



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

<b>DOCKET NO:</b> H-03	<b>BOARD MEETING:</b> January 9, 2018	<b>PROJECT NO:</b> 17-040	<b>PROJECT COST:</b>
<b>FACILITY NAME:</b> Edgemont Dialysis		<b>CITY:</b> East St. Louis	Original: \$2,714,157
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA: XI</b>

**PROJECT DESCRIPTION:** DaVita Inc. and Total Renal Care, Inc., (Applicants) propose to establish a 12-station dialysis facility located at 8 Vieux Carre Drive, East Saint Louis, Illinois. The cost of the project is \$2,714,157 and the expected completion date is May 31, 2019.

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- DaVita Inc. and Total Renal Care, Inc., (Applicants) propose to establish a 12-station dialysis facility located at 8 Vieux Carre Drive, East Saint Louis, Illinois. The cost of the project is \$2,714,157 and the expected completion date is May 31, 2019.

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- The Applicants propose to establish a health care facility as defined by the Illinois Health Facilities Planning Act. (20 ILCS 3960/3)

### **PUBLIC HEARING/COMMENT:**

- A public hearing was offered in regard to the proposed project, but none was requested. No letters of support or opposition were received by the State Board Staff.

### **SUMMARY:**

- From the documentation provided in the application for permit it appears that the Applicants will be serving residents of the HSA XI ESRD Planning Area and there appears to be patients in need of dialysis (64 pre-ESRD patients in need of dialysis within 2 years after project completion based upon the physician's attestation). There are 12 facilities within 30 minutes of the proposed facility. Eight of these facilities have 159 stations and are currently operating at approximately 77% utilization. These eight facilities can accommodate 29 additional patients before reaching the target occupancy of 80%.
- The Applicants stated that 144 pre-ESRD patients reside within 15 minutes of the proposed site. Should the proposed project be approved it appears that the location of the proposed facility will improve the distance between a patient's residence or place of work and the site of treatment, the average travel time, and the financial resources to meet the travel and patient time costs. It does appear that the proposed location of the facility will be accessible to patients and their immediate extended families.
- The Applicants have addressed 21 criteria and have successfully addressed them all.

**STATE BOARD STAFF REPORT**  
**Project #17-040**  
**Edgemont Dialysis**

<b>APPLICATION/CHRONOLOGY/SUMMARY</b>	
Applicants	DaVita Inc. and Total Renal Care, Inc.
Facility Name	Edgemont Dialysis
Location	8 Vieux Carre Drive, East Saint Louis, Illinois
Permit Holder	Total Renal Care, Inc.
Operating Entity	Total Renal Care, Inc.
Owner of Site	Inner City Enhancement Neighborhood Redevelopment Corporation
Total GSF	6,421 GSF
Application Received	August 21, 2017
Application Deemed Complete	August 23, 2017
Review Period Ends	December 20, 2017
Financial Commitment Date	May 31, 2019
Project Completion Date	May 31, 2019
Review Period Extended by the State Board Staff?	Yes
Can the Applicants request a deferral?	Yes
Expedited Review?	No

**I. Project Description:**

DaVita Inc. and Total Renal Care, Inc., (Applicants) propose to establish a 12-station dialysis facility located at 8 Vieux Carre Drive, East Saint Louis, Illinois. The cost of the project is \$2,714,157 and the expected completion date is May 31, 2019.

**II. Summary of Findings**

- A.** State Board Staff finds the proposed project appears 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, a Fortune 500 company, is the parent company of DaVita Kidney Care and HealthCare Partners, a DaVita Medical Group. DaVita Kidney Care is a leading provider of kidney care in the United States, 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. [Source: 2016 Audited Financial Statements]

Financial commitment will occur after permit issuance. This project is a substantive project subject to a Part 1110 and Part 1120 review. Substantive projects shall include no more than the following:

- *Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.*
- *Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.*
- *Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]*

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

<b>TABLE ONE</b>			
<b>Current DaVita Projects</b>			
<b>Project Number</b>	<b>Name</b>	<b>Project Type</b>	<b>Completion Date</b>
15-025	South Holland Dialysis	Discontinuation/Establishment	4/30/2018
15-048	Park Manor Dialysis	Establishment	2/28/2018
15-049	Huntley Dialysis	Establishment	2/28/2018
15-054	Washington Heights Dialysis	Establishment	3/31/2018
16-009	Collinsville Dialysis	Establishment	11/30/2017
16-015	Forest City Dialysis	Establishment	6/30/2018
16-023	Irving Park Dialysis	Establishment	8/31/2018
16-033	Brighton Park Dialysis	Establishment	10/31/2018
16-036	Springfield Central	Relocation	03/31/2019
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
17-031	Illini Renal Dialysis	Relocation/Expansion	5/31/2019

#### IV. Project Costs and Sources of Funds

The Applicants are funding this project with cash of \$2,176,200 and a lease with a FMV of \$537,957. Start-up and operating deficit is projected to be \$ 1,870,859.

