



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-04	BOARD MEETING: February 27, 2018	PROJECT NO: 17-052	PROJECT COST:
FACILITY NAME: Dialysis Care Center Beverly		CITY: Chicago	Original: \$1,609,752
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The Applicants propose to establish a 14-station ESRD facility in 6,313 GSF of lease space at a cost of \$1,609,752. The expected completion date is October 31, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants propose to establish a 14-station ESRD facility in 6,313 GSF of lease space at a cost of \$1,609,752. The expected completion date is October 31, 2019.
- The Applicants have been approved by the State Board for the following three facilities.
 - 16-020 DCC Oak Lawn - establish an 11 station ESRD facility at a cost of \$762,000.
 - 16-022 DCC Olympia Fields – establish an 11 station ESRD facility at a cost of \$992,000.
 - 16-058-DCC McHenry – establish a 14 station ESRD facility at a cost of \$1,215,000.
- These three projects have not been completed as of the date of this report.

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)

PUBLIC HEARING/COMMENT:

- A public hearing was offered in regard to the proposed project, but none was requested. No letters of opposition were received by the State Board Staff. Letters of support were received from
 - Alderman Mathew J. OShea
 - Illinois State Senator Bill Cunningham
 - Congressman Bobby L. Rush

SUMMARY:

- The State Board has estimated a need for 75 ESRD stations in the HSA VI ESRD Planning Area, per the January 2018 ESRD Inventory Update.
- The State Board Staff has reviewed the physician referrals for this project and note that the referrals appear to be the same referrals that were provided for the DCC-Oak Lawn Application (Permit #16-020). As identified in the Table at the end of this report the Oak Lawn facility is not yet operational and is approximately 20 minutes from the proposed Beverly project. The nephrologists for this project are the same referring nephrologists for Project #16-020. It appears that the referrals for this project are the same referrals used for the Oak Lawn Project (#16-020). The Board Staff was unable to accept the physician referrals as provided for this project.
- This project (#17-052) did not include modernization cost, new construction costs, or architectural fees. It is unclear how the build out of this facility is going to be accomplished to meet IDPH Design Standards. The State Board Staff believes the Applicants are not including all of the capital costs for the proposed project.
- **Additionally, the State Board Staff Notes:** Of the 62 facilities approved by the State Board for years 2014-2018 the average project cost was \$4.3 million. The average cost for the three facilities submitted by the Applicants (Permit #16-020, #16-022 and #16-058) was \$990,000. On average over the past four years (2014-2018) the cost per station of the 62 ESRD facilities approved to be established was approximately \$309,000 per station. These numbers do not include the Applicants' facility. The Applicants three facilities the average cost per station was \$82,000.
- There are 39 facilities within 30 minutes of the proposed facility. Six of the facilities are in ramp-up or are not fully operational. One facility (Concerto Dialysis) did not report utilization information for the fourth quarter. Of the remaining 32 facilities within 30 minutes the average utilization is approximately 76%.
- 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) (2) & (4) - Planning Area Need	The State Board Staff was unable to accept the referral letter as submitted. It appears that the patient population to justify this ESRD facility is the same patient population used to justify the previously approved Oak Lawn facility. The referring physicians provided their CKD Stage 3 and CKD Stage 4 population, but did not identify the specific patients by zip code and initial that will utilize the proposed facility.
77 ILAC 1120.120 – Availability of Funds	The Applicants did not provide any evidence that they have sufficient cash to fund the cash portion of the project. To date for the three projects approved by the State Board the total cash committed for those three projects is approximately \$1.9 million.
77 ILAC 1120.130 – Financial Viability	The Applicants did not qualify for the financial waiver and did not provide financial ratios and supporting information for the two Applicants as required by State Board rule.
77 ILAC 1120.140 (c) – Reasonableness Project Costs	The project cost did not include modernization cost, new construction costs, or architectural fees. The lease included an Exhibit C Work Letter that discussed the build out of the leased space. There was no cost estimate provided in this Exhibit C Work Letter. It is unclear from the information reviewed by the State Board Staff how the build out of this facility is going to be accomplished to meet IDPH Design Standards.

