



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-03	BOARD MEETING: October 25, 2016	PROJECT NO: 16-033	PROJECT COST: Original: \$4,929,937
FACILITY NAME: Brighton Park Dialysis		CITY: Chicago	
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The applicants (DaVita, Inc. and Itasca Dialysis, LLC) are proposing to establish a sixteen (16) station ESRD facility in Chicago, Illinois. The cost of the project is \$4,929,937 and the completion date is October 31, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita, Inc. and Itasca Dialysis, LLC) are proposing to establish a sixteen (16) station ESRD facility in Chicago, Illinois. The cost of the project is \$4,929,937 and the completion date is October 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 support or opposition were received by State Board Staff.

CONCLUSIONS:

- State Board Staff reviewed the application for permit and note the following:
- There is a **calculated need** for an additional forty-two (42) ESRD stations in the HSA VI planning area by CY 2018.
- The applicants have identified ninety-three (93) pre-ESRD patients that will need dialysis within twelve (12) to twenty-four (24) months of the opening of the facility.
- The proposed facility will be located in a Medically Underserved Area/Population and per the Renal Network, 26.9% of all ESRD patients in the State reside within thirty (30) minutes of the proposed facility.
- There are forty-four (44) facilities within thirty (30) minutes of the proposed facility; four (4) are new facilities, one (1) is a pediatric facility, and two (2) did not report utilization data for the second quarter of 2016. The remaining thirty-seven (37) facilities within thirty (30) minutes are operating at 75.25%. [See Table at the end of this report]
- The applicants addressed a total of twenty one (21) criteria and have successfully addressed them all.

STATE BOARD STAFF REPORT
Project #16-033
Brighton Park Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	DaVita, Inc. and Itasca Dialysis, LLC
Facility Name	Brighton Park Dialysis
Location	4729 South California Avenue, Chicago, Illinois
Permit Holder	Itasca Dialysis, LLC
Operating Entity	Itasca Dialysis, LLC
Owner of Site	Clark Street Real Estate LLC
Description	Establish a sixteen (16) station ESRD facility
Total GSF	7,757
Application Received	August 10, 2016
Application Deemed Complete	August 16, 2016
Review Period Ends	December 14, 2016
Financial Commitment Date	September 13, 2018
Project Completion Date	October 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, Inc. and Itasca Dialysis, LLC) are proposing to establish a sixteen (16) station ESRD facility in Chicago, Illinois. The cost of the project is \$4,929,937 and the completion date is October 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, Inc. and Itasca Dialysis, LLC. As of December 31, 2015, DaVita, Inc. operated or provided administrative services to a total of 2,251 U.S. outpatient dialysis centers. Itasca Dialysis, 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. Itasca Dialysis, LLC is the operating entity, and the owner of the site is Clark Street Real Estate, LLC. The proposed facility will be located at 4729 South California Avenue, Chicago, Illinois in the HSA VI ESRD Planning Area.

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

TABLE ONE			
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	4/30/2017
15-003	Vermillion County Dialysis	Establishment	4/30/2017
15-020	Calumet City Dialysis	Establishment	7/31/2017
15-025	South Holland Dialysis	Discontinuation/Establishment	10/31/2017
15-032	Morris Dialysis	Discontinuation/Establishment	4/30/2017
15-033	Lincoln Park Dialysis	Discontinuation/Establishment	4/30/2017
15-035	Montgomery Dialysis	Establishment	4/30/2017
15-048	Park Manor Dialysis	Establishment	2/28/2018
15-049	Huntley Dialysis	Establishment	2/28/2018
15-052	Sauget Dialysis	Expansion	8/31/2017
15-054	Washington Heights Dialysis	Establishment	9/30/2017
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. Health Service Area VI

The proposed facility is located in the Health Service Area VI ESRD Planning Area, which is the City of Chicago. Currently there are sixty (60) ESRD facilities with 1,229 ESRD stations in this planning area. Six (6) of the sixty (60) facilities are new facilities and no data is available. Three (3) of the sixty (60) facilities did not report utilization data for the second quarter of 2016. Utilization of the remaining fifty-one (51) facilities was 74.4% for the second quarter of 2016. Over the past four years [CY 2012- CY 2015] this planning area has seen growth in the number of ESRD patients of 1.5% compounded annually.

