



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-04	BOARD MEETING: March 14, 2017	PROJECT NO: 16-051	PROJECT COST: Original: \$3,168,654
FACILITY NAME: Whiteside Dialysis		CITY: Sterling	
TYPE OF PROJECT: Substantive			HSA: I

PROJECT DESCRIPTION: DaVita Inc. and Renal Treatment Centers-Illinois, Inc, (applicants) propose to discontinue an existing fifteen (15) station dialysis facility at 2600 North Locust, Suite D, Sterling, Illinois and establish a fifteen (15) station dialysis facility at 4320 East Lincolnway, Sterling, Illinois. The proposed dialysis facility will include approximately 6,600 gross square feet and cost \$3,168,654. The project completion date is March 31, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- DaVita Inc. and Renal Treatment Centers-Illinois, Inc. (applicants) propose to discontinue an existing fifteen (15) station dialysis facility at 2600 North Locust, Suite D, Sterling, Illinois and establish a fifteen (15) station dialysis facility at 4320 East Lincolnway, Sterling, Illinois approximately six (6) minutes away. The proposed dialysis facility will include approximately 6,600 gross square feet and cost \$3,168,654. The project completion date is March 31, 2019.
- In April 2002, the State Board approved as Permit #01-074 the establishment of an eight (8) station ESRD facility at 2600 North Locust, Sterling, Illinois. The additional seven (7) stations were added under the lesser of three (3) stations or ten percent (10%) rule. This rule allows an ESRD facility to add ESRD stations every two (2) years without a permit with the approval of the State Board Staff (acting on behalf of the State Board) and the Illinois Department of Public Health.
- In April 2003, the State Board Chair approved the facility for a change of ownership to DaVita Inc. for \$1,335,050.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are proposing to discontinue and 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 or support were received by State Board Staff.

CONCLUSIONS:

- State Board Staff reviewed the application for permit and additional information submitted during the review period and note the following:
- There has been a compounded annual increase in the number of ESRD patients in this planning area of 3.3% for the period of 2012-2016.
- There is a need for three (3) ESRD stations in this planning area. Should the relocation be approved, the number of calculated stations needed in this planning area will not change.
- There are three (3) ESRD facilities within thirty (30) minutes of the proposed facility; all three (3) facilities are operating below the target occupancy of eighty percent (80%). Should the relocation be approved there will be no increase in the number of stations in the ESRD planning area, no increase in the number of facilities in this planning area, and no patients will be transferred from other facilities in the thirty-minute service area.
- The applicants addressed a total of twenty-two (22) criteria and have successfully met them all.

STATE BOARD STAFF REPORT

Project #16-051 Whiteside Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	DaVita Inc. and Renal Treatment Centers-Illinois, Inc
Facility Name	Whiteside Dialysis
Location	4320 East Lincolnway, Sterling, Illinois
Permit Holder	DaVita, Inc.
Operating Entity	Renal Treatment Centers-Illinois, Inc
Owner of Site	Dyn Commercial Holdings, LLC
Description	Discontinue a 15-station ESRD facility and establish a 15 15-station ESRD facility
Total GSF	6,600 GSF
Project Costs	\$3,168,654
Application Received	December 19, 2016
Application Deemed Complete	December 20, 2016
Review Period Ends	April 18, 2017
Financial Commitment Date	March 14, 2019
Project Completion Date	March 31, 2019
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. Project Description

DaVita Inc. and Renal Treatment Centers-Illinois, Inc, (applicants) propose to discontinue an existing fifteen (15) station dialysis facility at 2600 North Locust, Suite D, Sterling, Illinois and establish a fifteen (15) station dialysis facility at 4320 East Lincolnway, Sterling, Illinois. The proposed dialysis facility will include approximately 6,600 gross square feet and cost \$3,168,654. The anticipated completion date is March 31, 2019.

II. Summary of Findings

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

III. General Information

The applicants are DaVita Inc. and Renal Treatment Centers-Illinois, Inc. As of December 31, 2015, DaVita Inc. operated or provided administrative services to a total of 2,251 U.S. outpatient dialysis centers. Renal Treatment Centers-Illinois, Inc incorporated in Delaware and licensed to transact business in licensed to conduct business in the State of Illinois and is currently in good standing with the State of Illinois. Renal Treatment Centers-Illinois, Inc is also the operating entity, and the owner of the site is Dyn Commercial Holdings, LLC. The proposed facility is located in the Health Service Area

I ESRD Planning Area. HSA I includes the Illinois Counties of Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago. This is a substantive project subject to a Part 1110 and Part 1120 review. Financial Commitment will occur after permit issuance.