STATE BOARD STAFF REPORT
Project 17-052
Dialysis Care Center Beverly

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	Dialysis Care Center Beverly, LLC., Dialysis Care Holdings, LLC
Facility Name	Dialysis Care Center Beverly
Location	10801 South Western Avenue, Suite 100 Chicago, Illinois
Permit Holder	Dialysis Care Center Beverly, LLC., Dialysis Care Holdings, LLC
Operating Entity	Dialysis Care Center Beverly, LLC.
Owner of Site	CPMOK Properties, LLC
Total GSF	6,313 GSF
Application Received	October 6, 2017
Application Deemed Complete	October 12, 2017
Review Period Ends	February 9, 2018
Financial Commitment Date	February 27, 2019
Project Completion Date	October. 31, 2019
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The Applicants propose to establish a 14-station ESRD facility in 6,313 GSF of lease space at a cost of \$1,609,752. The expected completion date is October 31, 2019

II. Summary of Findings

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

III. General Information

Dialysis Care Center Beverly, LLC nor Dialysis Care Center Holdings, LLC have any operational ESRD in-center hemodialysis facilities in the State of Illinois. Dialysis Care Center Beverly, LLC and Dialysis Care Center Holdings, LLC is 100% physician owned and operated. The two physicians below equally own the two entities.

- 1. Morufu Alausa M.D.
- 2. Sameer M. Shafi M.D.

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

Dialysis Care Center Holdings, LLC has been approved by the State Board for the following dialysis projects:

- **In October of 2016** the State Board approved Permit #16-020 – Dialysis Care Center Oak Lawn to establish an 11 station ESRD facility at a cost of the \$762,000. Dialysis Care Center Oak Lawn just had an Illinois Department of Health (IDPH) survey sent to Medicare for approval January of 2018.
- **In October of 2016** the State Board approved Permit #16-022 – Dialysis Care Center Olympia Fields to establish an 11 station ESRD facility at a cost of \$992,000. Dialysis Care Center Olympia Fields had an IDPH survey awaiting Plan of correction before recommending to Medicare.
- **In June of 2017** the State Board approved Permit #16-058 – Dialysis Care Center McHenry to establish a 14 station ESRD facility at a cost of \$1,215,000.

The expected payor mix of the proposed facility is as follows:

Payor Mix		
	Number of Patients	% of Patients
Medicare	55	64.00%
Medicaid	3	2.00%
Commercial	10	34.00%
# of Patients % of Revenues	69	100.00%

IV. Health Planning Area

The proposed facility will be located in the HSA VI ESRD Planning Area. This planning area includes the city of Chicago. As of January 2018 the State Board is estimating a need for an additional 75 stations. Additionally the State Board is estimating that a total of 6,498 patients will need dialysis by 2020 in this planning area. As December 31, 2017 there are 5,041 patients receiving dialysis in this planning area.

TABLE TWO	
Need Methodology HSA VI ESRD Planning Area	
Planning Area Population – 2015	2,713,100
In Station ESRD patients -2015	4,886
Area Use Rate 2015 ⁽¹⁾	1.907
Planning Area Population – 2020 (Est.)	2,562,700
Projected Patients – 2020 ⁽²⁾	4,886
Adjustment	1.33
Patients Adjusted	6,498
Projected Treatments – 2020 ⁽³⁾	1,013,747
Calculated Station Needed ⁽⁴⁾	1,353
Existing Stations	1,278
Stations Needed-2020	75
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.
2. Projected patients calculated by taking the 202 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients.
 3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient
 4. $1,013,747/747 = 1,353$
 5. $936 \times 80\% = 747$ [Number of treatments per station operating at 80%]

V. Project Costs and Sources of Funds

The applicants are funding the project with cash of \$555,800 and the FMV of leased space in the amount of \$1,053,952. The operating deficit and start-up costs are \$2,500.

TABLE THREE			
Project Costs and Sources of Funds			
	Reviewable	Total	% of Total
Contingencies	\$60,000	\$60,000	3.73%
Architectural and Engineering Fees	\$45,000	\$45,000	2.80%
Movable or Other Equipment	\$450,800	\$450,800	28.00%
FMV of Leased Space	\$1,053,952	\$1,053,952	65.47%
Total	\$1,609,752	\$1,609,752	100.00%
Cash		\$555,800	34.53%
FMV of Leased Space		\$1,053,952	65.47%
Total		\$1,609,752	100.00%

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 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 Dialysis Care Center Beverly, LLC and Dialysis Care Center Holdings, LLC during the three (3) years prior to filing the application. [Application for Permit page 85-86]
2. The applicants have authorized the Illinois Health Facilities and 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 a twelve 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 85-86]
3. The site is owned by CPMOK Properties LLC and evidence of this can be found at pages 31-81 of the application for permit in the Letter of Intent to lease the property at 10801 S. Western Avenue Suite 100, Chicago, 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 to the Proposed Project

These three (3) criteria are for informational purposes only.