TABLE TWO Calculation of Station Need HSA VI	
State of Illinois Use Rate	1.236
HSA VI ESRD Planning Area Patients 2013	4,820
HSA VI ESRD Planning Area Population Est. 2013	2,713,600
Area Use Rate (4,820 Patients/[2,713,600/1,000] Pop.)	1.776
HSA VI ESRD Planning Area Projected Pop. 2018	2,582,908
Projected Patients	4,587.80
Adjustment Factor	1.33
Number of ESRD Patients Projected by 2018	6,102
Projected Treatments	951,886
Stations Needed	1,271
Existing Stations	1,229
Stations Need	42

V. Project Uses and Sources of Funds

The applicants are funding this project with cash in the amount of \$2,291,720 and a lease with a fair market value of \$2,638,217. The initial start up and operating deficit is projected to be \$2,025,375.

TABLE THREE Project Uses and Sources of Funds		
Uses of Funds	Reviewable	Total
New Construction Cont.	\$1,402,516	\$1,402,516
Contingencies	\$110,000	\$110,000
Architectural Fees	\$115,327	\$115,327
Consulting Fees	\$55,000	\$55,000
Moveable Equipment	\$608,877	\$608,877
FMV of Leased Space	\$2,638,217	\$2,638,217
Total Uses of Fund	\$4,929,937	\$4,929,937
Sources of Funds		
Cash	\$2,291,720	\$2,291,720
FMV of Leased Space	\$2,638,217	\$2,638,217
Total Sources of Funds	\$4,929,937	\$4,929,937

VI. Purpose, Safety Net Impact, Alternatives

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

To demonstrate compliance with this criterion the applicants must document

- 1. The project will provide health services that improve the health care or well-being of the market area population to be served.*
- 2. The planning area or market area, or other, per the applicant's definition.*
- 3. The existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]*
- 4. The sources of the information provided as documentation.*
- 5. How the project will address or improve the previously referenced issues, as well as the population's health status and well-being.*
- 6. The goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.*

The purpose of the project is to improve access to life sustaining dialysis services to the residents of the Southwest side of Chicago. The market area encompasses an approximate 20-mile radius around the proposed facility. The Chicago ZIP code of 60632 [the location of the proposed facility] has 23.3% of its residents living below the federal poverty level, compared with 14.4% of total Illinois residents. According to a 2014 study, the rate of ESRD was four times higher among people with annual household incomes of less than \$20,000 compared to those making more than \$75,000. Data from the Renal Network bears this out, 26.9% of all ESRD patients in the State reside within 30 minutes of the proposed Brighton Park Dialysis facility. The proposed facility will improve access to dialysis services to the residents of the Southwest side of Chicago and the surrounding area by establishing the proposed facility. Given the high utilization in the GSA and the increasing size of Dr. Serrano's patient-base and other nephrologists treating patients who are residents of the Southwest side of Chicago, this facility is necessary to ensure sufficient access to dialysis services in this community. The applicants believe this facility will have the same quality outcomes as their other facilities. [Application for Permit pages 75-78]

B) Criterion 1110.230(b) - Safety Net Impact

To demonstrate compliance with this criterion the applicants must document

- 1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.*
 - 2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.*
- 1. "[DaVita, 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, was previously included as part of Applicants' application for Project #16-023. As referenced in the report, DaVita led the industry in quality, with twice as many Four- and Five-Star centers than other major dialysis providers. DaVita also led the industry in Medicare's Quality Incentive Program, ranking No. 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 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.”