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

TABLE ONE Current DaVita Projects			
Project Number	Name	Project Type	Completion Date
14-042	Tinley Park Dialysis	Establishment	4/30/2017
15-003	Vermillion County Dialysis	Establishment	04/30/2017
15-004	Machesney Park 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
16-023	Irving Park Dialysis	Establishment	8/31/2018
16-033	Brighton Park Dialysis	Establishment	10/31/2018
16-036	Springfield Central Dialysis	Discontinuation/Establishment	03/31/2019
16-040	Jerseyville Dialysis	Expansion	07/31/2018
16-041	Taylorville Dialysis	Expansion	07/31/2018

Source: Application for Permit page 59

IV. ESRD Health Service Area I

There are fifteen (15) ESRD facilities in this HSA I ESRD Planning Area. Growth in the number of ESRD patients in this planning area has been approximately 5% compounded annually for the period 2012 thru 2016. There is a **calculated need for three (3) stations** in this ESRD Planning Area by CY 2018. See Need Methodology below.

TABLE TWO	
Need Methodology HSA I ESRD Planning Area	
Planning Area Population – 2013	680,100
In Station ESRD patients -2013	663
Area Use Rate 2013 ⁽¹⁾	.975
Planning Area Population – 2018	706,400
Projected Patients – 2018 ⁽²⁾	688.6
Adjustment	1.33x
Patients Adjusted per increase	916
Projected Treatments - 2018	142,879
Existing Stations	191
Stations Needed-2018	194
Number of Stations in Excess	3
1. Usage rate determined by dividing the number of in-station ESRD patients in the planning area (663) by the 2013 – planning area population per thousand. 2. Projected patients calculated by taking the 2018 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients of 916 for 2018. 3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient.	

V. **Project Costs and Sources of Funds**

The applicants are funding the project with cash of \$2,166,425 and the Fair Market of the Lease (FMV) of \$1,002,229.

TABLE THREE	
Project Uses and Sources of Funds	
New Construction Contracts	\$1,281,775
Contingencies	\$110,000
Architectural/Engineering Fees	\$107,625
Consulting and other Fees	\$60,501
Movable or Other Equipment	\$606,524
Fair Market Value of Leased Space or Equipment	\$1,002,229
Total Uses of Funds	\$3,168,654
Cash and Securities	\$2,166,425
Fair Market Value of Leases	\$1,002,229
Total Sources of Funds	\$3,168,654

VI. **Discontinuation**

A) **Criterion 1110.130(a), (b) and (c) - Discontinuation**

To demonstrate compliance with this criterion the applicants must document the reasons for the discontinuation, date of discontinuation, use of the physical plant and equipment, the location of medical records and the impact on access in the planning area.

The applicants currently have a lease for the space housing the existing facility with CGH Medical Center that expires on May 7, 2018. CGH Medical Center notified the applicants that it will not renew the lease because the Medical Center plans to repurpose the space to other uses to support the business needs of CGH Medical Center. CGH Medical Center agreed to extend the current lease until DaVita is able to relocate. The new facility will be a ground-up build with the anticipated construction timeline of eighteen (18) to twenty-four (24) months.

The relocation of the existing facility will not negatively impact access to care. All existing patients are expected to transfer to the new facility. The new facility will be approximately 3.55 miles, or six (6) minutes, from the existing facility. The new facility will be plumbed for 16-stations to accommodate the expected future growth of the ESRD patient population in the greater Whiteside County area.

Based upon the information provided by the applicants, the discontinuation appears warranted as the applicants are losing their space to house the 15-station facility through no fault of their own. [Application for Permit pages 60-62]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION DISCONTINUATION (77 IAC 1110.130)

VII. Purpose, Safety Net Impact Statement Alternatives to the Project

Reviewer Note: These three (3) criteria are informational only and no determination is made by the State Board Staff on whether the criteria have been met.

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

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

1. Documents that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Defines the planning area or market area, or other, per the applicant's definition.
3. Identifies the existing problems or issues that need to be addressed, as applicable and appropriate for the project.
4. Details how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
5. Provides goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

The applicants stated the following:

The purpose of the project is to relocate the existing facility to a new location in the same ESRD Planning Area. The applicants have a lease for the space housing the Existing Facility with CGH Medical Center that expires on May 7, 2018. CGH Medical Center notified the applicants it will not renew the lease upon expiration as it plans to repurpose the space housing the existing facility to other uses to support the business needs of CGH Medical Center. CGH Medical Center agreed to extend the current lease until DaVita is able to relocate.

The Replacement Facility is needed to serve the existing demand for dialysis services in the area. As of September 30, 2016, the Existing Facility serves 53 in-center ESRD patients. Charlene Murdakes, M.D., the Medical Director for Whiteside Dialysis, anticipates all fifty-three (53) current patients will transfer to the Replacement Facility. Furthermore, Dr. Murdakes is currently treating 118 Stage 4 or 5 CKD patients, with 40 of the 118 patients coming from 61081, the zip code of both Existing Facility and the Replacement Facility. Conservatively, based upon attrition due to patient death, transplant, or return of function, it is projected that 24 of these CKD patients will require dialysis within 12 to 24 months of project completion. Based upon the Existing Facility's current patient census coupled with the CKD patients projected to initiate dialysis within 24 months of project completion, the applicants anticipate the Replacement Facility will reach 86% utilization within two years of project completion.

