



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-10	BOARD MEETING: November 14, 2017	PROJECT NO: 17-039	PROJECT COST: Original: \$2,837,776
FACILITY NAME: Alpine Dialysis		CITY: Rockford	
TYPE OF PROJECT: Substantive			HSA: I

PROJECT DESCRIPTION: The applicants (DaVita Inc., and Total Renal Care, Inc.) are proposing to establish an eight (8) station ESRD facility in 6,050 GSF of leased space located at 3157 Alpine Road, Rockford, Illinois. The cost of the project is \$2,837,776 and the completion date as stated in the application for permit is November 30, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita Inc., and Total Renal Care, Inc.) are proposing to establish an eight (8) station ESRD facility in 6,050 GSF of leased space located at 3157 South Alpine Road, Rockford, Illinois. The cost of the project is \$2,837,776 and the completion date is November 30, 2019.

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)

PURPOSE OF PROJECT

“The purpose of the project is to improve access to life sustaining dialysis services to the residents of Rockford Illinois and the surrounding area. There are seven dialysis facilities within 30 minutes of the proposed Alpine Dialysis (the Alpine GSA). Collectively, these facilities were operating at 65.44%, as of March 31, 2017. Excluding the recently approved dialysis facilities, average utilization increases to 83.33%, exceeding the State Board’s utilization standard. Based on June 2017 data from the Renal Network, 456 ESRD patients live within 30 minutes of the proposed facility. This translates to a need for 95 stations, assuming 80% utilization. Currently, there are only 73 stations within 30 minutes of the proposed facility. The proposed Alpine Dialysis facility is needed to ensure ESRD patients on the southeast side of Rockford have adequate access to dialysis services, which is essential to their well-being.”

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 pertaining to this project.

CONCLUSIONS:

- There is a calculated excess of three (3) ESRD stations in the HSA I ESRD Planning Area, per the September, 2017 ESRD Inventory Update.
- It appears that the applicants will be providing services to residents of the planning area, and based upon the number of physician referrals there appears to be sufficient demand for the number of stations requested.
- There are seven (7) facilities within thirty (30) minutes with an average utilization of approximately sixty percent (60%). By taking into account that two (2) of the seven (7) facilities are not fully operational (ramp-up), and (1) one is still under construction, the four (4) remaining facilities average utilization is approximately eighty-three percent (83%).
- The applicants addressed a total of twenty one (21) criteria and have failed to adequately address the following:

Criteria	Reasons for Non-Compliance
77 ILAC 1110.1430 (c) (1) (2) (3) and (5) – Planning Area Need	There is a calculated <u>excess</u> of three (3) ESRD stations in the HSA I ESRD Planning Area. No evidence was provided documenting access limitations due to payor status of patients, or restrictive admission policies at existing providers. The area population and existing care system do not exhibit indicators of medical care problems. There are seven (7) facilities within thirty (30) minutes with an average utilization of approximately sixty percent (60%). Two (2) of the seven (7) facilities are not fully operational (ramp-up), and (1) is still under construction. The four (4) remaining facilities average utilization is approximately eighty-three percent (83%).

Criteria	Reasons for Non-Compliance
77 ILAC 1110.1430(d)(1), (2) and (3) - Unnecessary Duplication of Service, Maldistribution of Service, Impact on Other Providers	There are seven (7) facilities within thirty (30) minutes with an average utilization of approximately sixty percent (60%). Two (2) of the seven (7) facilities are still in ramp-up and (1) one is still under construction. The four (4) remaining facilities average utilization is approximately eighty-three percent (83%).

STATE BOARD STAFF REPORT
Project #17-039
DaVita Alpine Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	DaVita Inc., and Total Renal Care, Inc.
Facility Name	Alpine Dialysis
Location	3157 South Alpine Road, Rockford, Illinois
Permit Holder	Total Renal Care, Inc.
Operating Entity	Total Renal Care, Inc.
Owner of Site	Dyn Commercial Holdings, LLC
Description	Establish an eight (8) station ESRD facility
Total GSF	6,050 GSF
Application Received	August 21, 2017
Application Deemed Complete	August 23, 2017
Review Period Ends	December 21, 2017
Financial Commitment Date	September 26, 2019
Project Completion Date	November 14, 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 Total Renal Care, Inc.) are proposing to establish an eight (8) station ESRD facility in 6,050 GSF of leased space located at 3157 South Alpine Road, Rockford, Illinois. The cost of the project is \$2,837,776 and the completion date is November 30, 2019.