2. *The proposed project will not impact the ability of other health care providers or health care systems to cross-subsidize safety net services.” [Application for Permit pages 154-155]*

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

To demonstrate compliance with this criterion the applicants must document alternative options that addressed the following

- A) *Proposing a project of greater or lesser scope and cost;*
- B) *Pursuing a joint venture or similar arrangement with one or more providers or entities;*
- C) *Utilizing other health care resources*

The applicants considered **one** other option; to utilize other facilities in the thirty (30) minute service area. This option was rejected because there are forty-four (44) ESRD facilities within thirty (30) minutes of the proposed facility. Of these forty-four (44) facilities one (1) is a pediatric facility, four (4) facilities were not operational and two (2) facilities did not report utilization data for the second quarter of 2016. The average utilization of the remaining thirty-seven (37) facilities was seventy five and a quarter percent (75.25%). [Application for Permit pages 79-80]

VII. Size of the Project, Projected Utilization, Assurances

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

To demonstrate compliance with this criterion the applicants must document that the physical space proposed for the project is necessary and appropriate

The applicants are proposing 7,757 GSF for the sixteen (16) station ESRD facility or 485 GSF per station. The State Board Standard is 450-650 GSF per station or 10,400 total GSF. The applicants have met this criterion. [Application for Permit page 81]

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

B) Criterion 1110.234(b) – Projected Utilization

To demonstrate compliance with this criterion the applicants must 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 Part 1100.

The applicants are projecting that ninety-three patients (93) will initiate dialysis within twelve (12) to twenty-four (24) months following project completion. Should the patients materialize the facility will be at 97% occupancy. [93 patients x 156 treatment per year/16 stations x 936 available treatments = 14,508/14,976 = 97%] The applicants have met this criterion. [Application for Permit page 82]

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

C) Criterion 1110.234(e) – Assurances

To demonstrate compliance with this criterion the applicants must attest that by the end of the second year of operation after project completion, the applicant will meet or exceed the utilization standards specified in Part 1100.

The applicants have provided the necessary attestation. The applicants have met this criterion. [Application for Permit pages 124-125]

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

VIII. In Center Hemodialysis

A) Criterion 1110.1430(b)(1) - (3) – Background of the Applicants

To demonstrate compliance with this criterion the applicants must provide

1. *A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification and accreditation identification numbers, as applicable;*
2. *A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility;*
3. *A certified listing from the applicant of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application;*
4. *An attestation that the State Board and the Illinois Department of Public Health may access any records to verify the information in the application for permit*

1. Certificates of Good Standing for DaVita, Inc. and Itasca Dialysis, LLC have been provided. Brighton Park Dialysis is a trade name of Itasca Dialysis, LLC and is not separately organized. As the person with final control over the operator, DaVita, Inc is named as an applicant for this CON application. DaVita, Inc. does not do business in the State of Illinois. A Certificate of Good Standing for DaVita, Inc. from the State of Delaware has been provided. Dr. Serrano is licensed by the Illinois Department of Financial and Professional Regulation. <http://www.idfpr.com/About/About.asp>
2. The applicants provided a listing of facilities owned and or operated in Illinois and the necessary attestations that no adverse actions have been taken against these facilities. The proposed new facility is in compliance with the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.) and Executive Order #2006-5.

3. The names and ownership percentages of all persons with a five percent (5%) or greater ownership in Itasca Dialysis, LLC is listed below. [Application for Permit pages 58-73]

Name	Ownership
Total Renal Care Inc.	51%
Mount Sinai Hospital Medical Center of Chicago	26%
AMS Physicians, LLC	10%
Dr. Andres Serrano ⁽¹⁾	8% (indirect)
Cocoa Associates Inc.	13%
Dr. Ogbonnaya Aneziokoro ⁽²⁾	8.1 % (indirect)
1. Dr. Serrano owns 80% of AMS Physicians, LLC 2. Dr Aneziokoro owns 62% of Cocoa Associates Inc. 3. AMS Physicians, LLC and Cocoa Associates Inc are in Good Standing with the State of Illinois	

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH THE BACKGROUND OF THE APPLICANTS (77 IAC 1110.1430(b)(1) - (3))

**B) Criterion 1110.1430(c)(1), (2), (3) and (5) – Planning Area Need
To demonstrate compliance with this criterion the applicants must address the following:**

1) Calculated Need for ESRD Stations

2) Service to Planning Area Residents

Applicants proposing to establish or add stations shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area

3) Service Demand

The number of stations proposed to establish a new in-center hemodialysis service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest two-year period.

