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March 6, 2018

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Mr. Michael Constantino, Chief Project Review
Health Facilities and Services Review Board
Illinois Department of Public Health
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Re: HFSRB Project #: **17-043** Romeoville Dialysis

Dear Mr. Constantino:

I write on behalf of DaVita, Inc. and Tovell Dialysis, LLC (collectively, the "Applicants") to further demonstrate the need for the planned 12-station Romeoville Dialysis clinic project to be located in Romeoville, Illinois, which is situated in Will County where there is a documented need as determined by the Illinois Health Facilities and Review Board (HFSRB) for additional dialysis stations. I appreciate the opportunity to present this additional information to the HFSRB and we look forward to presenting this proposal to you at the April 17, 2018 HFSRB meeting. As you work to finalize this project's staff report for the upcoming meeting, I would like to address a key issue that deserves further consideration, namely:

- Hemodialysis use rates have increased substantially in the HSA 9 planning area and more specifically in the area immediately surrounding the proposed site in Romeoville since the last measurement period, 2015. This growth has resulted in a significant change in the need for additional dialysis services from 17 stations to 67 stations in HSA 9. In just the 10 mile driving radius around the proposed Romeoville Dialysis clinic site there are 11 existing or recently approved dialysis facilities. Excluding facilities that were recently approved or in their two year ramp up, average utilization as of December 31, 2017 was 81%.¹ Further, based upon the increased use rate of these facilities over the past two years, beyond those stations identified in the inventory, there is a need for 13 additional stations in the 10 mile geographic service area of the proposed clinic. This need determination is based on the two year compound annual growth rate of clinics operating in that area of 5.5% from 2015 to 2017. By applying such growth

¹ Fresenius Medical Care Plainfield North and Fresenius Medical Care Lemont are currently in their two year ramp. Fresenius Medical Care Woodridge was approved by the HFSRB on March 14, 2017. These facilities are committed to different patient bases than the proposed Romeoville Dialysis, and Fresenius Medicare made assurances in the CON applications the facilities will reach 80% utilization by their second years of operation

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through the end of 2019, when this clinic is projected to be open, 158 additional patients (or 953 total patients) are projected to initiate dialysis. This will increase average station utilization of those clinics to 85%.²³ Building a clinic now to meet the growing needs of patients with renal failure is consistent with careful health planning to expand services at a time when additional needs are reasonably predicted based on available data. Waiting longer to build this facility would create an unnecessary access issue.

Please also note that competitors raising objections to this project emphasized the role of DuPage Medical Group in the project's need justification and suggested CKD was duplicated. It was not. Further, it is entirely appropriate for the nephrologists associated with the DMG practice to admit patients to this planned clinic based on where their patients reside. As reflected on the pages beginning on page 146 of the CON permit application for this project, however, the expectation is that Northeast Nephrology physicians will care for roughly 90% of the patients who are anticipated to receive services at this clinic. The comments the HFSRB received for this clinic from an opponent of the clinic do not address the need for the project in a meaningful way and are misleading and unwarranted. Please do let us know, however, if there are any particular concerns that were raised in the public comment process that you would like us to address.

We are submitting this letter far in advance of the April hearing as requested by staff. It should be noted that we are not modifying the application but merely providing additional supporting documentation of the need for the project which is derived from publicly available data. It is possible that opponents of this project will choose to submit information at the end of the public comment period and then subsequently appear with further opposition comments at the April hearing. We recognize this might be allowed by HFSRB processes but we encourage the HFSRB members and staff to be cognizant that this project has received a nearly entirely positive state agency report after being filed over six months ago with the sole deficiency relating to the ramp up of area clinics as the dialysis use rate grows. This project is entirely consistent with thoughtful and rigorous health planning and we strongly urge the HFSRB to approve it. Last minute scattershot opposition comments are a disservice to the planning process.

² Due to onerous treatment regimens for dialysis and travel/population density considerations, the HFSRB is in process of updating its Part 1110.230 Service Accessibility rules for In-Center Hemodialysis Services. Such revision will reduce the travel radius for ESRD projects in Will County to 10 miles. Thus a 10 mile radius is referenced. This adjustment better reflects the market dynamics for dialysis services and helps to address the weekly travel burden for this population of chronically ill patients. We applaud the HFSRB for its careful consideration of these issues in updating its rules.

³The HFSRB staff report prepared in January states that the area clinics could accommodate an additional 55 patients. However, patients are being added every month and by the year this project is completed, we would expect there to be 81 more patients receiving treatments at clinics just within a ten mile driving radius of the proposed site.