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.

¹ 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 IAC 1130.140)

“The purpose of this project is to create more life-sustaining dialysis accessibility to the large, growing population of ESRD patients in the HSA 6 market area - specifically, Cook County residents. This project will address the current State Board-determined need for additional hemodialysis stations needed in planning area, HSA 6. As of September 27, 2017, the Illinois State Board has determined that 87 additional stations would be needed in HSA 6 to address the growing dialysis needs of that particular community. The proposed facility would provide 14 of those stations needed (including 1 isolation station) to accommodate ESRD patients. Not only would Dialysis Care Center Beverly simply be fulfilling a number of stations to provide dialysis, but would be providing quality, patient-centered healthcare and education to patients using our facility. It is our priority that every patient concern is addressed and resolved in a timely fashion. The complete physician ownership of our organization allows that our physicians have total independence to make crucial clinical decisions that maximize positive patient outcomes. Our organization recognizes that patient outcomes and satisfaction are the building blocks of successful healthcare, which is why we require that quality of care is our first priority over profitability concerns. The addition of Dialysis Care Center Beverly in this community will provide additional treatment options for patients in the specific market area, as well as for patients in Chicago, Cook County overall, and other surrounding cities. The market area to be served by the applicant is approximately within a 20-mile radius of the proposed facility location. As of 2010, the total population of Cook County was 3.195 million, while the population of the City of Chicago was 2.696 million. Historically, these areas have seen a tremendous and concerning growth of ESRD patients, as indicated by the 70-80% utilization of most ESRD facilities in the surrounding area. This project will aid in addressing the clear and crucial needs of this community for hemodialysis treatment options. It is an established criterion for patients who require chronic dialysis treatments to have convenient and adequate access to services, as these conditions result in less health complications for patients and reduce healthcare costs to patients and payers alike. The new in-center clinic, Dialysis Care Center Beverly, will allow patients increased access to dialysis services within a reasonable travel distances from home, while avoiding significant highway travel. It is expected that Dialysis Care Center Beverly, once operational, will meet and possibly exceed clinical outcome expectations set by the Renal Network and the Centers for Medicare and Medicaid Services. Such expectations address Kt/V Dialysis Adequacy, Access Type, the Standardized Transfusion Ratio (STrR) and Hypercalcemia.” [Application for Permit page 97]

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]*

A Safety Impact Statement was provided as required. [See end of this report]

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 three alternatives to the proposed project.

1. Do Nothing
2. Pursuing a joint venture for the establishment of a new facility
3. Using existing facilities

The **Do Nothing** alternative was rejected because it would not address the calculated need for stations in the HSA VI ESRD Planning Area. **Pursuing a joint venture and utilizing existing facilities** were rejected because there are no physician owned ESRD facilities in the area where physicians have the independence they need to improve the quality indicators. It is expected that the facility will exceed the clinical outcomes that meet all network and Centers for Medicare and Medicaid Services clinical goals established.

The Applicants stated: *“The proposed facility that is identified for Dialysis Care Center Beverly is a shell ready facility, by using this site the costs associated with this project are significantly lower compared to other ESRD projects brought to the board. This cost-effective method will ensure the need for the additional stations are met with a reduced cost for the facility. There are currently no solely physician owned ESRD facilities in the area. The Medical Director and the physician partners identified that will refer their ESRD patients to Dialysis Care Center Beverly have no current options where they can refer their patients in which they have the independence they need to make quality clinical decisions and can focus on maximizing patient care. The project utilizes space that will be leased, as opposed to building a new facility from the ground up, causing the cost of the proposed project to be a fraction of the cost of developing a new facility. We expect to spend less than \$430,000.00 in renovation costs on a space of 6,313 sq. ft. Beyond that, the only additional cost would be to provide the equipment needed to provide dialysis services. We believe that this is a very substantial cost-effective alternative that will meet the need. The total cost of the proposed project is \$1,122,000.00 including the value of the leased space. This we believe is the most efficient long-term solution to maintaining access to dialysis services in the Beverly area, and to accommodate the need of the additional stations identified by the Illinois Health Facilities and Services Review Board in HSA VI.”* [Application for Permit page 108-109]