**TABLE TWO**  
**Project Costs and Sources of Funds**

USE OF FUNDS	Reviewable	Non Reviewable	Total	% of Total
Modernization Contracts	\$922,500	\$165,500	\$1,088,000	40.09%
Contingencies	\$138,000	\$24,500	\$162,500	5.99%
Architectural/Engineering Fees	\$105,000	\$19,000	\$124,000	4.57%
Consulting and Other Fees	\$80,000	\$16,000	\$96,000	3.54%
Movable or Other Equipment (not in construction contracts)	\$592,578	\$113,122	\$705,700	26.00%
Fair Market Value of Leased Space or Equipment	\$456,103	\$81,854	\$537,957	19.82%
<b>TOTAL USES OF FUNDS</b>	<b>\$2,294,181</b>	<b>\$419,976</b>	<b>\$2,714,157</b>	<b>100.00%</b>
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total	% of Total
Cash and Securities	\$1,838,078	\$338,122	\$2,176,200	80.18%
Leases (fair market value)	\$456,103	\$81,854	\$537,957	19.82%
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$2,294,181</b>	<b>\$419,976</b>	<b>\$2,714,157</b>	<b>100.00%</b>

#### V. Heath Service Area XI

The proposed facility will be located in the HSA XI ESRD Planning Area. The HSA XI ESRD Planning Area includes Clinton, Madison, Monroe and Saint Clair Counties. As of November 2017 there is a calculated excess of 15 ESRD stations in this planning area. There are currently 15 dialysis facilities in this planning area with 227 ESRD stations. Based upon the information provided to the State Board there has been a 4.5% compounded annual growth in the number of dialysis patients in the HSA XI ESRD Planning Area over the past five years.

**State Board Staff Notes:** The State Board approved the 2017 Inventory of Health Care Facilities and Services and Need Determinations at the September 2017 State Board Meeting. This document estimated the growth in the population from 2015 to 2020 (i.e. five years) and the estimated growth in the number of dialysis patients that will need outpatient dialysis in the HSA XI ESRD Planning Area based upon the 2015 usage. This resulted in an estimate in the number of stations in excess by 2020 in the HSA XI ESRD Planning Area.

<b>TABLE THREE</b>	
<b>Need Methodology HSA XI ESRD Planning Area</b>	
Planning Area Population – 2015	599,300
In Station ESRD patients -2015	765
Area Use Rate 2015 <sup>(1)</sup>	1.246
Planning Area Population – 2020 (Est.)	614,100
Projected Patients – 2020 <sup>(2)</sup>	765
Adjustment	1.33
Patients Adjusted	1,017
Projected Treatments – 2020 <sup>(3)</sup>	158,722
Existing Stations	227
Stations Needed-2020	212
<b>Number of Stations In Excess</b>	<b>15</b>
<ol style="list-style-type: none"> <li>1. Usage rate determined by dividing the number of in-station ESRD patients in the planning area by the 2015 – planning area population per thousand.</li> <li>2. Projected patients calculated by taking the 2020 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients.</li> <li>3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient</li> </ol>	

## **VI. Background of the Applicants**

### **A) Criterion 1110.1430(b)(1) & (3) – Background of the Applicants**

**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*<sup>1</sup> taken against the any facility owned or operated by applicants.**

<sup>1</sup> <sup>1</sup> “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 IAC 1130.140)

1. The Applicants provided the necessary attestation that no adverse action has been taken against any facility owned or operated by the Applicants and authorization allowing the State Board and IDPH access to all information to verify information in the application for permit. [Application for Permit page 69-70]
2. Certificates of Good Standing for DaVita Inc. and Total Renal Care, Inc have been provided as required. Total Renal Care, Inc. will be the operator of Edgemont Dialysis. Edgemont Dialysis is a trade name of Total Renal Care, Inc. and is not separately organized. As the person with final control over the operator, DaVita Inc. is named as an applicant for this CON application. DaVita Inc. does not do business in the State of Illinois. A Certificate of Good Standing for DaVita Inc. from the state of its incorporation, Delaware, has been provided. [Application for Permit pages 27-29]
3. The site is owned by Inner City Enhancement Neighborhood Redevelopment Corporation and evidence of this can be found at page 31-46 of the application for permit in the Letter of Intent to lease the property. Inner City Enhancement Neighborhood Redevelopment Corporation was formed under Neighborhood Redevelopment Corporation Law (315 ILCS 20) to address Slum and Blighted Areas in St. Clair County .
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 to the Project**

