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-01	BOARD MEETING: June 5, 2018	PROJECT NO: 17-062	PROJECT COST: Original: $4,053,745
FACILITY NAME: Auburn Park Dialysis		CITY: Chicago	
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The Applicants (DaVita Inc. and Sappington Dialysis, LLC) propose to establish a 12-station ESRD facility in 7,022 GSF of lease space at a cost of $4,053,745. The expected completion date is February 29, 2020.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (DaVita Inc. and Sappington Dialysis, LLC) propose to establish a 12-station ESRD facility in 7,022 GSF of lease space at a cost of $4,053,745. The expected completion date is February 29, 2020.
- On March 20, 2017, the applicants notified Board staff of previously submitted data that resulted in erroneous service area (GSA) information. The applicants submitted updated/more accurate population data for a service area that included 30 additional zip codes. Board Staff reviewed these data, added any applicable ESRD data, and added these to this report. This extended research resulted in the project being extended from the April 2018 meeting, to the June 2018 IHFSRB meeting.

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 for the proposed project, but none was requested. No letters of support or opposition were received by the State Board Staff

SUMMARY:

- The State Board has estimated a need for 43 stations in the HSA VI ESRD Planning Area by 2020. The proposed facility will be located in a federally-designated Health Resources and & Service Administration health professional shortage service area, and a Medically Underserved Area (MUA). The 30-minute service area contains 41 existing ESRD facilities, and based upon the physician referral letter, there appears to be a sufficient number of pre-ESRD patients that will require dialysis within 12-24 months after project completion to justify the 12 stations being requested. All of the 129 pre-ESRD patients reside within the planning area as attested to by the Applicants. The Applicants addressed a total of 21 criteria and have successfully met them all.

STATE BOARD STAFF REPORT
Project 17-062
DaVita Auburn Park Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	DaVita Inc., Sappington Dialysis, LLC
Facility Name	DaVita Auburn Park Dialysis
Location	7939 South Western Avenue, Chicago, Illinois
Permit Holder	DaVita Inc., Sappington Dialysis, LLC
Operating Entity	Sappington Dialysis, LLC
Owner of Site	FREP 79th & Western, LLC
Total GSF	7,022 GSF
Application Received	November 6, 2017
Application Deemed Complete	November 7, 2017
Review Period Ends	March 7, 2018
Financial Commitment Date	April 17, 2020
Project Completion Date	February 29, 2020
Review Period Extended by the State Board Staff?	Yes
Can the applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The Applicants (DaVita Inc. and Sappington Dialysis, LLC) propose to establish a 12-station ESRD facility in 7,022 GSF of lease space at a cost of $4,053,745. The expected completion date is February 29, 2020.

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 Sappington Dialysis, LLC. DaVita Inc, a Fortune 500 company, is the parent company of Total Renal Care, Inc. and Sappington Dialysis, LLC. DaVita Inc. 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 in the State of Illinois. The operating entity will be Sappington Dialysis, LLC and the owner of the site is FREP 79th & Western, LLC. Financial commitment will occur after permit approval.

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

TABLE ONE
DaVita ESRD Projects Approved by the State Board

Project Number	Name	Project Type	Completion Date
15-025	South Holland Dialysis	Relocation	04/30/2018
15-048	Park Manor Dialysis	Establishment	08/31/2018
15-054	Washington Heights Dialysis	Establishment	09/30/2018
16-015	Forest City Rockford	Establishment	06/30/2018
16-023	Irving Park Dialysis	Establishment	08/31/2018
16-033	Brighton Park Dialysis	Establishment	10/31/2018
16-036	Springfield Central Dialysis	Relocation	03/31/2019
16-037	Foxpoint Dialysis	Establishment	07/31/2018
16-040	Jerseyville Dialysis	Expansion	07/31/2018
16-041	Taylorville Dialysis	Expansion	07/31/2018
16-051	Whiteside Dialysis	Relocation	03/31/2019
17-032	Illini Renal	Relocation/Expansion	05/31/2019
17-040	Edgemont Dialysis	Establishment	05/31/2019
17-053	Ford City Dialysis	Establishment	08/31/2019
17-049	DaVita Northgrove Dialysis	Establishment	07/31/2019
17-063	DaVita Hickory Creek Dialysis	Establishment	04/30/2020
17-064	DaVita Brickyard Dialysis	Establishment	10/31/2019

IV. Health Planning Area

The proposed facility will be located in a health professional shortage area, and a medically underserved area, located in the HSA VI ESRD Planning Area. This planning area includes the city of Chicago. As of April 2018, the State Board is estimating a need for an additional 43 stations. Additionally, the State Board is estimating that a total of 6,498 patients will need dialysis by 2020 in this planning area, a 33% increase from 2015.