5) Service Accessibility

The number of stations being established or added for the subject category of service is necessary to improve access for planning area residents

1. There is a calculated need for an additional forty-two (42) stations in Health Service Area 6 ESRD planning area.
2. Dr. Serrano's practice, Mount Sinai Hospital's Division of Nephrology, is currently treating 410 CKD patients, with one hundred forty-three (143) CKD patients at Stage 4 or 5, residing within thirty (30) minutes of the proposed site for Brighton Park Dialysis. Based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Serrano anticipates that at least ninety-three (93) of these patients will require dialysis within twelve (12) to twenty-four (24) months following project completion. From the State Board Staffs' review of the information provided in the Table below it would appear that the proposed project will serve the residents of the planning area.

TABLE FOUR					
City and Zip Code of Pre ESRD Patients					
City	Zip Code	Number of Patients	City	Zip Code	Number of Patients
Broadview	60155	1	Chicago	60621	4
Berwyn	60402	4	Chicago	60623	27
Burbank	60459	1	Chicago	60624	8
Chicago	60605	1	Chicago	60628	1
Chicago	60607	2	Chicago	60629	8
Chicago	60608	10	Chicago	60632	19
Chicago	60609	5	Chicago	60636	3
Chicago	60612	4	Chicago	60638	3
Chicago	60614	1	Chicago	60640	3
Chicago	60615	2	Chicago	60644	6
Chicago	60616	2	Chicago	60647	3
Chicago	60617	2	Chicago	60649	2
Chicago	60618	1	Chicago	60652	2
Chicago	60619	5	Chicago	60653	3
Chicago	60620	1	Cicero	60804	9
Total Patients					143
Source: Application for Permit page 165					

3. It appears based upon the State Board Staff's review of the information submitted in the application for permit [referral letter] that there is sufficient demand for the sixteen (16) stations being proposed [Application for Permit page 157-165]
4. The State Board Staff identified forty-four (44) ESRD facilities within thirty (30) minutes of the proposed facility. Of these forty-four (44) facilities one (1) is a pediatric facility, four (4) facilities were not operational and two (2) facilities did not report utilization data for the second quarter of 2016. The average utilization of the remaining thirty-seven (37) facilities was 75.25%.

The proposed facility will be located in an area that has been designated as a Medically Underserved Population - Governor's Exception. Medically Underserved Areas/Populations are areas or populations designated by HRSA [Health Resources and Services Administration] as having too few primary care providers, high infant mortality, high poverty or a high elderly population. Primary care physicians include general practice, family practice, general internal medicine, pediatrics, and obstetrics/gynecology physicians. Public Law 99-280 allows for MUP designation if "unusual local conditions which are a barrier to access to or the availability of personal health services" can be documented and are recommended by the governor and local health officials.

Based upon the calculated need in the planning area, the number of pre-ESRD patients in need of dialysis within 12-24 months of project completion, the average utilization of the facilities in the planning area, and the proposed facility being located in an area that the population has been designated as a Medically Underserved Population, it appears the applicants have met the requirements of this criterion. [Application for Permit pages 85-88]

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

C) Criterion 1110.1430(d) - Unnecessary Duplication of Service, Mal-distribution of Service, Impact on Area Provider

To demonstrate compliance with this criterion the applicants must document

- 1) *that the project will not result in an unnecessary duplication;*
- 2) *that the project will not result in mal-distribution of services;*
- 3) *that within 24 months after project completion, the proposed project:*
 1. *Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and*
 2. *Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.*