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

To demonstrate compliance with this criterion the Applicants must document

1. That the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
5. Provide 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 improve access to life sustaining dialysis services to the residents of East Saint Louis, Illinois and the surrounding area. East St. Louis is an economically disadvantaged African-American community located in the Metro East region, across the Mississippi River from St. Louis. The community is almost entirely African-American (98%) with 46% of the population living below the Federal Poverty Level. Importantly, 63% of the population lives below 150% of the Federal Poverty Level (138% of the Federal Poverty Level is the income eligibility limit for the Medicaid program in Illinois). Further, East St. Louis is a Health Resources & Services Administration ("HRSA") designated primary care health professional shortage area ("HPSA") and a medically underserved area ("MUA"). Due to socioeconomic conditions in the East St. Louis community, this population exhibits a higher prevalence of obesity, which is a driver of diabetes and hypertension (high blood pressure). Diabetes and hypertension are the two leading causes of CKD and ESRD.<sup>8</sup> As a result, African Americans are at an increased risk of ESRD compared to the general population. In fact, the ESRD incident rate among African Americans is 3.3 times greater than whites. Given these socioeconomic factors, readily accessible dialysis services are imperative for the health of the East St. Louis community. As of June 30, 2017, 247 ESRD patients reside within East St. Louis; however, there is no dialysis facility within the city limits. There are twelve dialysis facilities within 30 minutes of the proposed Edgemont Dialysis (the "Edgemont GSA"). Collectively, these facilities operated at 59.8% as of June 30, 2017. Excluding the recently approved dialysis facilities, average utilization increases to 76.6%, or just below the State Board's utilization standard. Furthermore, over the past three years, the compound annual growth rate for the existing facilities within the Edgemont GSA is 4%. This growth is anticipated to continue to increase for the foreseeable future due to the demographics of the community and U.S. Centers for Disease Control and Prevention estimates that 15% of American adults suffer from CKD. Unfortunately, kidney disease is often undetectable by the patient until the late stages when it is often too late to stop or slow the disease progression. As more working families obtain health insurance through the Affordable Care Act' and 1.5 million Medicaid beneficiaries transition from traditional fee for service Medicaid to Medicaid managed care, more individuals in high risk groups now 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. However, once diagnosed, many of these patients will be further along in the enough dialysis stations are available to treat this new influx of ESRD patients who will require dialysis in the next two years. While the State Board approved four in-center hemodialysis centers within the past two years, these facilities are dedicated to other patient bases. As documented in the attached physician letters, each physician projects to refer a sufficient number of patients to achieve 80% utilization by the second year after project completion. Accordingly, the recently approved in-center hemodialysis facilities cannot accommodate the increasing need for dialysis services in East St. Louis. Finally, Erin L. Friedman, D.O., the medical director for the proposed Edgemont Dialysis, is currently treating 275 Stage 3, 4, and 5 CKD patients, who reside within the Edgemont GSA. Moreover, 144 of these patients live within 15 minutes of the proposed site of Edgemont Dialysis. Conservatively, based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Friedman anticipates that at least 64 of these patients will initiate dialysis within 12 to 24 months following project completion. Based upon*



*historical utilization trends, the existing facilities will not have sufficient capacity to operate at optimal utilization and accommodate Dr. Friedman's projected referrals” “The proposed facility will improve access to dialysis services to the residents of East St. Louis, Illinois. East St. Louis is an economically disadvantaged African-American community located in the Metro East region, across the Mississippi River from St. Louis. The community is almost entirely African-American (98%) with 46% of the population living below the Federal Poverty Level. Importantly, 63% of the population lives below 150% of the Federal Poverty Level (138% of the Federal Poverty Level is the income eligibility limit for the Medicaid program in Illinois). Further, East St. Louis is a HRSA designated primary care HPSA and a MUA. Accordingly, this project will provide access to critical dialysis services to the residents of East St. Louis.” “The Applicants anticipate the proposed facility will have quality outcomes comparable to its other 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 71-73]*

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

**To demonstrate compliance with this criterion the Applicants must document:**

- **The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.**
- **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.**
- **How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.**

The Applicants provided a safety net impact statement as required. (See Appendix I)

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

**To demonstrate compliance with this criterion the Applicants must identify all of the alternatives considered to the proposed project.**

1. Maintain the Status Quo/Do Nothing
2. Utilize Existing Facilities
3. Establish a new facility

1. The Applicants rejected the first alternative because according to the Applicants it would not address the lack of health services in East St. Louis or the growing need for dialysis services in the Edgemont GSA. There are no dialysis facilities within the city limits. There is no capital cost to this alternative.
2. The Applicants rejected the second alternative because according to the Applicants the existing facilities in the GSA will not have sufficient capacity to operate at optimal utilization and accommodate Dr. Friedman's projected referrals. Dr. Friedman is anticipating referring at least 64 patients within 12 to 24 months following project completion.

## **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 the size of the proposed facility is in compliance with the State Board Standards published in Part 77 ILAC 1110 Appendix B.

The Applicants are proposing a total of 6,421 GSF of space for the 12-station ESRD facility. The reviewable space is 5,444 GSF and 977 GSF is non-reviewable space. The State Board standard is 520 GSF per station or a total of 6,240 GSF of reviewable space. Based upon the information provided in the application for permit, the Applicants have met the requirements of this criterion.

**Clinical Service Area [reviewable space]** means a department or service that is directly *related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility* [20 ILCS 3960/3]. A clinical service area's physical space shall include those components required under the facility's licensure or Medicare or Medicaid Certification, and as outlined by documentation from the facility as to the physical space required for appropriate clinical practice.

**Non-clinical Service Area [non reviewable space]** *means an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility. "Non-clinical service areas" include, but are not limited to, chapels; gift shops; newsstands; computer systems; tunnels, walkways, and elevators; telephone systems; projects to comply with life safety codes; educational facilities; student housing; patient, employee, staff, and visitor dining areas; administration and volunteer offices; modernization of structural components (such as roof replacement and masonry work); boiler repair or replacement; vehicle maintenance and storage facilities; parking facilities; mechanical systems for heating, ventilation, and air conditioning; loading docks; and repair or replacement of carpeting, tile, wall coverings, window coverings or treatments, or furniture. Solely for the purpose of this definition, "non-clinical service area" does not include health and fitness centers.* [20 ILCS 3960/3]

## **STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH SIZE OF THE PROJECT CRITERION (77 ILAC 1110.234(a))**

### **B) Criterion 1110.234(b) – Projected Utilization**

To demonstrate compliance with this criterion the Applicants must document that the proposed facility will be in compliance with the State Board Standards published in Part 77 ILAC 1110 Appendix B two (2) years after project completion.