II. Summary of Findings

- A. State Board Staff finds the proposed project does not appear to be in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The applicants are DaVita Inc., and Total Renal Care, Inc. DaVita, Inc. is a Fortune 500 company established in Delaware, and is the parent company of Total Renal Care, Inc. Total Renal Care, Inc. is incorporated in California and licensed in Illinois and is a leading provider of kidney care, delivering dialysis services to patients with chronic kidney failure and end stage renal disease. DaVita serves patients with low incomes, racial and ethnic minorities, women, handicapped persons, elderly, and other underserved persons in its facilities in the State of Illinois.

Financial commitment will occur after permit issuance. This project is a substantive project subject to a Part 1110 and 1120 review.

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

TABLE ONE			
Current DaVita Projects			
Project Number	Name	Project Type	Completion Date
15-020	Calumet City Dialysis	Establishment	7/31/2017
15-025	South Holland Dialysis	Discontinuation/Establishment	10/31/2017
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
16-009	Collinsville Dialysis	Establishment	11/30/2017
16-023	Irving Park Dialysis	Establishment	8/31/2018
16-033	Brighton Park Dialysis	Establishment	10/31/2018
16-037	Fox Point Dialysis	Establishment	7/31/2018
16-040	Jerseyville Dialysis	Establishment	7/31/2018
16-041	Taylorville Dialysis	Expansion	7/31/2018
16-051	Whiteside Dialysis	Relocation	3/31/2018

IV. Project Costs and Sources of Funds

The applicants are funding the project with cash of \$1,887,387 and the FMV of leased space of \$950,389. The operating deficit and start-up costs are \$1,593,307.

TABLE TWO				
Project Costs and Sources of Funds				
USE OF FUNDS	Reviewable	Non Reviewable	Total	% of Total
New Construction Contracts	\$883,000	\$277,000	\$1,160,000	40.88%
Contingencies	\$88,300	\$27,700	\$116,000	4.09%
Architectural/Engineering Fees	\$71,800	\$30,800	\$102,600	3.62%
Consulting & Other Fees	\$40,933	\$17,543	\$58,476	2.06%
Movable or Other Equipment (not in construction contracts)	\$372,594	\$77,717	\$450,311	15.87%
Fair Market Value of Leased Space & Equipment	\$723,395	\$226,994	\$950,389	33.49%
TOTAL USES OF FUNDS	\$2,180,022	\$657,754	\$2,837,776	100.00%
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total	
Cash and Securities	\$1,456,627	\$430,760	\$1,887,387	66.51%
Leases (fair market value)	\$723,395	\$226,994	\$950,389	33.49%
TOTAL SOURCES	\$2,180,022	\$657,754	\$2,837,776	100.00%

Source: Page 6 of the Application for Permit.

V. Health Planning Area

The proposed facility will be located in the HSA I ESRD Planning Area. The HSA I ESRD Planning Area includes Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago counties. As of September 2017 there is a calculated excess of three (3) ESRD stations in this planning area. There are currently fifteen (15) dialysis facilities in this planning area with 195 ESRD stations.

VI. Background of the Applicants

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

An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. To demonstrate compliance with this criterion the applicants must provide

- A) 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;
- B) 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;
- C) 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. Failure to provide the

authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.

D) An attestation that the applicants have has been no *adverse action*¹ taken against the any facility owned or operated by applicants.

1. The applicants have attested that there has been no adverse action taken against any of the facilities owned or operated by DaVita, Inc., and Total Renal Care, Inc. during the three (3) years prior to filing the application. [Application for Permit page 66]
2. The applicants have authorized the Illinois Health Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connections the applicants' certificate of need to establish an eight station ESRD facility. The authorization includes, but is 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. [Application for Permit pages 66]
3. The site is owned by Dyn Commercial Holdings, LLC, and evidence of this can be found at pages 30-33 of the application for permit in the Letter of Intent to lease the property at 3157 South Alpine Road, Rockford, Illinois.
4. The applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.*
5. The proposed location of the ESRD facility is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects consider the preservation and enhancement of both State owned and non-State owned historic resources* (20 ILCS 3420/1).