1. The State Board Staff identified forty-four (44) ESRD facilities within thirty (30) minutes of the proposed facility. Of these forty-four (44) facilities one (1) is a pediatric facility, four (4) facilities were not operational and two (2) facilities did not report utilization data for the second quarter of 2016. The average utilization of the remaining thirty-seven (37) facilities was 75.25%.
2. A mal-distribution of service is defined as a surplus of ESRD stations in the thirty (30) minute service area. To determine a surplus the State Board Staff determines if the ratio of stations to population in the service area is one and half times the ratio of stations to population in the State. The ratio of ESRD stations to population in the State of Illinois is one (1) station per 2,912 individuals [12,837,801 State of Illinois Population /4,408 ESRD Stations]. The ratio of ESRD stations to population in the thirty (30) minute service area is one (1) station per 2,113 individuals [1,969,014 population /932 stations]. The ratio of stations in the thirty (30) minute service area is below the standard of 1.5 times the ratio of stations in the State.
3. The thirty-seven (37) facilities within 30 minutes are operating at 75.25%. No patients are expected to transfer to the proposed facility. According to the applicants five thousand three hundred twenty (5,320) ESRD patients reside within thirty (30) minutes of the proposed facility based upon the Renal Network Data.

Based upon the information reviewed by the State Board Staff, the average utilization of existing facilities within the thirty (30) minute service area, no surplus of stations in the thirty (30) minute service area, and the fact it does not appear that the proposed facility will impact other facilities within the thirty (30) minute service area the State Board Staff is able to make a positive finding on this criterion. [Application for Permit pages 89-92]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MAL-DISTRIBUTION/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

- 1. 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 proposed facility will be staffed in accordance with all State and Medicare staffing requirements. Medical Director: Andres Serrano, M.D. will serve as the Medical Director for the proposed facility. A copy of Dr. Serrano's curriculum vitae has been provided.

Initial staffing for the proposed facility will be as follows:

Medical Director	1.00 FTE
Administrator	1.30 FTE
Registered Nurse	3.59 FTE
Patient Care Technician	8.83 FTE
Biomedical Technician	.36 FTE
Social Worker	.78 FTE
Registered Dietitian	.79 FTE
Administrative Assistant	1.13 FTE

As patient volume increases, nursing and patient care technician staffing will increase accordingly to maintain a ratio of at least one direct patient care provider for every 4 ESRD patients. At least one registered nurse will be on duty while the facility is in operation. All staff will be training under the direction of the proposed facility's Governing Body, utilizing DaVita's comprehensive training program. DaVita's training program meets all State and Medicare requirements. A summary of the training program has been provided. Brighton Park Dialysis will maintain an open medical staff. [Application for Permit pages 93-105]

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

E) Criterion 1110.1430(g) - Support Services

To demonstrate compliance with this criterion the applicants 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 applicants 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 self care dialysis, self-care instruction, home and home-assisted dialysis, and home training. [Application for Permit pages 106-108]

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

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

To demonstrate compliance with this criterion the applicants must document

- 1) *a minimum of eight (8) dialysis stations for a facility within an MSA.*

The applicants are proposing sixteen (16) stations in the Chicago-Joliet-Naperville metropolitan statistical area. The applicants have met this requirement.

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

G) Criterion 1110.1430(i) – Continuity of Care

To demonstrate compliance with this criterion the applicants must document

- 1) *that a signed, written affiliation agreement or arrangement is in effect for the provision of inpatient care and other hospital services.*

Total Renal Care Inc., a subsidiary of DaVita, Inc., has an agreement with Mount Sinai Hospital and Medical System to provide inpatient care and other hospital services for the patients of Brighton Park Dialysis. A copy of the service agreement has been provided. [Application for Permit pages 111-121]

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

H) Criterion 1110.1430(k) - Assurances

To demonstrate compliance with this criterion the applicants must document

- 1) *By the second year of operation after the project completion, the applicant will achieve and maintain the utilization standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal; and*
- 2) *that they will achieve and maintain compliance with the following adequacy of hemodialysis outcome measures for the latest 12-month period for which data are available:*
 - ≥ 85% of hemodialysis patient population achieves urea reduction ratio (URR) ≥ 65% and ≥ 85%*
 - of hemodialysis patient population achieves Kt/V Daugirdas II 1.2.*

The applicants provided the necessary attestation that by the second year of operation after project completion the applicant will achieve and maintain target utilization and the facility will achieve and maintain compliance with the adequacy of outcome measures. [Application for Permit pages 124-125]

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

IX. Financial Viability

A) Criterion 1120.120 - Availability of Funds

B) Criterion 1120.130 – Financial Viability

To demonstrate compliance with these criteria the applicants must document that they have sufficient funds to fund the proposed project and the applicants qualify for the financial waiver.