The replacement facility will be plumbed to eventually accommodate a total of 16-stations. This will allow for a future census capacity of ninety-six (96) in-center ESRD patients. [T]here are currently 3 existing or approved dialysis facilities within 30 minutes normal travel time of the proposed location of the Replacement Facility. With 527 CKD patients within 30 minutes of the proposed Replacement Facility's and 40 late-stage CKD patients residing in proposed Replacement Facility zip code alone, there will be insufficient capacity to accommodate all of Whiteside Dialysis' current and projected patients.

The market area encompasses an approximate 20 mile radius around the proposed facility. The boundaries of the market area are as follows:

- North approximately 25 minutes normal travel time to Brookville, Illinois*
- Northeast approximately 25 minutes normal travel time to Stratford, Illinois.*
- East approximately 25 minutes normal travel time to Franklin Grove, Illinois.*
- Southeast approximately 30 minutes normal travel time to East Grove, Illinois.*
- South approximately 25 minutes normal travel time to Hahnaman, Illinois.*
- Southwest approximately 30 minutes normal travel time to Prophetstown, Illinois.*
- West approximately 30 minutes normal travel time to Morrison, Illinois.*
- Northwest approximately 30 minutes normal travel time to Chadwick, Illinois.*

The applicants anticipate the proposed facility will have quality outcomes comparable to other DaVita facilities. Additionally, in an effort to better serve all kidney patients, DaVita believes in requiring all providers measure outcomes in the same way and report them in a timely and accurate basis or be subject to penalty. There are four key measures that are the most common indicators of quality care for dialysis providers · dialysis adequacy, fistula use rate, nutrition and bone and mineral metabolism. Adherence to these standard measures has been directly linked to 15-20% fewer hospitalizations. On each of these measures, DaVita has demonstrated superior clinical outcomes, which directly translated into 7% reduction in hospitalizations among DaVita patients. [Application for Permit pages 88-91]

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

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, and
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.

The applicants stated the following:

“This criterion is required for all substantive and discontinuation projects. 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 center focus and community outreach, was previously included as part of applicant's 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.

The proposed project will not impact the ability of other health care providers or health care systems to cross-subsidize safety net services. As discussed throughout this Application, the Existing Facility currently serves 53 patients and Dr. Murdakes projects 24 pre-ESRD patients will initiate dialysis within 24 months of project completion. All of the identified patients will either transfer from the Existing Facility or will be referrals of pre-ESRD patients. No patients from other facilities in the planning area are projected to transfer to the Replacement Facility. Accordingly, the Replacement Facility will not adversely impact existing safety net providers.

2. The proposed project is for the relocation of Whiteside Dialysis just 3.55 miles from its current location. Patients currently treated at Whiteside Dialysis will receive treatment at the new facility. As such, the discontinuation of service at the current location will not negatively impact the safety net.” [Application for Permit page 154]

TABLE FOUR ⁽¹⁾			
SAFETY NET INFORMATION			
DaVita Facilities in Illinois			
	2013	2014	2015
Net Revenue	\$228,115,132	\$266,319,949	\$311,351,089
CHARITY			
Charity (# of self-pay patients)	187	146	109
Charity (self-pay) Cost	\$2,175,940	\$2,477,363	\$2,791,566

TABLE FOUR ⁽¹⁾ SAFETY NET INFORMATION DaVita Facilities in Illinois			
	2013	2014	2015
Net Revenue	\$228,115,132	\$266,319,949	\$311,351,089
% of Charity Care to Net Rev.	0.9%	0.9%	0.8%
MEDICAID			
Medicaid (Patients)	679	708	422
Medicaid (Revenue)	\$10,371,416	\$8,603,971	\$7,381,390
% of Medicaid to Net Revenue	4.5%	3.2%	2.3%
1. Source: Page 154 of the Application for Permit.			

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

To demonstrate compliance with this criterion the applicants must

1. Identify all alternatives;
2. Provide a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term;
3. For every alternative considered the total project costs and the reason for the rejection must be provided; and,
4. For the selected alternative the reasons for the selection must be provided

1. Do Nothing

This option was rejected because it would result in termination of the lease on May 7, 2018 and displacement of the patients who currently dialyze at Whiteside Dialysis. There are only two dialysis facilities within 30 minutes of the existing facility. Not only are these facilities approximately 20 minutes from the existing facility, creating hazardous traveling conditions during severe weather, but collectively, these facilities cannot accommodate all of the Whiteside Dialysis patients. Accordingly, many Whiteside patients would need to travel over 45 minutes to facilities in Freeport or Genesco three times per week for their dialysis, creating an undue hardship for these patients. There is no capital cost with this alternative.