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

VII. Purpose of the Project, Safety Net Impact, Alternatives

A) Criterion 1110.230 – Purpose of the Project

To demonstrate compliance with this criterion the applicants must document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

According to the applicants:

¹ "Adverse action is defined as 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. These actions include, but are not limited to, all Type "A" and Type "AA" violations." (77 ILAC 1130.140)

“The purpose of the project is to improve access to life sustaining dialysis services to the residents of Rockford Illinois and the surrounding area. There are seven dialysis facilities within 30 minutes of the proposed Alpine Dialysis (the Alpine GSA). Collectively, these facilities were operating at 65.44%, as of March 31, 2017. Excluding the recently approved dialysis facilities, average utilization increases to 83.33%, exceeding the State Board’s utilization standard. Based on June 2017 data from the Renal Network, 456 ESRD patients live within 30 minutes of the proposed facility. This translates to a need for 95 stations, assuming 80% utilization. Currently, there are only 73 stations within 30 minutes of the proposed facility. The proposed Alpine Dialysis facility is needed to ensure ESRD patients on the southeast side of Rockford have adequate access to dialysis services, which is essential to their well-being.”

B) Criterion 1110.230 (b) - Safety Impact Statement

To demonstrate compliance with this criterion the applicants must document the safety net impact if any of the proposed project. *Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]*

DaVita stated the following:

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 2016 Community Care report, which details DaVita's commitment to quality, patient centric focus and community outreach, is included as part of the Applicants application (Application, pgs. 56-61). 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.

TABLE FIVE
Charity Care for DaVita, Inc.

	2014	2015	2016
Net Patient Revenue	\$266,319,949	\$311,351,089	\$353,226,322
Amt of Charity Care (charges)	\$2,477,363	\$2,791,566	\$2,400,299
Cost of Charity Care	\$2,477,363	\$2,791,566	\$2,400,299
% of Charity Care/Net Patient Revenue	0.93%	0.90%	0.68%
Number of Charity Care Patients	146	109	110
Number of Medicaid Patients	708	422	297
Medicaid	\$8,603,971	\$7,361,390	\$4,692,716
% of Medicaid to Net Patient Revenue	3.23%	2.36%	1.33%

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

To demonstrate compliance with this criterion the applicants must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The applicants considered four (4) alternatives

A) Maintain Status Quo/Do Nothing

The applicants considered, but ultimately rejected, the option to not do anything, due to the highly utilized ESRD facilities in the Alpine GSA. Dr Syed Ahmed, M.D., from Rockford Nephrology Associates, LLC is currently treating 569 Stage 3, 4, and 5 CKD patients residing within the two zip codes most proximal to the applicant facility (61109, 61104), and anticipates at least 44 of these patients to present to ESRD facilities in the area for ESRD services, within 12-24 months following the proposed project completion. Without the proposed project, these 44 patients would present to existing facilities, contributing to the current high capacity. No costs were identified with this alternative.

B) Utilize Existing Facilities

The applicants identified seven dialysis facilities within the Alpine service area, with an average operational capacity of 83.3% (excluding recently approved projects). The Applicants note that patient census at these area facilities has increased 5.4% for the two year period beginning 2015, and is expected to continue into the foreseeable future. This, combined with the proposed patient base from Dr. Ahmed, would result in increased utilization of all existing ESRD facilities in the service area, and limitations in access for existing and new ESRD patients. Based on these findings, the applicants rejected this alternative. There is no capital cost with this alternative.

C) Facility of Greater or Lesser Scope

The Applicants immediately rejected a project of lesser scope, based on the minimum number of stations required in an MSA (8 stations), which is what the proposed project entails. A project of greater scope was considered, but rejected based on the 3 recently approved ESRD projects in the Alpine Dialysis GSA, and the calculated need for 8 stations to serve the projected ESRD population at DaVita Alpine Dialysis. The Applicants identified no project costs with this alternative.