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	1,310
Stations Needed-2020	**43**

1. Usage rate determined by dividing the number of in-station ESRD

TABLE TWO Need Methodology HSA VI ESRD Planning Area
patients in the planning area by the 2015 – planning area population per thousand. 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. 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 x 80% = 747 [Number of treatments per station operating at 80%]

V. Project Uses and Sources of Funds

The Applicants are funding the project with cash in the amount of $2,301,902 and a FMV of a lease in the amount of $1,751,843. The operating deficit start-up costs are $2,482,976.

TABLE THREE
Project Costs and Sources of Funds

Project Cost	Reviewable	Non reviewable	Total	% of Total Cost
Modernization Contracts	$794,361	$449,618	$1,243,979	30.7%
Contingencies	$79,435	$44,961	$124,396	3%
Architectural/Engineering Fees	$94,000	$25,000	$119,000	2.9%
Consulting and Other Fees	$80,000	$10,000	$90,000	2.3%
Moveable and Other Equipment	$637,705	$86,822	$724,527	17.9%
Fair Market Value of Leased Space	$1,118,665	$633,178	$1,751,843	43.2%
Total Project Costs	**$2,804,166**	**$1,249,579**	**$4,053,745**	**100.00%**
Cash	$1,685,501	$616,401	$2,301,902	56.8%
FMV of Leased Space	$1,118,665	$633,178	$1,751,843	43.2%
Total Sources of Funds	**$2,804,166**	**$1,249,579**	**$4,053,745**	**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 not had *adverse action*[1] taken against any facility they own or operate.

1. The applicants have attested that there has been no adverse action taken against any of the facilities owned or operated by DaVita Inc. Total Renal Care, Inc., or Sappington Dialysis, LLC., during the three (3) years prior to filing the application. [Application for Permit page 74]

2. The applicants have authorized the Illinois Health Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connection to 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 page 74]

3. Sappington Dialysis, LLC will be the operator of Auburn Park Dialysis. Auburn Park 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.

4. The site is owned by FREP 79th & Western, LLC and evidence of this can be found at pages 30-47 of the application for permit in the Letter of Intent to lease the property at 7939 S. Western Ave, Chicago, IL 60620.

5. 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*

[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)

Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.

6. 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 IAC 1110.1430(b)(1) & (3))

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

A) Criterion 1110.230 – Purpose of the Project

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

The applicants stated:

"The purpose of the project is to improve access to life-sustaining dialysis services to the residents of the south side of Chicago, Illinois and the surrounding area. There are 42 dialysis facilities within 30 minutes of the proposed Auburn Park Dialysis (the Auburn Park GSA). Excluding recently approved dialysis facilities which are being developed to serve distinct groups of patients, average utilization of area dialysis facilities is 75.22%, or just below the State Board's utilization standard of 80%. Furthermore, patient census among existing facilities within the Auburn Park GSA has increased by 95 patients since March 2015. JR Nephrology & Associates, S.C. (JR Nephrology), is currently treating 129 CKD patients, who reside within either the zip code of the proposed Auburn Park Dialysis (60620), or five other zip codes, all within six miles of 60620. Conservatively, based upon attrition due to patient death, transplant, stable disease, or relocation away from the area and in consideration of other treatment modalities (HHD and peritoneal dialysis), JR Nephrology anticipates at least 62 of these 129 patients will initiate in-center dialysis within 12 to 24 months following project completion. Based upon historical utilization trends, the existing facilities will not have sufficient capacity to accommodate JR Nephrology's projected ESRD patients." [Application for Permit page 76]

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 Net Impact Statement has been provided as required, and the applicants state:

DaVita Inc. and its affiliates are safety net providers of dialysis services to residents of the State of Illinois. DaVita is a leading provider of dialysis services in the United States and is committed to innovation, improving clinical outcomes, compassionate care, education and Kidney Smarting patients, and community outreach. A copy of DaVita's 2016 Community Care

report, which details DaVita's commitment to quality, patient centric focus and community outreach, is included as part of the Applicants application (Application, pgs. 59-64). 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.