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 a 14 station ESRD facility in 6,313 GSF of space or 451 GSF per station. This is within the State Board Standard of 650 GSF per station or a total of 9,100 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 have identified 158 pre-ESRD patients (a total of 111 patients after accounting for a 30% patient loss prior to dialysis commencement) with lab values indicative of active kidney failure who live in HSA VI in Chicagoland and surrounding

areas. These individuals are expected to require dialysis services in the first two years after the Dialysis Care Center Beverly facility begins operations.

111 patients x 156 treatments per year = 17,316 treatments

14 stations x 936 treatments available = 13,104 treatments

17,316 treatments/13,104 treatments = 132%²

THE 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 necessary attestation is provided at pages 129-131 of the application for permit.

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

² Assumes the proposed facility will operate six (6) days a week fifty-two (52) weeks a year three (3) shifts a day.

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.

The State Board is estimating a need for 75 ESRD stations by 2020 in the HSA VI ESRD Planning Area per the January 2018 Inventory Update.

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 Applicants have stated the primary purpose of the project is to ensure that the ESRD patient population of the greater Chicago area, market area, and planning area of HSA VI has access to life sustaining dialysis. The Applicants stated that they *“anticipate that well over 80% of Dialysis Care Center Beverly will be residents of the planning area HSA VI.”*

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 State Board requires that the projected referrals include the following information

- i) 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, as reported to The Renal Network at the end of the year for the most recent three years and the end of the most recent quarter;
- ii) 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;
- iii) 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;
- iv) 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);
- v) The physician's notarized signature, the typed or printed name of the physician, the physician's office address and the physician's specialty;
- vi) 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

- vii) Each referral letter shall contain a statement attesting that the information submitted is true and correct, to the best of the physician's belief.

The Applicants submitted one referral letter signed by Dr. Sushant Taksande, M.D. The letter also included referral information for Dr. Hani Alsharif M.D., Dr. Sonja M Marcie M.D., Dr. Sarika Chopra M.D., and Dr Muhammad Omer M.D. A summary of this information is provided below.

TABLE FOUR								
Summary of the Referral Information								
	Historical Referrals				Estimated Referrals			
	CY 2014	CY 2015	CY 2016	CY 2017 (New Patients)	Total Referrals	CKD 3 Pre-ESRD Patients	CKD 4 Pre-ESRD Patients	
Dr. Taksande	3	7	16	8	34	86	34	
Dr Muhammad Omer	2	9	10	3	24	91	38	
Dr. Sarika Chopra			2	2	4	35	6	
Dr. Sonja M Marcie	39	44	46	9	138	166	67	
Dr. Hani Alsharif	No Historical Referrals			39	39	18	13	
Total					239	396	158	

Source: Application for Permit pages 217-246.

Additionally from the information provided the Applicants have referred patients to these facilities.

TABLE FIVE				
Facilities for Patient Referrals				
Facility	City	Stations	Patients	Current Utilization
Davita Palos Park	Orland Park	12	49	68.06%
FM Burbank	Burbank'	26	126	80.77%
FMC Southside	Chicago	39	204	87.18%
Davita West Lawn	Chicago	12	62	86.11%
FMC Mokena	Mokena	14	55	65.48%
Davita Mount Greenwood	Chicago	16	84	87.50%
Davita Chicago Ridge	Worth	16	83	86.46%
Total Stations/Average %		135	663	80.22%

Source: Application for Permit pages 217-246.
Utilization as of December 31, 2017

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:

- 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;

- 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 is no absence of the proposed service within the planning area as there are 64 existing dialysis facilities in the HSA VI ESRD Planning Area.
 2. There has been no evidence of the access limitations due to payor status of the patients.
 3. There has been no evidence of restrictive admission policies of existing providers.
 4. There has been no evidence that the area population and existing care system exhibits indicators of medical care problems.
 5. There are 39 facilities within 30 minutes of the proposed facility. Six of the facilities are in ramp-up or not yet operational. One facility (Concerto Dialysis) has not reported utilization information to the State Board for the entire year. The remaining 32 facilities the average utilization is approximately 76%. (See Table at the end of this report)

In summary, the State Board has estimated a need in the HSA VI ESRD Planning Area by 2020 of 75 stations. Based on the State Board Staff review of the referral letter provided by the Applicants, it appears that the referrals have been used to justify the DCC Oak Lawn project (#16-020) that has been approved by the State Board. The referring physicians provided their CKD Stage 3 and CKD Stage 4 population, but did not identify the specific patients by zip code and initial that will utilize the proposed facility. The Board Staff was not able to accept the referral information as provided. Based on the information reviewed by the State Board Staff the Applicants have not met the requirements of this criterion.

