (project mid-point).

Contingencies Costs are $110,000 and are 9.1% of the new construction costs of $1,207,231. This is reasonable when compared to the State Board Standard of 10%.

Architectural Fees are $106,450 and are .8% of new construction and contingencies. This is reasonable when compared to the State Board Standard of 6.6.4% to 9.8%.

Consulting and Other Fees are $55,000. The State Board does not have a standard for this cost.

Movable of Other Equipment is $516,377 or $43,031 per station (12 stations). This is reasonable when compared to the State Standard of $52,119 per station.

Fair Market Value of Leased Space/Equipment is $2,242,647. 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 $235.75. This is reasonable when compared to previously approved projects. [See page 176 of the application for permit.]

E) Criterion 1120.140 (e) – Projected Capital Costs

Capital Costs per treatment are expected to be $17.23 per treatment. This is reasonable and is consistent with projects of this type. [See page 177 of the application for permit.]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA AVAILABILITY OF FUNDS, FINANCIAL VIABILITY, REASONABLENESS OF FINANCING ARRANGEMENTS, TERMS OF DEBT FINANCING, REASONABLENESS OF PROJECT COSTS, DIRECT OPERATING COSTS, PROJECTED CAPITAL COSTS (77 IAC 1120.120, 77 IAC 1120.130, 77 IAC 1120.140 (A) (B) (C) (D) (E))

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