2. Renovate the Existing Facility

The existing facility's lease expires on May 7, 2018. CGH Medical Center notified the applicants it will not renew the lease upon expiration as it plans to repurpose the space housing the existing facility to other uses to support the business needs of CGH Medical Center. Accordingly, renovating the existing facility was not an option. There is no capital cost with this alternative.

3. Utilize Existing Facilities

There are only two dialysis facilities within 30 minutes of the existing facility; these facilities cannot accommodate all of the Whiteside Dialysis patients. Additionally, Charlene Murdakes, M.D., the Medical Director for Whiteside Dialysis, anticipates all 53 current patients will transfer to the replacement facility. Dr. Murdakes is currently treating 118 Stage 4 or 5 CKD patients, with 40 of the 118 patients coming

from the 61081 zip code. Based upon attrition due to patient death, transplant, or return of function, it is projected that 24 of these CKD patients will require dialysis within 12 to 24 months of project completion. There are two facilities within 30 minutes of the existing facility. These facilities cannot accommodate all of Whiteside Dialysis's patients, when the projected 24 CKD patients that will require dialysis within 12 to 24 months are added to that, the existing facilities will not be able to accommodate the anticipated growth in ESRD patients over the next 24 months. Based upon the existing facility's current patient census coupled with the CKD patients projected to initiate dialysis within 24 months of project completion, the applicants anticipate the replacement facility will reach 86% utilization within two years of project completion. There is no capital cost with the alternative of utilizing existing facilities. [Application for Permit page 92-93]

VIII. 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 proposed gross square footage does not exceed the State Board Standards in Part 1110.Appendix B.

The applicants are proposing fifteen (15) stations in 6,600 gross square feet of space or 440/bgsf per station. The State Board Standard is 650/bgsf per station or 9,750/bgsf. The applicants are in compliance with this criterion.

Reviewer Note: For new construction, the standards are based upon the inclusion of all building components and are expressed in building gross square feet (bgsf). For modernization projects, the standards are based upon interior build-out only and are expressed in departmental gross square feet (dgsf). [Part 1110.Appendix B]

B) Criterion 1110.234 (b) - Projected Utilization

To demonstrate compliance with this criterion the applicants must document that by the second year after project completion the applicants will be at target occupancy.

The applicants are projecting seventy-seven (77) patients by the second year after project completion.

1. Number of stations	15 stations
2. Treatments per station	936 treatments per year per station
3. Treatments per patient	156 treatments per year
4. Number of treatments year (15)	14,040 treatments per year
5. 77 Patients	12,012 treatments
6. Utilization	12,012 treatments per year/14,040 treatments = 85.55%

Based upon the information provided in the application for permit the State Board Staff finds the proposed project to be in conformance with this criterion.

C) Criterion 1110.234 (e) – Assurances

To demonstrate compliance with this criterion the applicants must attest that the proposed project by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Part 1110 Appendix B.

The applicants provided the necessary attestation at page 133 of the application for permit.

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

IX. In-Center Hemodialysis Projects

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

To demonstrate compliance with this criterion the applicants must document

- 1. That no adverse action has been taken against the applicants, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed healthcare facility, or against any health care facility owned or operated by the applicants, directly or indirectly, within three years preceding the filing of the application and;**
- 2. Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.**
- 3. Adverse action means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois.**

1. The applicants provided a letter attesting that no adverse actions were taken against them in the past three years from the date of filing of this application for permit, a listing of all facilities owned by the applicants and their Medicare certification number, and authorization permitting IDPH and the State Board access to any documents necessary to verify the information submitted in the application for permit.
2. The applicants are in compliance with Executive Order #2006-05 that the proposed facility is not located in a flood plain zone.
3. The Illinois Historic Preservation Agency is required by the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420) to review state funded, permitted or licensed undertakings for their effect on cultural resources. The Historic Preservation Agency “*determined, based on the available information, that no significant historic architectural or archaeological resources are located within the proposed project area.*”
4. The applicants filed all of the required reports for the State Board and IDPH as required.
5. A list of DaVita Inc. facilities in Illinois has been included at the end of this report.
6. Dr. Charlene Murdakes, the Medical Director is licensed by the State of Illinois and has never been disciplined.
<https://ilesonline.idfpr.illinois.gov/DPR/Lookup/LicenseLookup.aspx>

- B) Criterion 1110.1430 (c) (1) (2) (3) (5) - Planning Area Need**
To demonstrate compliance with this criterion the applicants must document
1. **the number of stations needed in the planning area,**
 2. **the proposed facility will provide service to planning area residents,**
 3. **that there is demand for the service; and,**
 4. **the proposed facility will improve service access.**
1. There is a calculated need for three (3) stations in the HSA I ESRD Planning Area. The proposed application is a relocation of an existing facility, no new stations will be added, and the calculated need of stations will remain unchanged.