The Applicants expect by the second year of operation to be at the target occupancy of 80%. The Applicants have identified 275 pre- ESRD patients. Based upon attrition due to patient death, transplant, return of function, or relocation, the Applicants are estimating 64 of these patients will initiate dialysis within 12 to 24 months following project completion.

$$\begin{aligned} 64 \text{ patients} \times 156 \text{ treatments/year} &= 9,984 \text{ treatments} \\ 12 \text{ stations} \times 936 \text{ treatments/year} &= 11,232 \text{ treatments} \\ 9,984 \text{ treatments} / 11,232 \text{ treatments} &= 88.9\% \end{aligned}$$

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

**C) Criterion 1110.234(e) – Assurance**

To demonstrate compliance with this criterion the Applicants must document that the proposed facility will be in compliance with the State Board's Utilization Standards published in Part 77 ILAC 1110 Appendix B two (2) years after project completion.

The Applicants on page 155-156 of the application for permit attest that they will be at target occupancy within 2 years after project completion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH ASSURANCE CRITERION (77 ILAC 1110.234(e))**

## IX. In-Center Hemodialysis Projects

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

This criterion was addressed earlier in this report.

### B) Criterion 1110.1430(c)(1), (2), (3) and (5) – Planning Area Need To demonstrate compliance with this criterion the Applicants must document

#### 1. Calculated Planning Area Need

To demonstrate compliance with this sub-criterion the Applicants must document that there is a calculated need for stations in the HSA XI ESRD Planning Area.

As of the November 2017 Update to the Inventory of Health Care Facilities and Services and Need Determinations there is a calculated excess of 15 ESRD stations in the HSA XI ESRD Planning Area.

#### 2. Service to Residents of the Planning Area

To demonstrate compliance with this sub-criterion the Applicants must document that the proposed facility will provide dialysis service to the residents of the planning area.

The Applicants have identified 144 pre-ESRD patients by zip code of residence as required currently receiving care. As can be seen from the table below 100% of the pre-ESRD patients reside in the HSA XI ESRD Planning Area. [See Appendix II for 30 minute service area]

TABLE FOUR				
Zip Code, City, and County of Pre-ESRD Patients				
Zip Code	Total Patients	City	County	HSA
62201	3	East Saint Louis	Madison, St. Clair	HSA XI
62203	17	East Saint Louis	St. Clair	HSA XI
62204	7	East Saint Louis	St. Clair	HSA XI
62205	11	East Saint Louis	St. Clair	HSA XI
62206	19	East Saint Louis	St. Clair	HSA XI
62207	20	East Saint Louis	St. Clair	HSA XI
62223	34	Belleville	St. Clair	HSA XI
62226	33	Belleville	St. Clair	HSA XI
Total	144			

#### 3. Service Demand

To demonstrate compliance with this criterion the Applicants must document that there is demand for the proposed service.

The Applicants provided a referral letter from Dr. Friedman identifying 144 pre-ESRD patients. Of that number, approximately 64 pre-ESRD patients are expected to utilize the proposed facility within 12-24 months after project completion.

**The referral letters included the following information as required.**

- The physician's total number of patients (by facility and zip code of residence) who have received care at existing facilities located in the area, at the end of the year for the most recent three years and the end of the most recent quarter;
- The number of new patients (by facility and zip code of residence) located in the area, as reported to The Renal Network, that the physician referred for in-center hemodialysis for the most recent year;
- An estimated number of patients (transfers from existing facilities and pre-ESRD, as well as respective zip codes of residence) that the physician will refer annually to the applicant's facility within a 24-month period after project completion, based upon the physician's practice experience. The anticipated number of referrals cannot exceed the physician's documented historical caseload;
- An estimated number of existing patients who are not expected to continue requiring in-center hemodialysis services due to a change in health status (e.g., the patients received kidney transplants or expired);
- The physician's notarized signature, the typed or printed name of the physician, the physician's office address and the physician's specialty;
- Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services; and
- Each referral letter shall contain a statement attesting that the information submitted is true and correct

**5. Service Accessibility**

**To demonstrate compliance with this sub-criterion the Applicants must document one of the following:**

- The absence of the proposed service within the planning area;
- 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;
- Restrictive admission policies of existing providers;
- 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;
- 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.

There is no absence of ESRD service within the HSA XI ESRD planning area as there are 227 ESRD stations in this ESRD Planning Area. East St. Louis is located in the Metro East region, across the Mississippi River from St. Louis. The community is 98 % African American with 46% of the population living below the Federal Poverty Level. Sixty-three percent (63%) of the population lives below 150% of the Federal Poverty Level (138% of the Federal Poverty Level is the income eligibility limit for the Medicaid program in Illinois). Further, East St. Louis has been designated a Health Professional Shortage Area and a Medically Underserved Area/Population.

