

Dialysis Care Center McHenry, LLC

15786 S Bell Rd. • Homer Glen, IL, 60491 • (708) 645-1000 FAX: (708) 645-1001

January, 8, 2017

Illinois Health Service Review Board
Mike Constantino
525 West Jefferson
Springfield, Illinois 62761
217-782-3516 (Phone)
217-785-4111 (Fax)

Re: Additional Information Project #16-058

Dear Mr. Mike Constantino:

Please accept this document in response to your letter for request of additional information dated December 30, 2016.

1. We are going to need a schematic of the proposed facility indicating the location of all fourteen (14) dialysis stations, patient exam and training area, support area, water treatment, nurse station, lobby, reception area, administrative space, areas for staff i.e. locker room, toilets, and storage.

Please find attached the schematic floor plan of the proposed facility as **Appendix 2**.

2. The physician letters provided at pages 66-67 and 78 of the application for permit need to be signed and notarized

Please find attached the signed and notarized replacement letters (pages 66, 67, 78, and 82) from the physicians of the proposed facility as **Attachment 26 b-3**.

3. It is unclear to us how a fourteen [14] station ESRD facility can be established for \$1,122,000. Please provide us with a detailed explanation of how this can be accomplished. Your costs are approximately seventy percent (70%) less than other applications we are seeing.

As previously discussed throughout the application, the space that we are utilizing for the project is in shell condition. The actual structure of the building is pre-existing. We are confident the project can be established with the amount listed on the application. If any deviations are made, which we do not expect, they will be on the project completion report and the final realized cost report that are due to the board. The facility will meet—if not exceed—IDPH standards.

4. Please provide an explanation of how the fair market value of the space and the fair market value of the dialysis machines were determined.

The fair market value of the space was calculated using the lease terms and the discount rate of 8% over the term of the lease.

The value of the dialysis machines are based on the expected purchase price of the equipment.

5. Please provide the expected payor mix of the proposed facility.

Below, please find the end of year 2 estimated expectations

Payor Mix	# of Patients	Percentage of Revenue
Medicare Revenue	33	44.4%
Medicaid Revenue	26	43.6%
Private Pay Revenue	7	12%
Self Pay Revenue	0	
Charity Care	2	0%

6. We need for you to complete the Tables below for the proposed project. We also need the assumptions that were used to calculate the projected information. Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

As previously stated, the initial buildout costs will be met by current cash on hand. There will be no need to finance the project with debt. We expect the facility to achieve 80% utilization by the end of year two. The facility would grow to 42 patients over the course of one year, then grow to 71 patients by end of year two, and ultimately achieve full capacity during end of year three. The utilization rate is lower than the year end numbers due to the gradual increase over the course of the year.

Net revenue is based on the payor mix listed below and operating expenses are based on company averages for comparable areas. The facility runs a net deficit in year one due to the ramp up from zero patients and achieves profitability in year two. Equipment will be either purchased or funded through operating leases. For asset management, we expect to maintain 30 days of operating cash at the facility level. We also expect to manage accounts receivable within our corporate targets, staying below 60 days receivable outstanding (DRO).

Dialysis Care Center Holdings is a legal entity which has no external debt and will earn management fee once the clinic is operational. The management fee is 7% on total collections and has been accounted for on the projections

TABLE ONE Dialysis Care Center McHenry LLC Projected [Facility]			
	Year 1	Year 2	Year 3
# of Stations	14	14	14
# of Treatments	4200	7100	8400
# of Patients	42	71	84
Utilization Rate	50%	85%	100%
Net Patient Revenue	\$525,502	\$2,354,826	\$2,558,324
Total Operating Expenses	\$998,000	\$1,923,254	\$2,012,325
Net Profit or (Loss)	- (\$72,498)	\$ 431,572	\$545999

TABLE TWO Projected Dialysis Care Center McHenry LLC			
	Year 1	Year 2	Year 3
Current Ratio	2.0	2.0	2.0
Net Margin Percentage	-13.8%	18.3%	21.3%
Percent Debt to Total Capitalization	-	-	-
Projected Debt Service Coverage	-	-	-
Days Cash on Hand	30	30	30
Cushion Ratio	N/A	N/A	N/A

If you have any questions or need any additional Should you have any questions or concerns, please feel free to contact me.