TABLE FIVE	
Need Methodology HSA I ESRD Planning Area	
Planning Area Population – 2013	680,100
Area Use Rate 2013	.975
Planning Area Population – 2018	706,400
Projected Patients - 2018	688.6
Adjustments	1.33

Patients Adjusted per increase	916
Projected Treatments - 2018	142,879
Existing Stations	191
Stations Needed-2018	194
Number of Stations in Needed	3

2. Service to Area Residents

The applicants provided the zip codes within thirty-minutes of the proposed facility. There are currently fifty-three (53) patients being treated at Whiteside Dialysis. Forty-seven (47) of these fifty-three (53) patients reside within this thirty (30) minute service area and within the HSA I ESRD Planning Area. Based on this information, the proposed relocation will serve the residents of the planning area

TABLE SIX				
Population of the thirty (30) minute service and number of patients by zip code				
Zip Code	City	County	Population	# 2016 Patients Currently being served by Existing Facility
61081	Sterling	Whiteside	21,934	25
61037	Galt	Whiteside	140	
61071	Rock Falls	Whiteside	14,381	20
61051	Milledgeville	Ogle	1,574	1
61261	Lyndon	Carroll	975	1
61270	Morrison	Whiteside	7,306	
61021	Dixon	Whiteside	23,745	
61042	Harmon	Lee	527	
61014	Chadwick	Lee	1,173	
61243	Deer Grove	Carroll	264	
61064	Polo	Whiteside	3,868	
61091	Woosung	Lee	63	
Total			75,950	47

3. Service Demand

Charlene Murdakes. M.D, the Medical Director for Whiteside Dialysis, anticipates all 53 current patients will transfer to the replacement facility. Dr. Murdakes is currently treating 118 Stage 4 or 5 CKD patients, with forty (40) of the 118 patients coming from the 61081 zip code. Based upon attrition due to patient death, transplant, or return of function, it is projected that twenty-four (24) of these CKD patients will require dialysis within 12 to 24 months of project completion. Based on this information, there is sufficient service demand for the fifteen stations.

5. Service Accessibility

Per the applicants, the proposed relocation is needed to maintain access to life-sustaining dialysis for patients in the greater Sterling area. The relocation is necessary to provide essential care to ESRD patients in Sterling, as the existing facility's lease will expire on May 7, 2018. It appears that service access will be maintained in this service area with the relocation of the facility.

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)(1), (2) and (3) - Unnecessary Duplication/ Maldistribution

To demonstrate compliance with this criterion the applicants must document that the proposed project will not result in an unnecessary duplication of service, not result in a mal-distribution of services; and will not lower the utilization of any other provider within the area.

1. There are two (2) additional ESRD facilities within thirty (30) minutes of the proposed facility. None of the facilities are at the target occupancy of eighty percent (80%). It does not appear an unnecessary duplication of service will result with the establishment of this facility because no new capacity [i.e. stations] is being established in this ESRD Planning Area. The project is proposing a relocation of an existing fifteen (15) station facility to another site in the same planning area for the same fifteen (15) ESRD stations.

TABLE SEVEN						
ESRD Facilities within 30 minutes of the Proposed Facility						
Facility	Star Rating	Ownership	City	Stations	Time	Utilization
Whiteside Dialysis	4	Davita	Sterling	15	0	58.75%
Dixon Dialysis Center, LLC	4	Davita	Dixon	8	11	45.83%
Dixon Kidney Center	5	Fresenius	Dixon	8	11	37.50%

State Board Staff Note: For Table Seven 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: (1) best treatment practices and (2) 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.

2. A maldistribution exists when an identified area has an excess supply of facilities, stations, and services characterized by such factors as, but not limited to: ratio of stations to population exceeds one and one-half times the State Average. The State of Illinois average is one (1) station per 2,852 residents and the thirty (30) minute service area ratio is one (1) per every 2,450 individuals. Based upon this comparison a surplus does not exist in this thirty (30) minute service area.
3. There will be no impact on other facilities as all of the identified patients will either transfer from the existing facility or will be referrals of pre-ESRD patients. No patients will be transferred from other existing dialysis facilities.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION/IMPACT ON OTHER PROVIDERS (77 IAC 1110.1430(d)(1), (2) and (3))

D) Criterion 1110.1430(f) - Staffing

To demonstrate compliance with this criterion the applicants must 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 replacement facility will be staffed in accordance with all State and Medicare staffing requirements. Charlene Murdakes, M.D. will serve as the Medical Director for the proposed facility. A copy of Dr. Murdakes curriculum vitae has been provided as required. [Application for Permit page 105-106]