D) Establish a New Facility

The Applicants found this alternative to be most viable, based on the projected service need for dialysis and the projected existing dialysis facilities in the service area. The growth in ESRD utilization for the two year period beginning March 2015 has been 5.4%, and is expected to continue into the foreseeable future. The applicants have determined that an 8-station ESRD facility would best meet the projected service needs of the community/service area, and not create maldistribution or unnecessary duplication of service. Cost identified with this alternative: \$2,837,776.

VIII. Size of the Project, Projected Utilization, and Assurances

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

To demonstrate compliance with this criterion the applicants must document that the size of the project is in conformance with State Board Standards published in Part 1110 Appendix B.

The applicants are proposing an eight (8) station ESRD facility in 4,605 GSF of clinical space or 575.6 GSF per station. This is within the State Board Standard of 650 GSF per station or a total of 5,200 GSF.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 ILAC 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 1110 Appendix B. The number of years projected shall not exceed the number of historical years documented.

The applicants are projecting forty-four (44) patients by the second year after project completion.

Sixty-four (44) patients x 156 treatments per year = 6,864 treatments

Eight (8) stations x 936 treatments available = 7,488 treatments

6,864 treatments/7,488 treatments = 91.7%

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

C) Criterion 1110.234 (e) - Assurances

To demonstrate compliance with this criterion the applicants submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.

The project will not include unfinished (shell) space, and this criterion is inapplicable to this application for permit.

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

IX. In-Center Hemodialysis Projects

A) Criterion 1110.1430 (c) - Planning Area Need

To demonstrate compliance with this criterion the applicants must document that the number of stations to be established or added is necessary to serve the planning area's population.

1) 77 Ill. Adm. Code 1100 (Formula Calculation)

To demonstrate compliance with this sub-criterion the applicants must document that the number of stations to be established is in conformance with the projected station need.

There is a calculated excess of three (3) ESRD stations in the HSA I ESRD Planning Area per the September 2017 Revised Station Need Determinations.

2) Service to Planning Area Residents

To demonstrate compliance with this sub-criterion the applicants must document that the primary purpose is to serve the residents of the planning area.

The primary purpose of the proposed project is to maintain access to life-sustaining dialysis services to the residents of Rockford and the surrounding area. As evidenced in the physician referral letter five hundred sixty nine (569) pre-ESRD patients reside within the same zip code as the proposed facility (61109), or the next closest zip code (61104). Of these 569 patients, sixty nine (69), are reported to suffer from Stage 4 or 5 CKD. Accounting for patient attrition, the applicants are projecting forty-four (44) patients by the second year after project completion. The forty-four patients will come from the zip codes identified below. It would appear that the proposed facility will provide dialysis services to the residents of the planning area.

Zip Code	City	County	Patient #
61109	Rockford	Winnebago	59
61104	Rockford	Winnebago	10
Total			69

3) Service Demand – Establishment of In-Center Hemodialysis Service

To demonstrate compliance with this sub-criterion the applicants must document that there is sufficient demand to justify the twelve stations being proposed.

The applicants have submitted a referral letter from Dr. Syed Ahmed, M.D., a nephrologist practicing with Rockford Nephrology Associates, LLC., who will serve as the facility's Medical Director upon project completion. In his letter, Dr Ahmed provides historical referral data (zip codes), from the last three years, as well as zip codes of Pre-ESRD patients expected to initiate dialysis within 12-24 months after project completion (application pgs. 195-211).