### **Summary**

From the documentation provided in the application for permit it appears that the Applicants will be serving residents of the HSA XI ESRD Planning Area and there appears to be patients in need of dialysis (64 pre-ESRD patients in need of dialysis within 2 years after project completion based upon the physician's attestation). There are 12 facilities within 30 minutes of the proposed facility. Eight of these facilities with 159 stations are currently operating at approximately 77% utilization. These eight facilities can accommodate 29 additional patients before reaching the target occupancy of 80%.

The Applicants have stated 144 patients reside within 15 minutes of the proposed site. Should the proposed project be approved it appears that the location of the proposed facility will improve the distance between a patient's residence or place of work and the site of treatment, the average travel time, and the financial resources to meet the travel and patient time costs. It does appear that the proposed location of the facility will be accessible to patients and their immediate extended families.

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

**C) Criterion 1110.1430(d) – Unnecessary Duplication/Maldistribution/Impact on Other Facilities**

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 facilities in the area.

1. The State Board does not define unnecessary duplication of service. The State Board is asked to determine if the establishment of additional ESRD stations within a 30-minute service area will result in unneeded ESRD stations given the existing stations utilization. To do this, the State Board Staff reviews the most current utilization at existing operating facilities within the 30-minute service area.

There are 12 dialysis facilities within 30 minutes of the proposed facility with an average utilization of approximately 61%. Two (FMC – Belleville and FoxPoint Dialysis) are not operational and two facilities (Collinsville Dialysis and O’Fallon Dialysis) are in ramp-up. The remaining eight facilities are operating at an average occupancy of approximately 76.91%. Based upon the utilization of the eight current operating facilities there does not appear to be an unnecessary duplication of service in this 30-minute service area. [See Table below]

2. The population in the 30-minute service area is 433,965 and there are 197 ESRD stations in the 30-minute service area. The ratio of stations to population in the 30-minute service area is 1 station per 2,203 residents. There are 4,613 stations in the State of Illinois and a population of 12,978,800 (Est. 2015 Population). The ratio of stations to population in the State of Illinois is 1 station per 2,814 residents. A mal-distribution of stations (surplus of stations) exists when the ratio of stations to population in the 30-minute service area is 1.5 times the ratio of stations in the State of Illinois. For there to be a surplus of stations in the 30-minute service area the ratio must be 1 station for every 1,876 residents. Based upon this ratio there is no surplus of stations in this 30-minute service area.

**3. The Applicants stated:**

*“The proposed Edgemont Dialysis will not lower, to a further extent, the utilization of other area in-center hemodialysis facilities that are currently (during the latest 12-month period) operating below the occupancy standards. There are twelve dialysis facilities within the Edgemont GSA. As of June 30, 2017, three facilities operated at or above the State Board’s 80% utilization standard (Metro East Dialysis, Shiloh Dialysis, and FMC Regency Park). Four remaining facilities (Granite City Dialysis, FMC Southwestern Illinois, Maryville Dialysis, Edwardsville Dialysis) are operating just below the State Board’s 80% utilization standard. Based upon a 4% historical compound annual growth rate, these facilities are projected to achieve 80% utilization by 2021 (two years after project completion). Additionally, four facilities were either in development or operational for less than 2 years (FMC Belleville, O’Fallon Dialysis, Collinsville Dialysis, and Foxpoint Dialysis). As noted throughout this application, each referring nephrologist projects to refer a sufficient number of patients to achieve 80% utilization by the second year after project completion. Finally, Sauget Dialysis, an*



*8 station expansion, received Medicare certification of its 8 stations in the second quarter of 2017 and not had (sic) put the additional stations into service as of June 30, 2017. Utilizing actual operational stations (16), Sauget Dialysis operated at 91% capacity. Accordingly, Edgemont Dialysis will not lower, to a further extent, the utilization of area in-center hemodialysis facilities currently operating below the occupancy standards.”*

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

**TABLE FIVE**  
**Facilities within 30 minutes of the Proposed Facility**

Facility	City	Drive Time	Number of Stations 09/30/2017	Number of Patients 9/30/2017	Utilization 9/30/2017	Star Rating	Met Standard?
Metro East Dialysis	Belleville	8	36	173	80.09%	2	Yes
Fresenius Medical Care Regency Park	O'Fallon	8	20	103	85.83%	3	Yes
Sauget Dialysis <sup>(5)</sup>	Sauget	9	24	88	61.11%	3	No
Shiloh Dialysis	Shiloh	12	12	63	87.50%	2	Yes
Maryville Dialysis- Renal Treatment Centers	Maryville	18	14	65	77.38%	4	No
Granite City Dialysis	Granite City	21	20	93	77.50%	2	No
Fresenius Medical Care Southwestern Ill.	East Alton	29	19	82	71.93%	3	No
Edwardsville Dialysis	Edwardsville	29	8	39	81.25%	3	Yes
Total Stations/Average Utilization			153	706	76.91%		
Collinsville Dialysis <sup>(1)</sup>	Collinsville	12	8	2	4.17%		
Fox Point Dialysis <sup>(2)</sup>	Granite City	23	12	0	0.00%		
Fresenius Medical Care Belleville <sup>(3)</sup>	Belleville	6	12	0	0.00%		
O'Fallon Dialysis <sup>(4)</sup>	O'Fallon	12	12	13	18.06%		
Total Stations/Average Utilization			197	721	61.00%		
<ol style="list-style-type: none"> <li>1. DaVita Collinsville Dialysis approved to establish an eight station ESRD facility May 2016.</li> <li>2. DaVita Foxpoint Granite City approved to establish a twelve station ESRD facility March 2017</li> <li>3. Fresenius Medical Care Belleville approved to establish a twelve station ESRD facility March 2016.</li> <li>4. O'Fallon Dialysis O'Fallon approved to establish a twelve station ESRD facility March 2016.</li> <li>5. Sauget Dialysis approved to add eight ESRD stations February 2016.</li> </ol>							