From the information provided in the audited financial statements, the applicants have sufficient cash to fund this project and qualify for the financial waiver.

TABLE FIVE			
DaVita, 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, Inc. 2015 10K

TABLE SIX			
DaVita, 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

X. 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 with the following terms.
[See Application for Permit pages 127-141]

Premises:	4729 South California Ave, Chicago Illinois
Tenant:	Itasca Dialysis LLC
Guarantor:	DaVita, Inc.
Landlord:	Clark Street Real Estate LLC or its assignees or designees
Space:	7,757 Square Feet
Term:	15 Years
Rent:	\$36.89 PSF /NNN
Escalator:	10% every five years
Options:	3 five year terms

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

To demonstrate compliance with this criterion the applicants must provide documentation that the proposed project costs are reasonable when compared to the State Board Standards in Part 1120.Appendix A. Only clinical costs are reviewed.

- New Construction and contingency costs are \$1,512,516 or \$194.99 GSF
- Contingency Costs are \$110,000 or 7.84% of new construction contracts.
- Architectural Fees are \$115,327 or 7.62% of construction and contingency costs.

The applicants have met all of the requirements of the Part 1120.Appendix A.

TABLE SEVEN				
Project Costs				
Uses of Funds	Reviewable		Applicants Costs	State Standard
New Construction Contracts	\$1,402,516	\$1,512,516	\$194.99/ GSF	\$271/GSF
Contingencies	\$110,000			
Contingencies	\$110,000		7.84%	10%
Architectural Fees	\$115,327		7.62%	9.98%
Moveable Equipment	\$608,877		\$38,054.81	\$52,120
Consulting Fees	\$55,000		NA	
FMV of Leased Space	\$2,638,217		NA	

D) Criterion 1120.140(d) - Direct Operating Costs

To demonstrate compliance with this criterion the applicants must provide the direct operating costs per treatment.

Direct operating costs per treatment is \$256.74. The applicants have met this criterion. [Application for Permit page 152]

E) Criterion 1120.140 (e) – Projected Capital Costs

To demonstrate compliance with this criterion the applicants must provide the projected capital costs per treatment.

Capital Costs per treatment are expected to be \$14.87 per treatment. The applicants have met this criterion. [Application for Permit page 153]

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 AND PROJECTED CAPITAL COSTS (77 IAC 1120.120, 77 IAC 1120.130 and 77 IAC 1120.140(a), (b), (c), (d) and (e))

State Board Staff Note:

For Table Five below the Board Staff reviewed information on the Center for Medicare & Medicaid Services (CMS) website related to dialysis facilities star ratings for facilities within thirty (30) minutes. CMS assigns a one (1) to five (5) star rating in two separate categories: best treatment practices, hospitalizations, and deaths. The more stars, the better the rating.

Below is a summary of the data within the two categories.

- **Best Treatment Practices**

This is a measure of the facility's treatment practices in the areas of anemia management; dialysis adequacy, vascular access, and mineral & bone disorder. This category reviews both adult and child dialysis patients.

- **Hospitalization and Deaths**

This measure takes a facility's expected total number of hospital admissions and compares it to the actual total number of hospital admissions among its Medicare dialysis patients. It also takes a facility's expected patient death ratio and compares it to the actual patient death ratio taking into consideration the patient's age, race, sex, diabetes, years on dialysis, and any co morbidity.

Based on the star rating in each of the two categories, CMS then compiles an overall rating for the facility. The more stars, the better the rating. The data is as of June 2016.