5) Service Accessibility

To demonstrated compliance with this sub-criterion the applicants must document that the number of stations being established or added for the subject category of service is necessary to improve access for planning area residents. The applicant must document one of the following:

- i) The absence of the proposed service within the planning area;
 - ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;
 - iii) Restrictive admission policies of existing providers;
 - iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;
 - iv) For purposes of this subsection (c) (5) only, all services within the 30-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.
1. There has been no evidence of the access limitations due to payor status of patients.
 2. There has been no evidence of restrictive admission policies of existing providers.
 3. There has been no evidence that the area population and existing care system exhibits indicators of medical care problems.
 4. There are seven (7) facilities within thirty (30) minutes with an average utilization of approximately sixty percent (60%). Three (3) of the seven (7) facilities are not operational or are in their first two years (ramp up) of operation. The two facilities most proximal to the applicant facility are operating in excess of the State standard [See Table Six]

There is an excess of ESRD stations in the planning area and there are existing facilities within thirty (30) minutes of the proposed facility not at the target occupancy of eighty percent (80%). Additionally there are no service access issues in this thirty-minute (30) planning area. A negative finding results.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC 1110.1430(c) (1), (2), (3) and (5))

TABLE SIX
Facilities within thirty (30) minutes of proposed facility

Name	City	HSA	Stations (1)	Adjusted Time (2)	Utilization (3)	Star Rating (4)
Roxbury Dialysis	Rockford	1	16	10	91.6%	5
Stonecrest Dialysis	Rockford	1	11	11	98.61%	4
Churchview Dialysis	Rockford	1	24	13	65.2%	3
Forest City Dialysis	Rockford	1	12	17	N/A*	N/A
Machesney Park Dialysis	Machesney Park	1	12	17	48.6%*	N/A
Rockford Dialysis	Rockford	1	22	18	77.2%	3
Belvidere Dialysis	Belvidere	1	12	19	40.2%*	N/A
			109		60.2%	

1. Adjusted time taken from Map Quest and adjusted per 77 ILAC 1100.510 (d)
2. Information as of June 30, 2017
3. Star Rating taken from Medicare Compare Website
4. *Facility under construction or in ramp-up phase

B) Criterion 1110.1430 (d) - Unnecessary Duplication/Mal-distribution

To demonstrate compliance with this criterion the applicants must document that the proposed project will not result in

1. An unnecessary duplication of service
2. A mal-distribution of service
3. An impact on other area providers

1. To determine if there is an unnecessary duplication of service the State Board identifies all facilities within thirty (30) minutes and ascertains if there is existing capacity to accommodate the demand identified in the application for permit. There are seven (7) facilities within thirty (30) minutes with an average utilization of approximately sixty percent (60.2%). One (1) of the seven (7) facilities is not operational and (2) two are in their initial two years of operation (ramp-up) phases. The four (4) remaining facilities average utilization is approximately eighty three percent (83%). [See Table Above]
2. To determine a mal-distribution (i.e. surplus) of stations in the thirty (30) minute service area the State Board compares the ratio of the number of stations per population in the thirty (30) minute service area to the ratio of the number of stations in the State of Illinois to the population in the State of Illinois. To determine a surplus of stations the number of stations per resident in the thirty (30) minute service area must be 1.5 times the number of stations per resident in the State of Illinois.

	Population	Stations	Ratio
30 Minute Service Area	269,009	109	1 Station per every 2,468 resident
State of Illinois (2015 est.)	12,978,800	4,613	1 Station per every 2,813 resident

The population in the thirty (30) minute service area is 269,009 residents (Application, p. 139). The number of stations in the (30) minute service area is one hundred nine (109). The ratio of stations to population is one (1) station per every 2,468 residents. The number of stations in the State of Illinois is 4,613 stations (*as of September 27, 2017*). The 2015 estimated population in the State of Illinois is 12,978,800 residents (*Illinois Department of Public Health Office of Health Informatics Illinois Center for Health Statistics -2014 Edition*). The ratio of stations to population in the State of Illinois is one (1) station per every 2,813 resident. To have a surplus of stations in this thirty (30) minute service area the number of stations per population would need to be one (1) station per every 1,876 resident. Based upon this methodology there is not a surplus of stations in this service area.

