DaVita.

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August 25, 2017

Via Federal Express

Ms. Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Fresenius Kidney Care Springfield East (Project No. 17-024)

Dear Ms. Olson:

I am a Vice President with DaVita Inc. ("DaVita"), and I oppose the above-referenced project to establisha 9-station dialysis facility in Springfield, Illinois. As detailed below, there is no need for a new 9-station dialysis facility in Springfield, and approval of the proposed facility will result in unnecessary duplication and maldistribution of dialysis services within HSA 3. Furthermore, none of the existing dialysis facilities within 30 minutes of the proposed Fresenius Kidney Care Springfield East ("FMC Springfield East") are operating above the Illinois Health Facilities and Services Review Board ("State Board") utilization standard nor trending to exceed target utilization in the near future. Based on that fact, when DaVita sought approval to relocate its facility it did not expand its capacity as it might have if there was increasing demand. Accordingly, approval of a new dialysis facility in Springfield is unwarranted. For these reasons, DaVita respectfully requests the State Board deny Fresenius Kidney Care's application for a 9 station dialysis facility.

1. No Need for Additional Stations within HSA 3

There is no need for the proposed dialysis facility in the Springfield service area. There is currently an excess of 39 stations in HSA 3, *the largest station excess of any health service area in Illinois*. Accordingly, the addition of 9 stations will create an even greater excess (48 stations) in the HSA.

Last year, the State Board approved DaVita's application to relocate its Springfield Central facility. In determining whether to expand Springfield Central, DaVita analyzed the historical utilization of the existing facilities within HSA 3, Given the underutilization of the existing facilities coupled with the limited growth in the service area, DaVita concluded

additional stations were not needed at that time. Since approval of the Springfield Central relocation last September, utilization is flat. In fact, total patient census for the existing facilities has not changed (262 patients as of September 30, 2016 and June 30, 2017). There was no need for additional stations last year, and that fact remains true today.

2. Maldistribution of In-Center Hemodialysis Stations

Further, a maldistribution of in-center hemodialysis stations exists within HSA 3, and this proposed project will only exacerbate the maldistribution. As of the May 3, 2017 update to ESRD Services, there are presently 179 stations in HSA 3, 72 stations (or 40% of the stations) are located within the geographic service area of the proposed FMC Springfield East.[1] In contrast, according to June 30, 2017 data from The Renal Network, 35% of the ESRD patients reside within the proposed FMC Springfield East geographic service area.[2] Adding 9 stations in Springfield will increase the maldistribution of hemodialysis services within HSA 3.

3. Utilization of Existing Facilities

There are presently 5 dialysis facilities within 30 minutes of the proposed FMC Springfield East. Excluding Memorial Medical Center, which serves only high acuity patients, average utilization of the remaining 4 facilities, is only 66.2% and no facility is operating above the State Board's 80% utilization standard. See Attachment – 1. Further, over the past four years the compound annual growth rate for the four Springfield area dialysis facilities was 3.4%. Assuming this historical growth trend continues, the projected utilization of the existing facilities as of June 2021 (two years after the anticipated project completion date) will increase to 74.8%, below the State Board's utilization standard. Finally, the four existing facilities collectively will be able to accommodate 100 additional patients, which is more than sufficient to accommodate Dr. Nicolas Forero's projected referrals.

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[1] IL HEALTH FACILITIES SERVS. REVIEW BD., IL. DEPARTMENT PUB. HEALTH, UPDATE TO OTHER HEALTH SERVS. INCLUDES ESRD, ASTC AND ALTERNATIVE MODELS (May 5, 2017) *available at* https://www.illinois.gov/sites/hfsrb/InventoriesData/MonthlyHCFInventory/Documents/Other%20Services%20Update%205-5-17.pdf (last visited Aug. 8, 2017).

[2] The Renal Network: ESRD Network 10, Patients by Zip Code and County Report (June. 30, 2017) *available at* http://www.therenalnetwork.org/data/data_services.html (last visited Aug. 8, 2017).

FMC states a purpose of the project is to improve access to preferred treatment times. As previously noted, no existing facility is currently operating at the State Board standard or trending to exceed 80% utilization in the near future. There is shift availability at every DaVita Springfield dialysis facility and scheduling patients for their desired shift is not difficult. In fact, DaVita retains an open station for emergencies, e.g., patients who need to dialyze on a different shift to accommodate other obligations, transient patients, and other emergent cases. Finally, DaVita maintains an open medical staff, and Dr. Forero and Dr. Downer have privileges at the DaVita facilities in Springfield. There is no reason why their projected patients cannot be treated at any of the existing facilities in Springfield.

4. Safety Net Impact

FMC states the proposed FMC Springfield East will improve access for Medicaid patients. It is important to understand that DaVita accepts and dialyzes patients with renal failure without regard of ability to pay. Currently, 35% of patients (or 80 patients) in DaVita's Springfield facilities have Medicaid as their primary or secondary insurance. Further, 50% of the patients (or 117 patients) have another type of government insurance, e.g., Medicare, Veterans' Administration or Medicare Advantage plans. Accordingly, Medicaid patients in Springfield have good access to dialysis facilities.

DaVita is a safety net provider of dialysis services, treating a high percentage of patients with government insurance. Since launching its bundled payment system in 2011, Medicare has reduced dialysis reimbursement, resulting in very small margins for dialysis facilities. Commercial patients are critical to the financial viability of dialysis facilities, particularly those that serve high percentages of patients with government insurance. Diluting the commercial patient base will adversely impact safety net providers' ability cross-subsidize essential dialysis services.

DaVita opposes Fresenius Kidney Care's proposed project to establish a 9 station dialysis facility in Springfield, Illinois. There is currently no need and a new facility in Springfield will exacerbate the current maldistribution of in-center hemodialysis services. DaVita respectfully requests the State Board to deny this project

Sincerely,

Mary Anderson

Mary Anderson
Division Vice President
DaVita, Inc.

Attachment

Attachment – 1

Facility	Number of Stations 06/30/17	Number Patients 6/30/2017	Utilization % 6/30/2017	06/30/2017 Capacity	Projected Patients 06/30/2021	Projected Utilization 06/30/2021	Projected Capacity
DaVita Montvale	17	66	64.7%	16	62	61.2%	40
FMC Center West - Springfield	16	71	74.0%	6	67	70.2%	29
DaVita Springfield Central	21	83	65.9%	18	94	74.8%	32
Springfield South	12	42	58.3%	16	72	100.0%	-
Total	**66**	**262**	**66.2%**	**55**	**296**	**74.8%**	**100**