INCREASING DIALYSIS USE RATES AND RECALCULATION OF STATION NEED

Our previous correspondence providing additional information addressed the dialysis utilization growth in the immediate area surrounding the proposed clinic site. It also analyzed the demographic trends of Will County and Romeoville more specifically. In further reviewing the historical data pertinent to need for this clinic, we note the State updated its inventory of Health Care Facilities and Services and Need Determinations for ESRD in August of 2017. At that time, the State used a 5-year projection to 2020 with the base year of 2015. Based on the need formula, the need calculation used the year 2015 dialysis use rates combined with the population estimates for that same year and projected that use rate on the anticipated population in 2020. As explained below, we now know that the resulting calculation identifying a need for 17 stations understates the 2020 demand for services.

To evaluate demand for ESRD services or “need” for the proposed Romeoville clinic, we next reviewed more current utilization data that the State collects and publishes, namely dialysis utilization information dated as of 12/31/2017. This review revealed, as Table One indicates, that there was an 11.35% increase in ESRD patients between 2015 and 2017 in HSA 9. The increased use rate, based on the 2020 population, results in a calculated need for 50 more stations than the State’s official need calculation provide for, a total of 67 stations needed in HSA 9. This increased station need is due to the dialysis patient census in HSA 9 increasing by 120 patients in that two year period (or a compound annual growth rate of 5.5%). Note that we used the same formula to reach this conclusion with the only difference being that we used more current dialysis use rates.

Table One Station Need Calculation	
Updated Need Calculation Based on 2017 Use Rate	
	HSA 9
Planning Area Population – 2015	1,033,750
In Station ESRD Patients – 2017	1,177
Area Use Rate 2017	1.14
Planning Area Population - 2020 (Est)	1,111,116
Projected Patients – 2020	1,265
Adjustment	1.33
Patients Adjusted	1,683
Projected Treatments – 2020	262,480
Existing Stations	284
Stations Needed - 2020	351
Number of Stations Needed	67
In Station ESRD Patients - 12/31/2015	1,057
% Increase in Patients 2015 to 2017	11.35%
Area Use Rate - 2015	0.977

The proposed Romeoville Dialysis clinic will address the HFSRB need for dialysis stations in HSA 9 which what we now know, from analyzing more current data, is understated. It is important to note that based on significant population differences between the counties that comprise HSA 9, the majority of the demand for additional dialysis stations, specifically 71 stations, is in Will County. Further, there is a need for 13 stations in the Romeoville GSA alone. The proposed Romeoville Dialysis clinic will be a 12 station clinic so it is very much in line with the demonstrated need for the service. It is important to note that the State’s station need calculation factors in not only the capacity of existing facilities’ but also the capacity of the newly permitted projects which will be opening soon. This need for additional stations is

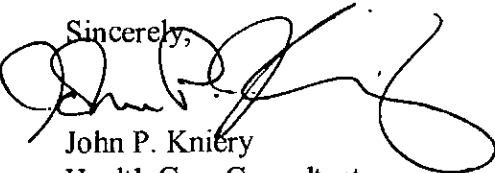
addressed by this proposed clinic. More specifically, the Applicant has identified an area that has a high concentration of groups at high-risk of acquiring ESRD that are aging. Together this creates a project that is needed and purposefully being proposed.

SMALLER GEOGRAPHIC SERVICE AREAS

In my correspondence dated February 7, 2018, we suggested that the focus of area dialysis use rates should be on the smaller area that comprises the zip codes where the pre-ESRD patients reside. In further support of a smaller definition of a relevant geographic service area, DaVita and Fresenius both advocated with the HFSRB for a travel radius change for ESRD services. As you know, that change is currently in process. In the 2nd Notice that the HFSRB submitted to the Illinois Joint Committee on Administrative Rules ("JCAR") in January 2018, the HFSRB submitted revised proposed rules to JCAR to change the travel radius delineated for ESRD care in Will County to a 10-mile radius. As shown in the map appended as Exhibit I, the majority of the identified CKD patients reside in the smaller 10 mile radius.⁴ We believe this change is consistent with providing appropriate service access to patients who face significant daily burdens from their disease.

For patients suffering from renal disease access to dialysis services in close proximity to where they live is imperative for ensuring patient compliance with the difficult treatment protocol of hemodialysis. After a patient's kidneys fail, to receive an adequate dose of dialysis to clear waste products from the blood, he or she must attend a long treatment session at the dialysis clinic three times a week for an indefinite period of time. In proposing the travel radius rule change, the HFSRB reasoned in the preamble to the rules that "the challenges facing ESRD patients are unique as these patients are required to travel three times per week to undergo dialysis. Therefore, a different, more condensed travel radius will be applied to ESRD projects."