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))

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 determines if there is existing capacity to accommodate the demand identified in the application for permit. There are 39 facilities within 30 minutes of the proposed facility. Six of the facilities are in ramp-up or not yet operational. One facility (Concerto Dialysis) has not reported utilization information to the State Board for the 4th quarter. The remaining 32 facilities the average utilization is approximately 76%.

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 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	2,313,306	806	1 Station per every 2,871 residents
State of Illinois (2015 est.)	12,978,800	4,672	1 Station per every 2,778 residents

The population in the 30 minute service area is 2,313,306 residents. The number of stations in the 30 minute service area is 806. The ratio of stations to population is one (1) station per every 2,871 residents. The number of stations in the State of Illinois is 4,672 stations (*as of January, 2018*). 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 2,778 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 1,888 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 proposed geographic service area. All the identified patients will be referrals from identified physicians and are on pre-ESRD list. **No patients will be transferred from other existing dialysis facilities.** The proposed dialysis facility will not lower utilization of other area providers that are operating below the occupancy standard. Also, as mentioned throughout this application the facility will be in HSA 6 where there is an additional need of 75 stations based on the monthly updates to the Inventory of Health Care Facilities and Services as of January, 2018.”*

STATE BOARD STAFF FINDS THE PROPOSED PROJECT 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. Dr. Sushant R Taksande M.D. will serve as the Medical Director for Dialysis Care Center Beverly. The physician curriculum vitae has been provided as required. Additional staffed physicians: Dr. Hani Alsharif M.D., Dr. Sonja M Marcie M.D., Dr. Sarika Chopra M.D. and Dr Muhammad Omer M.D.

The Applicants stated the following:

“Upon opening, the facility will hire a Clinic Manager who is a Registered Nurse (RN). This nurse will have at least a minimum of twelve months experience in a hemodialysis center. Additionally, we will hire one Patient Care Technician (PCT). After we have more than one patient, we will hire another RN and another PCT. All personnel will undergo an orientation process, led by the Medical Director and experienced members of the nursing staff prior to participating in any patient care activities.

Upon opening we will also employ:

*Part-Time Registered Dietician
Part-Time Registered Master Level Social
Worker (MSW) Part-Time Equipment
Technician
Part-Time Secretary*

These positions will go full time as the clinic census increases. additionally, the patient care staff will increase to the following:

*One Clinic Manager
Registered Nurse Four
Registered Nurses
Ten Patient Care Technicians*

All patient care staff and licensed/ registered professionals will meet the State of Illinois requirements. Any additional staff hired must also meet these requirements along with completing an orientation training program. Annually all clinical staff must complete OSHA training, compliance training, CPR certification, skills competency, CVC competency, water quality training and pass the competency exam. Dialysis Care Center Beverly will maintain at least a 4 to 1 patient-staff ratio at all times on the treatment floor. A RN will be at the facility at all times when the facility is operational.”

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 135 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 14 station facility will be located in the Chicago-Joliet-Naperville 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 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.

The applicants have provided the necessary signed affiliation agreement with Advocate Health And Dialysis Centers Corporation D/B/A Advocate Christ Medical Center as required at pages 137-142 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 145 of the application for permit.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN
CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.1430
(k))(5))**

X. Financial Viability

Purpose of the Act *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.*

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 \$555,800 and a lease with a FMV of \$1,053,952. The lease is an operating lease to be paid over the life of the facility. The Applicants did not provide evidence that sufficient cash is available to fund the cash portion of the project.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 ILAC 1120.120)

B) Criterion 1120.130 - Financial Viability

To document 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 \$555,800 and a lease with a FMV of \$1,053,952. The Applicants have NOT qualified for the financial waiver and did not provide financial ratio information for the Applicants as required. The Board Staff could not determine if the Applicants are financially viable. **To qualify for the financial waiver an applicant must document one of the following**

- 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.