**D) Criterion 1110.1430(f) - Staffing**

To demonstrate compliance with this criterion the Applicants shall 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 Medical Director will be Erin L.Friedman, D.O. for the proposed facility. A copy of Erin L. Friedman, D.O. curriculum vitae has been provided. Initial staffing for the proposed facility will be as follows:

Administrator  
Registered Nurse (2.46 FTE) Patient  
Care Technician (5.19 FTE)  
Biomedical Technician (0.26 FTE)  
Social Worker (0.54 FTE)  
Registered Dietitian (0.54 FTE)  
Administrative Assistant (0.79 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, ARFICRF, 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.

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

**E) Criterion 1110.1430(g) Support Services**

To demonstrate compliance with this criterion the Applicants must submit a certification from an authorized representative that attests to each of the following:

- 1) Participation in a dialysis data system;
- 2) Availability of support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and
- 3) Provision of training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training provided at the proposed facility, or the existence of a signed, written agreement for provision of these services with another facility.

The Applicants provided a letter from Arturo Sida, Assistant Corporate Secretary of DaVita Inc. attesting 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. [See Application for Permit pages 150-151] The Applicants have successfully addressed this criterion.

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

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

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

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

The proposed dialysis facility will be located in the St. Louis-St. Charles-Farmington Metropolitan Statistical Area ("MSA"). A dialysis facility located within an MSA must have a minimum of eight dialysis stations. The Applicants propose to establish a 12-station dialysis facility. The Applicants have met this criterion.

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

**G) Criterion 1110.1430(i) - Continuity of Care**

To demonstrate compliance with this criterion the Applicants must document that a signed, written affiliation 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.

Total Renal Care, Inc., a subsidiary of DaVita Inc., has an agreement with St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis to provide inpatient care and other hospital services for the patients of Edgemont Dialysis. [See: Supplemental Information submitted August 22, 2017]

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

**H) Criterion 1110.1430(j) - Relocation of Facilities**

The Applicants are proposing to establish a 12-station ESRD facility and will not be relocating an existing facility.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH RELOCATION OF FACILITIES CRITERION (77 ILAC 1110.1430(j))**

**I) Criterion 1110.1430(k) - Assurances**

To demonstrate compliance with this criterion the applicant representative who signs the CON application must 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%<sup>2</sup> and  
≥ 85% of hemodialysis patient population achieves Kt/V Daugirdas II 1.2.<sup>3</sup>

The Applicants provided the necessary attestation at pages 155-156 of the application for permit.

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

---

<sup>2</sup> **Urea:** A nitrogen-containing substance normally cleared from the blood by the kidney into the urine. **URR** stands for urea reduction ratio, meaning the reduction in urea as a result of dialysis. The URR is one measure of how effectively a dialysis treatment removed waste products from the body and is commonly expressed as a percentage. If the initial, or pre-dialysis, urea level was 50 milligrams per deciliter (mg/dL) and the post-dialysis urea level was 15 mg/dL, the amount of urea removed was 35 mg/dL. The amount of urea removed (35 mg/dL) is expressed as a percentage of the pre-dialysis urea level (50 mg/dL). Although no fixed percentage can be said to represent an adequate dialysis, patients generally live longer and have fewer hospitalizations if the URR is at least 60 percent. As a result, some experts recommend a minimum URR of 65 percent. The URR is usually measured only once every 12 to 14 treatments, which is once a month. The URR may vary considerably from treatment to treatment. Therefore, a single value below 65 percent should not be of great concern, but a patient's average URR should exceed 65 percent.

<sup>3</sup> The **Kt/V** is more accurate than the URR in measuring how much urea is removed during dialysis, primarily because the Kt/V also considers the amount of urea removed with excess fluid. Consider two patients with the same URR and the same post-dialysis weight, one with a weight loss of 1 kg—about 2.2 lbs—during the treatment and the other with a weight loss of 3 kg—about 6.6 lbs. The patient who loses 3 kg will have a higher Kt/V, even though both have the same URR. The fact that a patient who loses more weight during dialysis will have a higher Kt/V does not mean it is better to gain more water weight between dialysis sessions so more fluid has to be removed, because the extra fluid puts a strain on the heart and circulation. However, patients who lose more weight during dialysis will have a higher Kt/V for the same level of URR. On average, a Kt/V of 1.2 is roughly equivalent to a URR of about 63 percent. Thus, another standard of adequate dialysis is a minimum Kt/V of 1.2. The Kidney Disease Outcomes Quality Initiative (KDOQI) group has adopted the Kt/V of 1.2 as the standard for dialysis adequacy.<sup>1</sup> Like the URR, the Kt/V may vary considerably from treatment to treatment because of measurement error and other factors. So while a single low value is not always of concern, the average Kt/V should be at least 1.2. In some patients with large fluid losses during dialysis, the Kt/V can be greater than 1.2 with a URR slightly below 65 percent—in the range of 58 to 65 percent. In such cases, the KDOQI guidelines consider the Kt/V to be the primary measure of adequacy. [CMS Center for Clinical Standards and Quality]

## **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. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process." (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 \$2,176,200 and an operating lease with a FMV of \$537,957<sup>4</sup>. 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.