The existing facility is Medicare certified and fully staffed with a medical director, administrator, registered nurses, patient care technicians, social worker, and registered dietitian. Upon approval of the discontinuation of the existing facility, all current staff will be transferred to the replacement facility. All staff will be trained under the direction of the facility's Governing Body, utilizing DaVita's comprehensive training program. DaVita's training program meets all State and Medicare requirements. The training program includes introduction to the dialysis machine, components of the hemodialysis system, infection control, anticoagulation, patient assessment data collection, vascular access, kidney failure, documentation, complications of dialysis, laboratory draws, and

miscellaneous testing devices used. In addition, it includes in-depth theory on the structure and function of the kidneys, including homeostasis, renal failure, ARF/CRF, uremia, osteodystrophy and anemia, principles of dialysis; components of hemodialysis system; water treatment: dialyzer reprocessing; hemodialysis treatment; fluid management; nutrition; laboratory; adequacy; pharmacology; patient education; and service excellence. A summary of the training program was provided at page 107-113. The replacement facility will maintain an open medical staff.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 IAC 110.1430 (f))

E) Criterion 1110.1430(g) - Support Services

To demonstrate compliance with this criterion the applicants must attest to 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 attested 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.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SUPPORT SERVICES (77 IAC 110.1430(g))

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

To demonstrate compliance with this criterion the applicants must document that the proposed facility will have a minimum of four (4) stations in a facility outside a Metropolitan Statistical Area (MSA).

Reviewer Note: A metropolitan statistical area (MSA) is a geographical region with a relatively high population density at its core and close economic ties throughout the area. Such regions are neither legally incorporated as a city or town would be, nor are they legal administrative divisions like counties or separate entities such as states. [<https://www.census.gov/population/metro/about>]

The proposed replacement facility will not be located in a metropolitan statistical area. The proposed facility will have fifteen (15) stations.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH MINIMUM NUMBER OF STATIONS (77 IAC 110.1430(h))

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 Inc. has an agreement with CGH Medical Center to provide inpatient care and other hospital services. A copy of the agreement can be found at pages 118-130 of the Application for Permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CONTINUITY OF CARE (77 IAC 110.1430(i))

H) Criterion 1110.1430(j) - Relocation of Facilities

To demonstrate compliance with this criterion the applicants must document that

- 1) The existing facility has met the utilization targets detailed in 77 Ill. Adm. Code 1100.630 for the latest 12-month period for which data is available; and
- 2) The proposed facility will improve access for care to the existing patient population.

1. For the past four (4) quarters, the applicants have averaged fifty-six (56) patients per quarter or approximately 63% utilization for the fifteen (15) station facility.
2. The applicants state the proposed relocation will retain access for the patients currently receiving dialysis at the existing facility and provide access to those patients that are expected to begin dialysis within the next 12-24 months.

While the existing facility is not operating at eight percent (80%), the loss of the lease necessitates the relocation of the existing facility. Thus, the proposed relocation is justified.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH RELOCATION OF FACILITIES (77 IAC 1110.1430 (k))

I) Criterion 1110.1430 (k) - Assurances

To demonstrate compliance with this criterion the applicants must document that

- 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) An applicant proposing to expand or relocate in-center hemodialysis stations 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 at page 133 of the application for permit.

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

X. Financial Viability

A) Criterion 1120.120 – Availability of Funds

To demonstrate compliance with this criterion the applicants must provide evidence of the availability of funding for the proposed project.

The applicants are funding the project with cash of \$2,166,425 and the Fair Market Value of the Lease (FMV) of \$1,002,229. A review of the applicants' 2015 10-K statement (submitted with application #16-004) indicates sufficient resources are available to fund the project.

TABLE EIGHT 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 Healthcare Partners, Inc. 2015 10K			

TABLE NINE DaVita Inc. Credit Rating			
	Standard & Poor's (1) (2) (3)	Moody's (4) (5)	Fitch
Corporate credit rating	BB	Ba3	
Outlook	stable	stable	
Secured debt	BB	Ba1	
Unsecured debt	B+	B1	
<i>DaVita is not followed by Fitch</i>			
Standard and Poor's 1. An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments. 2. An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments. 3. The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories Moody's 1. Ba Obligations rated Ba are judged to be speculative and are subject to substantial credit risk. 2. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.			

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

B) Criterion 1120.130 – Financial Viability

To demonstrate compliance with this criterion the applicants must provide documentation of the financial ratios for all applicants per Part 1120.Appendix A. If the applicants provided evidence of an “A” or better bond rating or are funding the project through internal resources, no financial ratios are required.

The applicants are funding the project with cash of \$2,166,425 and the Fair Market Value of the Lease (FMV) of \$1,002,229. The applicants are funding this project through internal resources no financial ratios are required. The applicants appear to be financially viable.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130)

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 this criterion the applicants must provide documentation that the debt financing is reasonable.