TABLE SIX Dialysis Care Center Beverly Pro-forma Income Statement				
	Inception	Year 1	Year 2	Year 3
Patients	5	56	68	76
Treatments	726	8,131	9,874	11,035
Revenue	\$224,153	\$2,609,803	\$3,295,150	\$3,780,363
Average Rev/Treatment	\$309	\$321	\$334	\$343
Expenses				
Personnel	\$556,000	\$823,604	\$991,136	\$1,031,177
Total Supplies	\$47,190	\$540,156	\$657,829	\$737,372
Total Facilities Expenses	\$386,959	\$583,657	\$670,210	\$721,289
Total Initial Fees	\$5,025	\$0.00	\$0.00	\$0.00
Depreciation	\$54,657	\$49,457	\$22,857	\$0
Overhead-3% of Rev	\$6,725	\$78,294	\$98,854	\$113,411
Write Offs - 1% of Rev	\$2,242	\$26,098	\$32,952	\$37,804
Total Expenses	\$1,058,797	\$2,101,266	\$2,473,837	\$2,641,053
Income (Loss)	-\$834,644	\$508,537	\$821,313	\$1,139,310

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT 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 \$555,800 and a lease with a FMV of \$1,053,952. The operating lease is considered debt financing under current State Board rule. The term of the lease is for eight years with two five year renewal options. The base rent is \$23 for the first five years and \$25.30 for years six thru eight. A \$9 per gsf for the common area maintenance, insurance and real estate taxes will also be part of the lease cost. The lease terms appears reasonable

SSTATE 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.

The State Board Standards are not applicable to this project. The Applicants have submitted an Application for Permit that did not include new construction or modernization costs or architectural fees. Contingency and Architectural and Engineering Fees are a percentage of new construction and modernization costs. The Applicants provided contingency costs for this project of \$60,000. However contingency costs are only applicable to a project that has new construction and or modernization costs and not to the entire project. The State Board Staff is unable to make a positive finding on the criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT 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 \$234.00 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 \$2.31 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))

SAFETY NET IMPACT STATEMENT

The establishment of Dialysis Care Center Beverly will not have any impact on safety net services in the Beverly area. Outpatient dialysis facilities services are not typically considered or viewed as "safety net" services. As a result, the presence of Dialysis Care Center Beverly as a provider is not expected to alter the way any other healthcare providers function in the community.

Dialysis Care Center Beverly has no reason to believe that this project would have any adverse impact on any provider or health care system to cross-subsidize safety net services.

Dialysis Care Center Beverly will be committed to providing ESRD services to all patients with or without insurance or patients to no regards for source of payment. Dialysis Care Center Beverly will not refuse any patients. Medicaid patients wishing to be served at Dialysis Care Center Beverly will not be denied services. Because of the Medicare guidelines for qualification for ESRD, a few patients with ESRD are left uninsured for their care.

The policy of Dialysis Care Center Beverly is to provide services to all patients regardless of race, color, national origin. Dialysis Care Center Beverly will provide services to patients with or without insurance, as well as to patients who may require assistance in determining source of payment. Dialysis Care Center will not refuse any patient. Medicaid patients wishing to be served will not be denied services. Through Medicare guidelines, patients who are prequalified for ESRD or for the few that are currently ESRD status and are left uninsured, Dialysis Care Center will be committed to providing continued care.

Dialysis Care Center Beverly will be committed to work with any patient to try and find any financial resources and any programs for which they may qualify for. Dialysis Care Center will be an "open dialysis unit" meaning through our policy, any nephrologist will be able to refer their patients and apply for privileges to round at the facility, if they desire. Dialysis Care Center will participate in American Kidney Fund (AKF) to assist patients with insurance premiums which will be at no cost to the patient. Currently, as Dialysis Care Center Beverly will be a new entity. There is no current charity documentation that can be provided to the board; however the charity policy has been provided.