<b>TABLE SIX Davita Inc. December 31, Audited (in thousands)</b>		
	<b>2016</b>	<b>2015</b>
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.**

<sup>4</sup> An operating lease is a contract that allows for the use of an asset, but does not convey rights of ownership of the asset. An operating lease represents an off-balance sheet financing of assets, where a leased asset and associated liabilities of future rent payments are not included on the balance sheet of a company.

The Applicants are funding this project with cash in the amount of \$2,176,200 and an operating lease with a FMV of \$537,957. The Applicants have qualified for the financial waiver<sup>5</sup>.

**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 \$2,176,200 and an operating lease with a FMV of \$537,957. The lease is for 10 years at a base rent of \$12.00/gsf per year for the first 5 years, and \$13.20 in years 6-10. The table below shows the calculation of the FMV of the lease space of 6,421 GSF using 8% discount factor. It appears the lease is reasonable when compared to previously approved projects. [Application for Permit pages 31-46]

<b>TABLE SEVEN</b>			
<b>FMV of Lease</b>			
<b>Year</b>	<b>PV of 8%</b>	<b>Total Base Rent</b>	<b>PV of Total Space Lease</b>
1	0.92593	\$77,052.00	\$71,342.45
2	0.85734	\$77,052.00	\$66,056.68
3	0.79383	\$77,052.00	\$61,163.88
4	0.73503	\$77,052.00	\$56,633.22
5	0.68058	\$77,052.00	\$52,441.59
6	0.63017	\$84,757.20	\$53,413.99
7	0.58349	\$84,757.20	\$49,455.83
8	0.54027	\$84,757.20	\$45,794.32
9	0.50025	\$84,757.20	\$42,395.55
10	0.46319	\$84,757.20	\$39,259.54

<sup>5</sup> The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.
- 2) The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.
- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

**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) and (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 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. The Applicants are in compliance with all State Board Standards. [See Appendix II at the end of this report for detail of costs]

<b>TABLE EIGHT</b>					
<b>Reasonableness of Project Costs</b>					
Use of Funds	Project Costs	State Board Standard			Met Standard
		GSF%/Station	Total	Project	
Modernization and Contingencies	\$1,060,500	\$194.87/GSF	\$1,060,872	\$194.80	Yes
Contingencies	\$138,000	15%	\$138,375.00	14.96%	Yes
Architectural/Engineering Fees	\$105,000	10.78%	\$114,321.90	9.90%	Yes
Movable or Other Equipment (not in construction)	\$592,578	\$58,650/station	\$703,800.00	\$49,382	Yes
Consulting and Other Fees	\$80,000		Not Applicable		
Fair Market Value of Leased Space or Equipment	\$456,103				

**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 \$187.39 operating expense per treatment. [See page 181 of the application for permit for calculation.]

**THE 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 \$21.84 per treatment. [See page 182 of the application for permit for calculation.]

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

## Appendix I Safety Net Impact Statement

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 2016 Community Care report, which details DaVita's commitment to quality, patient centric focus and community outreach, was previously included in the application for Proj. No. 17-032. 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.

DaVita accepts and dialyzes patients with renal failure needing a regular course of hemodialysis without regard to race, color, national origin, gender, sexual orientation, age, religion, disability or ability to pay. Because of the life sustaining nature of dialysis, federal government guidelines define renal failure as a condition that qualifies an individual for Medicare benefits eligibility regardless of their age and subject to having met certain minimum eligibility requirements including having earned the necessary number of work credits. Indigent ESRD patients who are not eligible for Medicare and who are not covered by commercial insurance are eligible for Medicaid benefits. If there are gaps in coverage under these programs during coordination of benefits periods or prior to having qualified for program benefits, grants are available to these patients from both the American Kidney Foundation and the National Kidney Foundation. If none of these reimbursement mechanisms are available for a period of dialysis, financially needy patients may qualify for assistance from DaVita in the form of free care.

The proposed project will not impact the ability of other health care providers or health care systems to cross-subsidize safety net services. The proposed dialysis facility will not lower utilization of area providers below the State Board utilization standards. There are twelve dialysis facilities within the Edgemont GSA. Collectively, these facilities operated at 59.8% as of June 30, 2017. Excluding the recently approved dialysis facilities, average utilization increases to 76.6%, or just below the State Board's utilization standard. Furthermore, over the past three years, the compound annual growth rate for the existing facilities within the Edgemont GSA is 4%. This growth is anticipated to continue to increase for the foreseeable future due to the demographics of the community and U.S. Centers for Disease Control and Prevention estimates that 15% of American adults suffer from CKD.

## Appendix I Safety Net Impact Statement

Further, Dr. Friedman is currently treating 275 Stage 3, 4, and 5 CKD patients, who reside within the Edgemont GSA. Moreover, 144 of these patients live within 15 minutes of the proposed site of Edgemont Dialysis. See Appendix - 1. Conservatively, based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Friedman anticipates that at least 64 of these patients will initiate dialysis within 12 to 24 months following project completion. The proposed project is for the establishment of Edgemont Dialysis. As such, this criterion is not applicable.”