Thank you for your consideration on this project. If you have any questions and concerns, please do not hesitate to contact me.

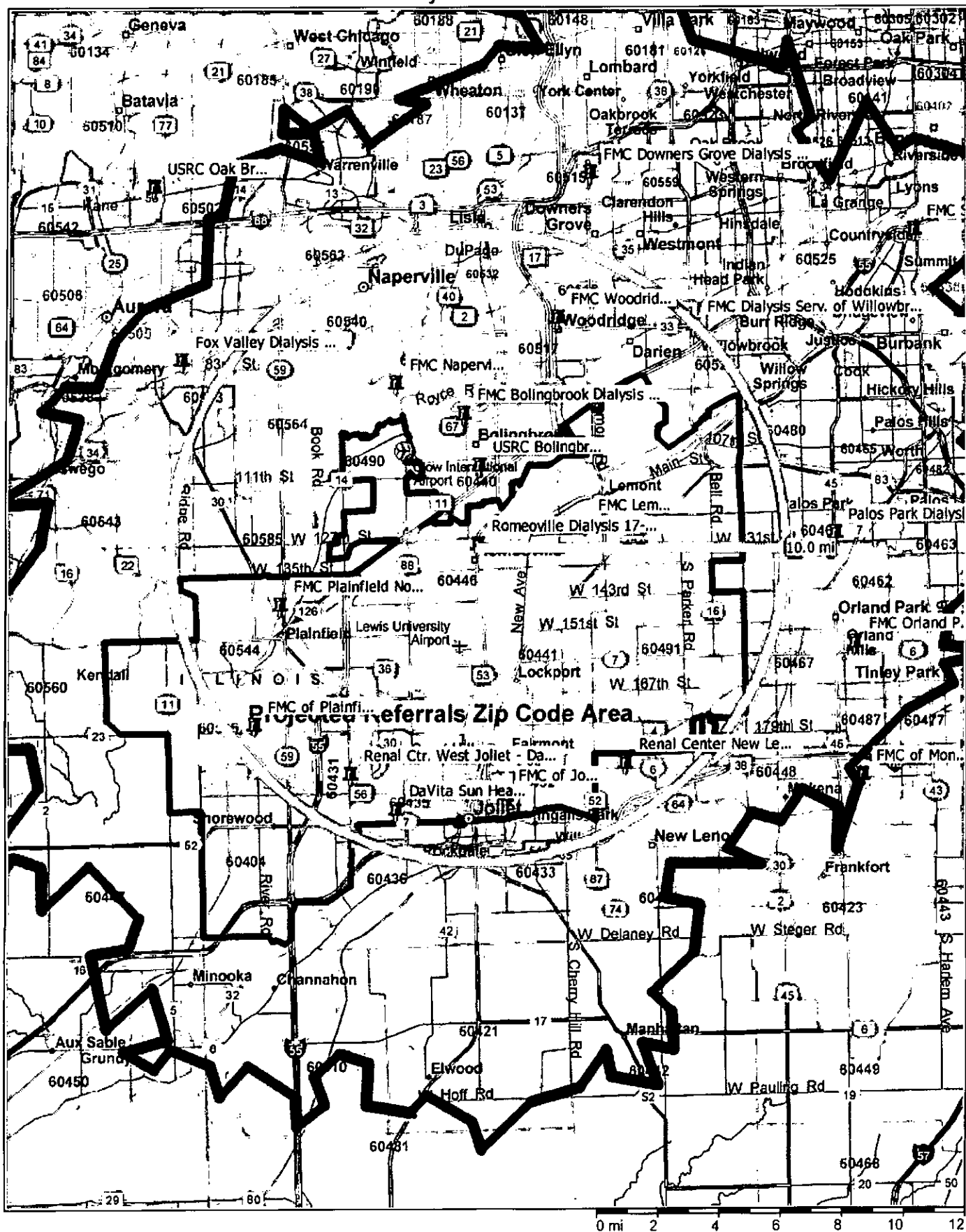
Sincerely,

John P. Kniery
Health Care Consultant

ENCLOSURES

Cc: Gaurav Bhattacharrya
Kara Friedman

⁴ Attached as Exhibit I is a map showing the (a) 30-minute travel time contour based on the proposed site, (b) the specific zip code areas from where the identified CKD patients reside and (c) the 10-mile radius around the proposed site.

Romeoville Dialysis 17-043 10 mile radius



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