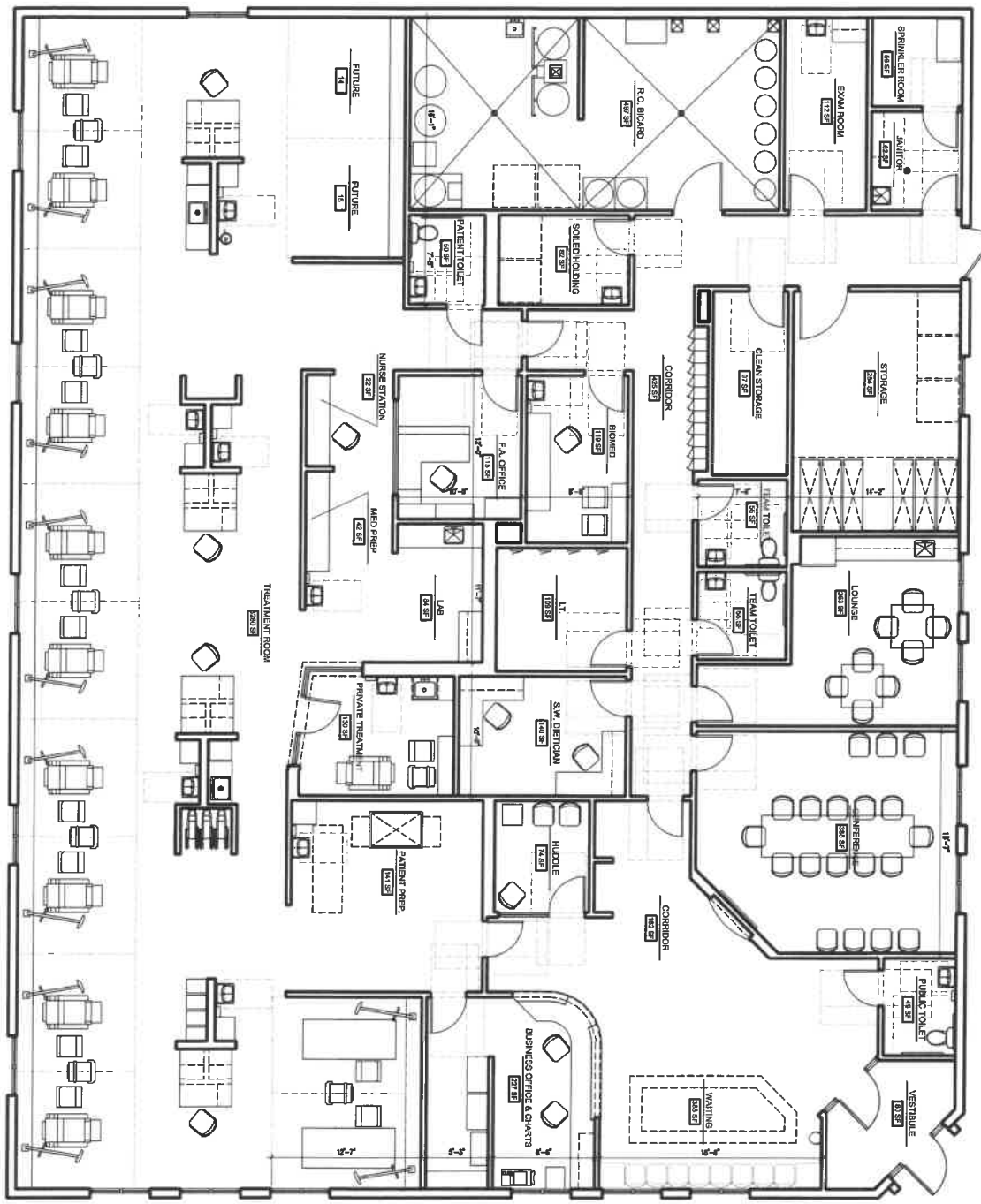
Sincerely,



Asim Shazzad
Administrator
Dialysis Care Center
shazzad@kidneycares.com
Cell : (630) 965-9007
Direct : (708)737-7200

FLOOR PLAN

SCALE: NTS



SHEET NUMBER

SHEET TITLE

JOB NO.: 17-004
DATE: 12-01-16

PROJECT:
DOCTORS OFFICES
MCHENRY DOCTORS OFFICE
MCHENRY, IL

CLIENT:
PETE BAFTIRI
4895 KELLER STREET
LISLE, IL 60532

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AGAMA DESIGNS
architecture

269 Walsh Circle
Yorkville, Illinois 60560
Phone: 630-207-7400
E-mail: agadma@agadmaarchitect.com

Appendix 2

December 27, 2016

Ms. Courtney Avery
Administrator
Illinois Health Facilities & Services Review Board
525 W. Jefferson St., 2nd Floor
Springfield, IL 62761

Re: Dialysis Care Center McHenry

Dear Ms. Avery,

I am a please to support Dialysis Care Center McHenry. The proposed 14 Station chronic renal dialysis facility is to be located at 612 S IL Route 31, Suite A, McHenry, IL, 60050.