<b>DaVita Inc.</b>			
<b>Net Revenue, Charity and Medicaid Information for the State of Illinois</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
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 Revenue	\$8,603,971	\$7,361,390	\$4,692,716
% of Medicaid to Net Patient Revenue	3.23%	2.36%	1.33%

### **Board Staff Notes:**

DaVita Inc. submitted its admission policy to the State Board and the policy states patients would be admitted without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status. Medicare certification is a measure of the facility willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals age 65 and over. It is also well recognized that women live longer than men, and therefore, more likely to be on Medicare longer. One of the exceptions is Medicare coverage for patients with permanent kidney failure. Patients of any age with permanent kidney failure are eligible for Medicare. Medicaid certification is a measure of a facility’s willingness to serve low-income persons and may include individuals with disabilities.

Charity Care as defined by the Illinois Health Facility Planning Act means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third party payer. [20 ILCS 3960/3] The patients and the dollar amounts identified above as charity are self-pay patients. A for profit entity does not have charity care as defined by the Illinois Health Facility Planning Act. The dollar amounts identified above are considered bad debt.

Medicare and Medicaid patients typically make up the largest percentage of patients served by a dialysis facility. CMS has implemented an ESRD Prospective Payment System (PPS). Under this ESRD PPS, Medicare pays dialysis facilities a bundled rate per treatment. The rate is not the same for each facility. Each facility, within a given geographic area, may receive the same base rate. However, there are a number of adjustments both at the facility and at patient-specific level that affects the final reimbursement rate each facility will receive. What a dialysis facility receives from its commercial payers will also vary. Even if two different dialysis providers billed the same commercial payer the same amount, the actual payment to each facility will depend on the negotiated discount rate obtained by the commercial payer from each individual provider.

Appendix II  
Itemization of Project Costs

Moveable and Other Equipment			
	Reviewable	Non Reviewable	Total
Communications	\$93,144		\$93,144
Water Treatment	\$164,800		\$164,800
Bio-Medical Equipment	\$16,550		\$16,550
Clinical Equipment	\$295,024		\$295,024
Clinical Furniture/Fixtures	\$23,060		\$23,060
Lounge Furniture/Fixtures		\$3,855	\$3,855
Storage Furniture/Fixtures		\$6,862	\$6,862
Business Office Fixtures		\$45,905	\$45,905
General Furniture/Fixtures		\$44,500	\$44,500
Signage		\$12,000	\$12,000
Total Moveable and Other Equipment	\$592,578	\$113,122	\$705,700

Appendix III  
Population within 30 minutes

Population within the 30 minute service area by zip code and city				
Zip Code	City	Population	County	ESRD Health Service Area
62018	Cottage Hills	3,604	Madison	HSAXI
62024	East Alton	9,775	Madison	HSAXI
62025	Edwardsville	33,748	Madison	HSAXI
62034	Glen Carbon	13,819	Madison	HSAXI
62040	Granite City	43,735	Madison	HSAXI
62048	Hartford	1,459	Madison	HSAXI
62059	Lovejoy	746	Saint Clair	HSAXI
62060	Madison	4,847	Madison	HSAXI
62061	Marine	1,718	Madison	HSAXI
62062	Maryville	7,658	Madison	HSAXI
62084	Roxana	1,606	Madison	HSAXI
62087	South Roxana	2,087	Madison	HSAXI
62090	Venice	1,189	Madison	HSAXI
62095	Wood River	11,237	Madison	HSAXI
62201	East Saint Louis	7,547	Saint Clair	HSAXI
62203	East Saint Louis	8,209	Saint Clair	HSAXI
62204	East Saint Louis	7,960	Saint Clair	HSAXI
62205	East Saint Louis	9,329	Saint Clair	HSAXI
62206	East Saint Louis	16,509	Saint Clair	HSAXI
62207	East Saint Louis	8,750	Saint Clair	HSAXI
62208	Fairview Heights	17,376	Saint Clair	HSAXI
62220	Belleville	20,504	Saint Clair	HSAXI
62221	Belleville	27,858	Saint Clair	HSAXI
62223	Belleville	17,560	Saint Clair	HSAXI
62225	Scott Air Force Base	5,381	Saint Clair	HSAXI
62226	Belleville	29,744	Saint Clair	HSAXI
62232	Caseyville	7,260	Saint Clair	HSAXI
62234	Collinsville	33,430	Madison	HSAXI
62236	Columbia	12,562	Monroe, Saint Clair	HSAXI
62239	Dupo	4,954	Saint Clair	HSAXI
62240	East Carondelet	1,966	Saint Clair	HSAXI
62243	Freeburg	5,910	Saint Clair	HSAXI
62254	Lebanon	6,089	Saint Clair	HSAXI
62260	Millstadt	7,290	Saint Clair	HSAXI
62269	O'Fallon	31,348	Saint Clair	HSAXI
62285	Smithton	4,484	Saint Clair	HSAXI
62289	Summerfield	350	Saint Clair	HSAXI
62294	Troy	14,367	Madison	HSAXI
Total		443,965		

## 17-040 DaVita Edgemont Dialysis - East St. Louis