The State Board considers leasing as debt financing.

The applicants provided a letter of intent for the leasing of 6,600 GSF of space for an initial term of ten (10) years at \$21.75 per square foot triple net lease (property taxes, repairs and maintenance and utilities) with a ten percent (10%) increase every 5 years during the term of the lease and any options. Common Area Maintenance expense is approximately \$3.00 per square foot. [Application for Permit page 136-145] The applicants also provided an attestation that the proposed project will be funded with cash and cash equivalents. [Source Application for Permit pages 148-149] Based on this information, the financing is reasonable.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1120.140(a) and (b))

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

To demonstrate compliance with this criterion the applicants must meet the State Board requirements in Part 1120.Appendix A.

The applicants' modernization and contingency costs, contingencies, architectural and engineering fees and movable equipment costs are in compliance with the State Board Standards in Part 1120.Appendix A. The applicants successfully addressed this criterion.

The new construction and contingency costs base year is 2015 or \$254.58 per gsf and inflated by 3% per year until the midpoint of construction which is 2017. The new construction and contingency costs for this project is \$270.09 per gsf.

Contingency costs are \$110,000, which is 8.5% of new construction costs. The State standard is ten percent (10%) for new construction projects.

Movable or Other Equipment costs base year is 2008 or \$39,945 per station inflated by 3% per year until the midpoint of construction which is 2017. The State Board Standard per station for this project is \$52,119.16. The listed cost for this criterion is \$606,524, which is \$40,434.93 per station.

The State Board has no standards for consulting and the fair market value of leased space

TABLE TEN					
Project Costs					
	Project Costs	State Board Standards		Applicants Costs	Met Standards
		State Board Standard	Total		
New Construction Contracts and Contingencies	\$1,391,775	\$270.09 per GSF	\$1,782,594	\$210.88 per gsf	Yes
Contingencies	\$110,000	10%	\$129,278	8.58%	Yes
Architectural/Engineering Fees	\$107,625	10.17%	\$141,543.51	7.74%	Yes
Movable or Other Equipment	\$606,524	\$52,119.16 per station	\$781,787.40	\$40,434.93 per station	Yes
Consulting and other Fees	\$60,501		Not Applicable		
Fair Market Value of Leased Space or Equipment	\$1,002,229		Not Applicable		

TABLE ELEVEN	
Itemization of Movable Equipment	
Moveable and Other Equipment	
Communications	\$86,538
Water Treatment	\$143,275
Bio-Medical Equipment	\$13,550
Clinical Equipment	\$253,844
Clinical Furniture/Fixtures	\$21,650
Lounge Furniture/Fixtures	\$4,055
Storage Furniture/Fixtures	\$7,037
Business Office Fixtures	\$32,575
General Furniture/Fixtures	\$32,000
Signage	\$12,000
Total	\$606,524
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THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140(c))

D) Criterion 1120.140(d)- Projected Operating Costs

To demonstrate compliance with this criterion the applicants must document the projected operating costs per treatment.

The applicants are projecting \$173.25 per treatment in operating costs. This amount includes Salaries, Benefits, & Medical Supplies. This projection is based on 12,012 treatments per year. The applicants addressed this criterion. [Application for Permit page 152]

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

E) Criterion 1120.140(e)- Projected Capital Costs

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

The applicants are projecting \$16.62 in capital costs per treatment based on depreciation, amortization and interest of \$199,661. This projection is based upon 12,012 treatments per year. The applicants addressed this criterion. [Application for Permit page 153]