3. The applicants stated the following regarding the impact on other facilities.
The proposed dialysis facility will not have an adverse impact on existing facilities in the GSA. As discussed throughout this application, the utilization of existing dialysis facilities within the Alpine GSA that have been operational for at least 2 years is 83.33%. Further, patient census across the GSA has increased 5.4% since March 31, 2015. Based upon historical utilization

trends, average utilization should continue to meet the State Board standard by the time the proposed Alpine Dialysis is projected to come online. No patients are expected to transfer from the existing dialysis facilities to the proposed Alpine Dialysis. There are seven dialysis facilities within the Alpine GSA. Collectively, these facilities were operating at 65.44% as of March 31, 2017. Excluding the recently approved dialysis facilities, average utilization increases to 83.33%, exceeding the State Board's utilization standard. Furthermore, patient census among the existing facilities within the Alpine GSA has increased 5.4% since March 31, 2015. This growth is anticipated to continue to increase for the foreseeable future. Due to health care reforms like the ACA and the transition to Medicaid managed care, more individuals in high risk groups have better access to primary care and kidney screening. As a result of these health care reform initiatives, DaVita anticipates continued increases in newly diagnosed cases of CKD in the years ahead. Once diagnosed, many of these patients are further along in the progression of CKD due to the lack of nephrologist care prior to diagnosis. It is imperative that enough stations are available to treat this new influx of ESRD patients, who will require dialysis. Accordingly, the proposed facility is needed to ensure sufficient capacity exists for Dr. Ahmed's projected ESRD patients."

Although the Applicants cite sufficient utilization data for the 4 functioning facilities in the service area, and increased utilization across the GSA, the establishment of an eight station ESRD facility in the service area may adversely impact existing facilities, and contribute to an existing overage of stations in the service area.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE, MALDISTRIBUTION OF SERVICE IMPACT ON OTHER FACILITIES (77 ILAC 1110.1430 (c) (1) (2) and (3))

C) 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 facility will be staffed in accordance with all State and Medicare staffing requirements. The Medical Director will be Syed Ahmed, M.D. A copy of Dr. Ahmed's curriculum vitae has been provided as required. Other Clinical Staff: Initial staffing for the proposed facility will be as follows:

- Administrator (0.82 FTE)
- Registered Nurse (2.24 FTE)
- Patient Care Technician (3.45 FTE)
- Biomedical Technician (0.29 FTE)
- Social Worker (licensed MSW) (0.33 FTE)
- Registered Dietitian (0.33 FTE)
- Administrative Assistant (0.48 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. 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 has been provided. Alpine Dialysis will maintain an open medical staff.

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

D) 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 have provided the necessary attestation as required at pages 155-157 of the application for permit.

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

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

To demonstrate compliance with this criterion the applicants must document that the minimum number of in-center hemodialysis stations for an End Stage Renal Disease (ESRD) facility is:

- 1) Four dialysis stations for facilities outside an MSA;
- 2) Eight dialysis stations for a facility within an MSA.

The proposed eight (8) station facility will be located in the Rockford metropolitan statistical area ("MSA"). The applicants have met the requirements of this criterion.

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

F) Criterion 1110.1430 (i) - Continuity of Care

To demonstrate compliance with this criterion the applicants must document that a signed, written transfer agreement or arrangement is in effect for the provision of inpatient care and other hospital services. Documentation shall consist of copies of all such agreements.

The applicants have provided the necessary signed affiliation agreement with Swedish American Hospital, Rockford as required at pages 159-168 of the application for permit.

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

G) Criterion 1110.1430 (k) - Assurances

To demonstrate compliance with this criterion the representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding 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 necessary attestation has been provided at page 171-172 of the application for permit.

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

X. Financial Viability

This Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs. (20 ILCS 3960)

A) Criterion 1120.20 – Availability of Funds

To demonstrate compliance with this criterion the applicants must document that the resources are available to fund the project.

The applicants are funding this project with cash in the amount of \$1,887,387 and a lease with a FMV of \$950,389. The applicants attested that the total estimated project costs and related costs will be funded in total with cash and cash equivalents. A summary of the financial statements of the applicants is provided below. The applicants have sufficient cash to fund this project.