Dialysis Care Center McHenry facility will improve access to necessary dialysis services in the McHenry community.

Along with my partners, Farnaz Mohammadi, M.D. and Ruchi Sood, M.D., we have experienced extreme growth of both population and of ESRD patients in this area. I have many pre-ESRD patients in my practice that I anticipate in referring to the Dialysis Care Center McHenry. This facility will better serve the growing number of dialysis patients in my practice.

We currently have 110 CKD 4 pre-ESRD patients in my practice, this does not include any patients that are CKD 3, the list is provided for those patients as well but have not been accounted for in any calculation purposes. Of these, I expect approximately 30% to expire, regain function, move out of the area or choose home dialysis before dialysis therapy is started. I expect then that approximately 77 of these patients would be referred to Dialysis Care Center McHenry facility for dialysis.

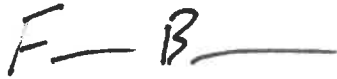
My partners and I will continue to refer patients to the other area facilities per the patient's place of residence and choice. We are also strong supporters of home dialysis through our Elgin home therapies program and will continue to refer those patients who are good candidates for home dialysis services.

I respectfully ask you to consider the constant growth of ESRD in McHenry County and approve the Dialysis Care Center McHenry facility to maintain access for future dialysis patients.

Thank you for your consideration.

I attest that to the best of my knowledge, all the information contained in this letter is true and correct and that the projected patient referrals listed in this document have not been used to support any other CON application.

Sincerely,




Farhan Bangash, D.O.

Notarization:

Subscribed and sworn to before me

This 27th day of December, 2016


Signature of Notary

Seal



OFFICIAL SEAL
JESSICA L MACIAS
Notary Public - State of Illinois
My Commission Expires Jul 23, 2017

December 27, 2016

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: Dialysis Care Center McHenry

Dear Ms. Avery,

My name is Ruchi Sood, M.D. and I am a nephrologist practicing in the McHenry area. I am writing to express my strong support for the proposed Dialysis Care Center McHenry dialysis facility.

Over the years I have witnessed extreme growth of both population and of ESRD patients in this area. I have many pre-ESRD patients in my practice that I anticipate in referring to the Dialysis Care Center McHenry. My partners and I, along with our patients, are hopeful to have this new dialysis facility located in the community.

I have a large number of pre-ESRD patients in the immediate area and expect that clinic to fill up quickly. This clinic is in a highly dense population prone to diseases leading to kidney failure.

I urge you to approve this dialysis facility for the residents of McHenry County and surrounding cities.

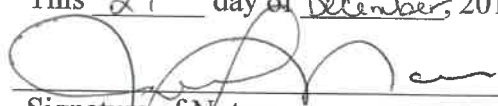
Sincerely,


Ruchi Sood, M.D.

Notarization:

Subscribed and sworn to before me

This 27 day of December, 2016



Signature of Notary



Physician Referrals
Attachment-26 b-3

December 27, 2016

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: Dialysis Care Center McHenry

Dear Ms. Avery,

I am writing to support Dialysis Care Center McHenry's proposal to open a 14-station dialysis facility in McHenry. I am a nephrologist currently practicing in the McHenry area.

I have witnessed a surplus of ESRD patients in the McHenry area in the last few years. I have many CKD 3 and 4 patients in my McHenry practice and anticipate a shortage of dialysis chairs if a new dialysis facility is not available. There will be no duplication of services or misdistribution in the McHenry area.

I am looking forward in referring my patients to Dialysis Care Center McHenry. I, along with my patients, am hopeful to have this new dialysis facility located in the community.

I strongly urge you to approve this dialysis facility for the residents of McHenry County and surrounding cities.

Sincerely,

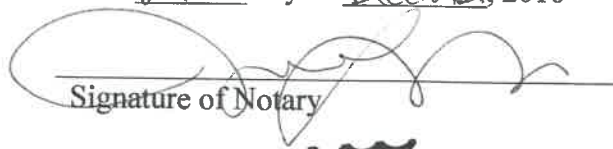


Farnaz Mohammadi M.D.

Notarization:

Subscribed and sworn to before me

This 27 day of December, 2016



Signature of Notary



Physician Referrals
Attachment-26 b-3