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

TABLE TWELVE
DaVita Facilities in Illinois

DaVita ESRD Facilities	City	Planning Area	Stations
Stonecrest Dialysis	Rockford	1	11
Sycamore Dialysis	Sycamore	1	12
Churchview Dialysis - East Rockford	Rockford	1	24
Freeport Dialysis Unit	Freeport	1	10
Rockford Memorial Hospital	Rockford	1	22
Whiteside Dialysis	Sterling	1	15
Dixon Kidney Center	Dixon	1	8
Roxbury Dialysis	Rockford	1	16
Driftwood Dialysis	Freeport	1	10
Timber Creek Dialysis	Dekalb	1	12
Davita Belvidere Dialysis	Belvidere	1	12
DaVita Machesney Park	Machesney Park	1	12
DaVita River Forest	Rockford	1	12
Davita Tazewell County	Pekin	2	8
GAMBRO Healthcare - Jacksonville	Jacksonville	3	14
GAMBRO Healthcare - Lincoln	Lincoln	3	14
GAMBRO Healthcare - Litchfield	Litchfield	3	12
GAMBRO Healthcare - Springfield	Springfield	3	21
GAMBRO Healthcare - Taylorville	Taylorville	3	10
GAMBRO Healthcare - Montvale	Springfield	3	17
GAMBRO Healthcare - Rushville	Rushville	3	8
DaVita Jerseyville Dialysis	Jerseyville	3	9
DaVita Pittsfield Dialysis	Pittsfield	3	5
DaVita Adams County	Quincy	3	17
Springfield South	Springfield	3	12
Montgomery County	Hillsboro	3	8
DaVita - Macon County	Decatur	4	23
DaVita - Mattoon	Mattoon	4	16
DaVita - East Wood Street	Decatur	4	18
DaVita - Champaign	Champaign	4	11
Vermillion County Dialysis	Danville	4	8
Nephroplex Dialysis of Mt. Vernon	Mount Vernon	5	16
Renal Life Link d/b/a Marion Dialysis	Marion	5	13
GAMBRO Healthcare - Effingham	Effingham	5	16
Nephroplex Dialysis of Benton	Benton	5	13
Nephroplex Dialysis of Centralia	Centralia	5	12
Olney Dialysis Unit Olney	Olney	5	7
Wayne County Dialysis	Fairfield	5	8

TABLE TWELVE
DaVita Facilities in Illinois

DaVita ESRD Facilities	City	Planning Area	Stations
Vandalia Dialysis	Vandalia	5	8
Robinson Dialysis	Robinson	5	9
DaVita Red Bud Dialysis	Red Bud	5	8
Irving Park Dialysis	Chicago	6	12
DaVita Park Manor Dialysis	Chicago	6	16
DaVita Park Washington Heights	Chicago	6	16
DaVita West Side	Chicago	6	12
Children's Memorial Hospital	Chicago	6	8
Loop Renal Center	Chicago	6	28
Davita- Woodlawn	Chicago	6	32
Kenwood Dialysis	Chicago	6	32
Lincoln Park Dialysis Center	Chicago	6	22
Logan Square Dialysis	Chicago	6	28
Emerald Dialysis	Chicago	6	24
DaVita - Stony Island Dialysis	Chicago	6	32
Grand Crossing Dialysis	Chicago	6	12
Little Village Dialysis	Chicago	6	16
DaVita Lawndale	Chicago	6	16
West Lawn Dialysis	Chicago	6	12
Monteclare Dialysis Center	Chicago	6	16
Garfield Kidney Center	Chicago	6	16
Mount Greenwood Dialysis	Chicago	6	16
Beverly Dialysis	Chicago	6	16
Brighton Park	Chicago	6	16
Neomedica Dialysis Ctrs - Evanston	Evanston	7	18
RCG-South Holland	South Holland	7	24
Olympia Fields Dialysis Center	Matteson	7	24
Country Hills Dialysis	Country Club Hills	7	24
RCG Hazel Crest	Hazel Crest	7	19
RCG - Arlington Heights Northwest Kidney Center	Arlington Heights	7	18
Chicago Heights Renal Care	Chicago Heights	7	16
RCG-Buffalo Grove	Buffalo Grove	7	16
RCG - Schaumburg	Schaumburg	7	20
Stony Creek Dialysis	Oak Lawn	7	12
DaVita - Harvey Dialysis	Harvey	7	18
Big Oaks Dialysis	Niles	7	12
Palos Park Dialysis	Orland Park	7	12
Calumet City Dialysis	Calumet City	7	16
DaVita Chicago Ridge Dialysis	Worth	7	16
DaVita Tinley Park	Tinley Park	7	12

TABLE TWELVE
DaVita Facilities in Illinois

DaVita ESRD Facilities	City	Planning Area	Stations
Lake County Dialysis Ctr	Vernon Hills	8	16
Dialysis Center of America - NCDC	Waukegan	8	22
DaVita Carpentersville	Carpentersville	8	13
DaVita Marengo	Marengo	8	10
Lake Villa Dialysis	Lake Villa	8	12
Crystal Spring Dialysis	Crystal Lake	8	14
Barrington Creek	Lake Barrington	8	12
Cobblestone Dialysis	Elgin	8	14
DaVita Huntley	Huntley	8	12
Kankakee County Dialysis	Boubonnais	9	12
Morris Dialysis	Morris	9	12
Renal Center New Lenox	New Lenox	9	19
Renal Center West Joliet	Joliet	9	29
Renal Care Of Illinois	Belleville	11	36
Granite City Dialysis	Granite City	11	20
Sauget Dialysis	Sauget	11	24
Alton Dialysis	Alton	11	14
Maryville Dialysis- Renal Treatment Ctrs	Maryville	11	14
Edwardsville Dialysis	Edwardsville	11	8
Shiloh Dialysis	Shiloh	11	12
O'Fallon Dialysis	O'Fallon	11	12
DaVita Collinsville Dialysis	Collinsville	11	8

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