TABLE SEVEN**Facilities within 30 minutes of the Proposed Site**

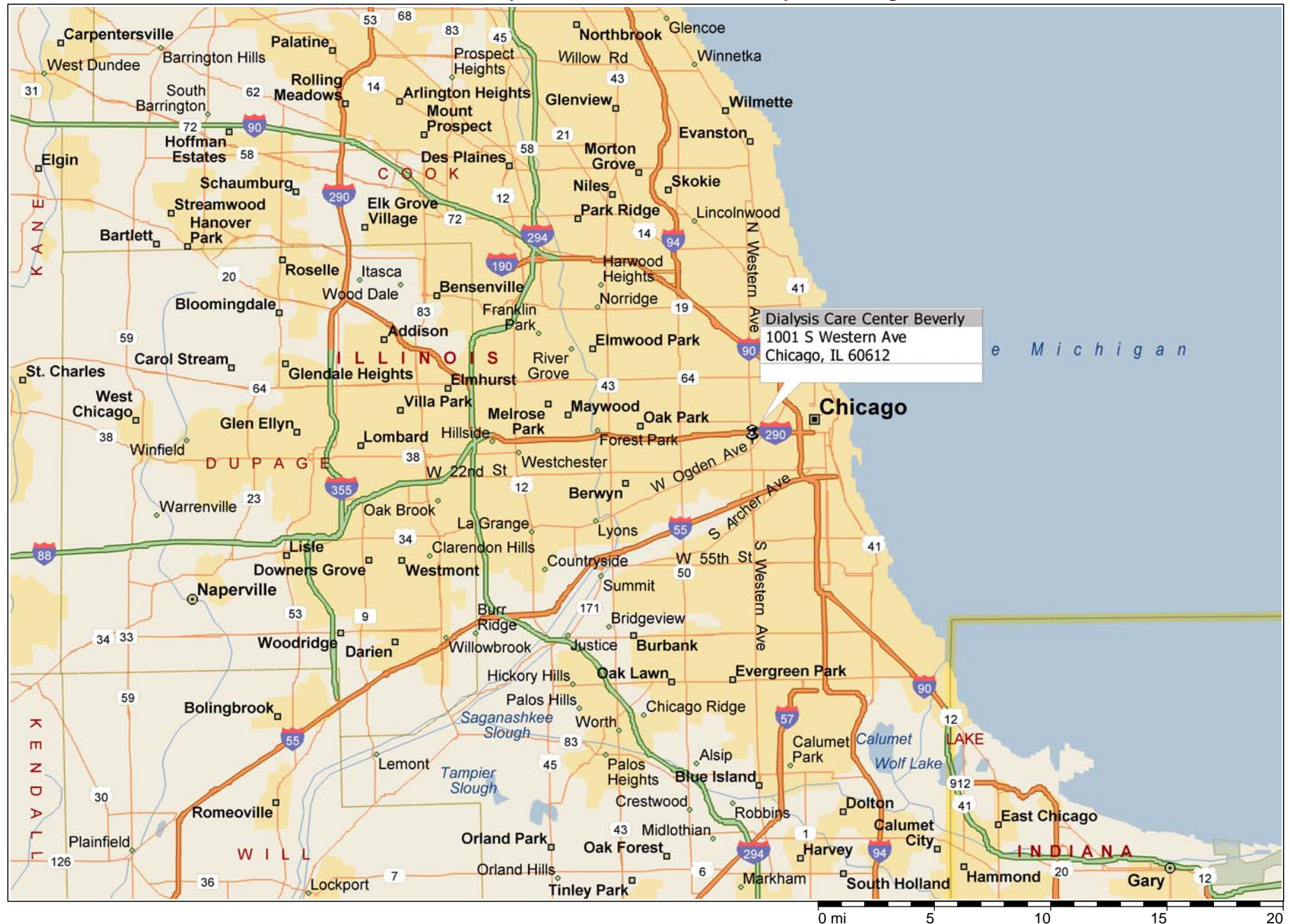
#	Facility	Ownership	City	Adjusted Time	Stations ⁽¹⁾	Patients ⁽²⁾	Occupancy ⁽³⁾	Star Rating ⁽⁴⁾	Met Standard?
1	Emerald Dialysis	Davita	Chicago	23.75	24	100	69.44%	3	No
2	Kenwood Dialysis	Davita	Chicago	28.75	32	136	70.83%	5	No
3	Davita- Woodlawn	Davita	Chicago	25	32	136	70.83%	3	No
4	Grand Crossing Dialysis	Davita	Chicago	25	12	50	69.44%	2	No
5	Davita West Side	Davita	Chicago	30	12	38	52.78%	NA	No
6	RCG Garfield	Fresenius	Chicago	30	22	89	67.42%	3	No
7	Fresenius Medical Care Marquette Park	Fresenius	Chicago	30	16	89	67.42%	4	No
8	Fresenius Medical Care South Shore	Fresenius	Chicago	30	16	89	67.42%	2	No
9	Greenwood Dialysis Center	Fresenius	Chicago	25	28	89	67.42%	2	No
10	Fresenius Medical Care of Roseland	Fresenius	Chicago	11.25	12	89	67.42%	2	No
11	Fresenius Medical Care South Deering	Fresenius	Chicago	25	20	65	54.17%	3	No
12	USRC Scottsdale	USRC	Chicago	25	36	137	63.43%	3	No
13	Country Hills Dialysis	Davita	Country Club Hills	18.75	24	95	65.97%	3	No
14	Davita - Harvey Dialysis	Davita	Hamy	25	18	95	65.97%	2	No
15	Olympia Fields Dialysis Center	Davita	Matteson	26.25	24	101	70.14%	3	No
16	Alsip Dialysis Center	Fresenius	Alsip	15	20	84	70.00%	3	No
17	Blue Island Dialysis Cir	Fresenius	Blue Island	6.25	28	116	69.05%	3	No
18	Dialysis Center of America -Crestwood	Fresenius	Crestwood	20	24	88	61.11%	3	No
19	Beverly Dialysis	Davita	Chicago	16.25	16	90	93.75%	3	Yes
20	Mount Greenwood Dialysis	Davita	Chicago	6.25	16	84	87.50%	3	Yes
21	DaVita - Stony Island Dialysis	Davita	Chicago	25	32	155	80.73%	5	Yes
22	West Lawn Dialysis	Davita	Chicago	28.75	12	62	86.11%	4	Yes