TABLE EIGHT
ESRD Facilities within thirty (30) minutes

Name	City	HSA	# Stations	Adjusted Time ⁽¹⁾	Utilization ⁽²⁾	Star Rating ⁽³⁾
SAH Dialysis Clinic at 26th Street	Chicago	6	15	13.75	35.56%	NA
FMC - Marquette Park	Chicago	6	16	13.75	91.67%	3
DaVita - Little Village Dialysis	Chicago	6	16	15	93.75%	5
FMC - South Side	Chicago	6	39	16.25	83.76%	1
Fresenius Medical Care Cicero	Cicero	7	16	17.5	63.54%	3
DaVita Emerald Dialysis	Chicago	6	24	17.5	81.25%	5
FMC - Bridgeport	Chicago	6	27	17.5	82.10%	2
FMC Ross Dialysis - Englewood	Chicago	6	16	17.5	91.67%	1
West Lawn Dialysis	Chicago	6	12	17.5	95.83%	3
DSI Loop Renal Center	Chicago	6	28	18.75	60.75%	3
DaVita Lawndale Dialysis	Chicago	6	16	18.75	94.79%	2
FMC - Garfield	Chicago	6	22	18.75	98.96%	2
Beverly Dialysis Center	Chicago	6	16	18.75	106.25%	3
Fresenius Medical Center - Westside	Chicago	6	31	20	43.55%	1
Mt. Sinai Hospital Med Center	Chicago	6	16	20	91.67%	2
John Stroger of Cook County	Chicago	6	9	21.25	27.78%	NA
FMC - East Delaware	Chicago	6	24	21.25	44.44%	3
FMC - Prairie	Chicago	6	24	21.25	72.22%	3
DaVita West Side Dialysis	Chicago	6	12	23.75	33.33%	NA
FMC Dialysis Services of Congress Parkway	Chicago	6	30	23.75	71.11%	3
FMC Dialysis Services - Burbank	Burbank	7	26	23.75	90.80%	1
Fresenius Medical Care West Willow	Chicago	6	12	25	51.39%	2
Kenwood Dialysis	Chicago	6	32	25	67.19%	5
FMC - Evergreen Park	Evergreen Park	7	30	25	91.11%	1
Fresenius Medical Care - Midway	Chicago	6	12	25	93.06%	3
Fresenius Medical Care Chatham	Chicago	6	16	25	94.38%	1
FMC - Chicago Dialysis Center	Chicago	6	21	26.25	51.59%	1
Woodlawn Dialysis	Chicago	6	32	26.25	61.98%	4
DSI Renal Services - Scottsdale	Chicago	6	36	26.25	63.89%	3
Grand Crossing Dialysis	Chicago	6	12	26.25	91.67%	2
FMC - Northwestern University	Chicago	6	42	27.5	54.37%	1
FMC - South Chicago	Chicago	6	36	27.5	87.96%	1
FMC - Berwyn	Berwyn	7	26	27.5	89.29%	2
FMC - Greenwood Dialysis Center	Chicago	6	28	28.75	66.07%	1
Logan Square Dialysis	Chicago	6	28	30	74.40%	4
University of Illinois Hospital Dialysis	Chicago	6	26	30	87.82%	2
Garfield Kidney Center	Chicago	6	16	30	103.13%	5
Total Stations/Average Utilization			840		75.25%	
Fresenius Medical Care New City ⁽⁴⁾	Chicago	6	16	10	0.00%	NA
Fresenius Medical Care Summit ⁽⁴⁾	Summit	7	12	22.5	0.00%	NA
Fresenius Medical Care Beverly Ridge ⁽⁴⁾	Chicago	6	16	30	0.00%	NA
DaVita Park Manor Dialysis ⁽⁴⁾	Chicago	6	16	30	0.00%	NA
Children's Memorial Hospital ⁽⁵⁾	Chicago		8	30	37.50%	NA
Rush University Dialysis ⁽⁶⁾	Chicago	6	5	22.5	DNR	NA
Circle Medical Management ⁽⁶⁾	Chicago	6	27	23.75	DNR	1

1. 77 IAC 1100.510 (d) – Normal Travel Time adjusted by 1.25 times the travel time calculation.
2. Utilization from Second Quarter 2016 self reported by facilities
3. Star Rating from Medicare Website
4. New facilities not yet operational
5. Pediatric Facility only

6. Did not report utilization data for the second quarter of 2016

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