TABLE NINE		
Davita Inc.		
December 31,		
Audited		
(in thousands)		
	2016	2015
Cash	\$913,187	\$1,499,116
Current Assets	\$3,980,228	\$4,503,280
Total Assets	\$18,741,257	\$18,514,875
Current Liabilities	\$2,696,445	\$2,399,138
LTD	\$8,947,327	\$9,001,308
Patient Service Revenue	\$10,354,161	\$9,480,279
Total Net Revenues	\$14,745,105	\$13,781,837
Total Operating Expenses	\$12,850,562	\$12,611,142
Operating Income	\$1,894,543	\$1,170,695
Net Income	\$1,033,082	\$427,440

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

B) Criterion 1120.130 - Financial Viability

To demonstrate compliance with this criterion the applicants must document that they have a Bond Rating of “A” or better, they meet the State Board’s financial ratio standards for the past three (3) fiscal years or the project will be funded from internal resources.

The applicants are funding this project with cash in the amount of \$1,887,387 and a lease with a FMV of \$950,389. The applicants have qualified for the financial waiver.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 ILAC 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 these criteria the applicants must document that leasing of the space is reasonable. The State Board considers the leasing of space as debt financing.

The applicants are funding this project with cash in the amount of \$1,887,387 and a lease with a FMV of \$950,389. The lease is for ten (10) years at a base rent of \$22.50/gsf for the first five (5) years, with 10% increases every five (5) years during the term and any options. It appears the lease is reasonable when compared to previously approved projects.

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

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

To demonstrate compliance with this criterion the applicants must document that the project costs are reasonable by the meeting the State Board Standards in Part 1120 Appendix A.

As shown in the table below the applicants have met all of the State Board Standards published in Part 1120, Appendix A. Only Clinical Costs are reviewed in this criterion.

New Construction and Contingencies Costs are \$971,300 or \$210.92 per GSF for 4,605 GSF of clinical space. This appears reasonable when compared to the State Board Standard of \$278.19 per GSF, with 2018 listed as mid-point of construction.

Contingencies – These costs total \$88,300, and are 10% of the construction costs identified for this project. This is in compliance with the State standard of 10%.

Architectural/Engineering Fees are \$71,800 and are 7.3% of new construction and contingencies. This appears reasonable when compared to the State Board Standard of 6.95% to 10.43%.

Consulting and Other Fees are \$40,933. The State Board does not have a standard for these costs.

Movable or Other Equipment – These costs are \$372,594 or \$46,574 per station (8 stations). This appears reasonable when compared to the State Board Standard of \$53,682 per station.

Fair Market Value of Leased Space and Equipment – These costs are \$723,395. The State Board does not have a standard for these costs.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 ILAC 1120.140 (c))

D) Criterion 1120.140 (d) – Projected Operating Costs

To demonstrate compliance with this criterion the applicants must document that the projected direct annual operating costs for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs mean the fully allocated costs of salaries, benefits and supplies for the service.

The applicants are projecting \$232.13 operating expense per treatment.

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

E) Criterion 1120.140 (e) – Total Effect of the Project on Capital Costs

To demonstrate compliance with this criterion the applicants must provide the total projected annual capital costs for the first full fiscal year at target utilization but no more than two years following project completion. Capital costs are defined as depreciation, amortization and interest expense.

The applicants are projecting capital costs of \$24.11 per treatment.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 ILAC 1120.140 (e))

Star Rating System

Centers for Medicare & Medicaid Services (CMS) Star Ratings

“The star ratings are part of Medicare's efforts to make data on dialysis centers easier to understand and use. The star ratings show whether your dialysis center provides quality dialysis care - that is, care known to get the best results for most dialysis patients. The rating ranges from 1 to 5 stars. A facility with a 5-star rating has quality of care that is considered 'much above average' compared to other dialysis facilities. A 1- or 2- star rating does not mean that you will receive poor care from a facility. It only indicates that measured outcomes were below average compared to those for other facilities. Star ratings on Dialysis Facility Compare are updated annually to align with the annual updates of the standardized measures.”

CMS assigns a one to five ‘star rating’ in two separate categories: best treatment practices and 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-morbidities.

The Dialysis Facility Compare website currently reports on 9 measures of quality of care for facilities. These measures are used to develop the star rating. Based on the star rating in each of the two categories, CMS then compiles an ‘overall rating’ for the facility. As with the separate categories: the more stars, the better the rating. The star rating is based on data collected from January 1, 2012 through December 31, 2015.

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