TABLE SEVEN

Facilities within 30 minutes of the Proposed Site

#	Facility	Ownership	City	Adjusted Time	Stations ⁽¹⁾	Patients ⁽²⁾	Occupancy ⁽³⁾	Star Rating ⁽⁴⁾	Met Standard?
23	South Side Dialysis Center	Fresenius	Chicago	25	39	204	87.18%	2	Yes
24	Fresenius Medical Care South Chicago	Fresenius	Chicago	26.25	36	196	90.74%	4	Yes
25	Fresenius Medical Care Chatham	Fresenius	Chicago	20	16	90	93.75%	3	Yes
26	RCG Hazel Crest	Davita	Hazel Crest	23.75	20	100	83.33%	3	Yes
27	Stony Creek Dialysis	Davita	Oak.Lawn	20	14	83	98.81%	3	Yes
28	DaVita Chicago Ridge Dialysis	Davita	Worth	25	16	83	98.81%	NA	Yes
29	FMC Dialysis Services - Burbank	Fresenius	Bumank	25	26	126	80.77%	3	Yes
30	Fresenius Medical Care Hazel Crest	Fresenius	Hazel Crest	26.25	16	77	80.21%	3	Yes
31	Fresenius Medical Care Merrionette Park	Fresenius	Merrionette Park	6.25	24	130	90.28%	3	Yes
32	Fresenius Medical Care Oak Forest	Fresenius	Oak Forest	22.5	12	58	80.56%	3	Yes
					695	3224	75.71%		
33	Concerto Dialysis ⁽⁵⁾		Crestwood	22.5	9	0	0.00%	1	1
34	Dialysis Care Center of Oak Lawn	DCC	Oak Lawn	20	11	0	0.00%		2
35	DaVita Park Manor Dialysis	Davita	Chicago	23.75	16	0	0.00%		3
36	DaVita Park Washington Heights	Davita	Chicago	7.5	16	1	1.04%		4
37	Fresenius Medical Care Beverly Ridge	Fresenius	Chicago	11.25	16	1	1.04%		5
38	USRC West Chicago	USRC	Chicago	21.25	13	0	0.00%		6
39	Fresenius Medical Care Evergreen Park	Fresenius	Evergreen Park	5	30	22	12.22%		7
					806		62.82%		
1.	Number of stations as of December 31, 2017								
2.	Number of Patients as of December 31, 2017								
3.	Occupancy as of December 31, 2017								
4.	Star Rating taken from the Medicare Website								
5.	Concerto Dialysis did provide utilization data.								

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