VIII. State of Illinois Managed Care Contracts

The Applicants provided the following:

All patients who have worked the requisite number of quarters (equivalent to 10 years) are eligible for Medicare if they are diagnosed with end stage renal disease (ESRD). Consistent with that fact, the published HFSRB data for 2016 for DuPage County shows that the 10 Fresenius/NANI clinics operating in DuPage County treated a total of 15 Medicaid patients or an average of 1.5 patients per year per clinic compared with 862 Medicare patients in those 10 clinics for the same period.

- DVA = DaVita Inc
- DMG = DuPage Medical Group

For Option A – Statewide
- Blue Cross Blue Shield of Illinois (Both DVA and DMG participate)
- Harmony Health Plan (DVA participates)
- IlliniCare Health Plan (DVA participates)
- Meridian Health (DVA participates)
- Molina Healthcare of IL (DVA in negotiations to participate)

For Option B – Cook County Only
- CountyCare Health Plan (DVA participates)
- NextLevel Health. (Neither DVA or DMG participates)

For DCFS Youth
- IlliniCare Health Plan (DVA participates)

Each of DaVita and DMG participate in a range of insurance plans, including Medicare and Medicaid plans (HealthChoice Illinois and Medicare-Medicaid Alignment Initiative Plans (MMAI)) as identified above. While DMG providers do not participate in all Medicaid managed care plans, the plan it does participate in reflects the population it serves and the plan that is most in demand in DuPage County. Just under half of the HealthChoice beneficiaries residing in DuPage County are enrolled in the Blue Cross Medicaid products that DMG is enrolled in. Further, in their provision of services at the various area hospitals, DMG physicians regularly treat Medicaid patients who are not routinely seen by them as assigned patients without expectation of reimbursement for providing that care. [Source: Email dated 5/8/2018]

TABLE FOUR DaVita, Inc. (Updated)			
	2015	**2016**	**2017**
Net Patient Revenue	$311,351,089	$353,226,322	$357,821,315
Amt of Charity Care (charges) [(1)]	$2,791,566	$2,400,299	$2,818,603
Cost of Charity Care	$2,791,566	$2,400,299	$2,818,603
% of Charity Care/Net Patient Revenue	0.90%	0.68%	.78%
Number of Charity Care Patients	109	110	98
Number of Medicaid Patients	422	297	407
Medicaid Revenue	$7,381,390	$4,692,716	$9,493,634
% of Medicaid to Net Patient Revenue	2.36%	1.33%	2.65%

1. The charity care listed above does not meet the State Board's definition of Charity Care. Charity Care is defined by the State Board as *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].

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 (3) alternatives

1. Project of Lesser Scope/Size
2. Utilize Existing Facilities
3. Pursue Joint Venture (Chosen Alternative)

1. The applicants considered, but ultimately rejected a **project of lesser scope**. The applicants initially considered establishing an 8-station ESRD facility. However, the applicants fully expect the facility to reach the required number of patients for a 12-station facility within two years. Furthermore, the facility is located in the Chicago-Joliet-Naperville metropolitan statistical area (MSA), which requires at least an 8-station facility. The applicants considered the increasing prevalence of ESRD in the service area, the over-utilization at the three closest ESRD facilities, and the need for a minimum of 12 stations. No cost was identified with this alternative.

2. DaVita considered **utilizing existing facilities** within the Auburn Park Dialysis GSA; however, due to the dramatic growth in the need for dialysis services in this community, the existing facilities will not be able to accommodate Dr. Arvan's projected referrals. Excluding recently approved dialysis facilities which are being developed to serve distinct groups of patients who were separately identified by their treating physician, average utilization of area dialysis facilities is 75.22%, which is just below the HFSRB's utilization standard of 80%. Further, in the past three years, patient census at the existing facilities has increased approximately 15%, and is anticipated 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. This alternative was rejected.

3. The Applicants considered **a joint venture** in the establishment of a new 12-station facility, and have agreed that a joint venture with DuPage Medical Group, Ltd. is the best option for effective allocation of resources while serving a community in need. The proposed Auburn Park Dialysis is located within the Chicago-Joliet-Naperville metropolitan statistical area ("MSA"). The proposed facility complies with the HFSRB requirement for the minimum number of stations for a facility located within an MSA, and

has enough projected referral volume to be operating in excess of the State Board standard (80%), by its second year of operation. **Cost of Chosen Alternative: $4,053,745.**

IX. 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 twelve (12) station ESRD facility in 4,484 GSF of clinical space or 374 GSF per station. This is within the State Board Standard of 650 GSF per station or a total of 7,800 GSF.

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

B) Criterion 1110.234(b) – Projected Utilization

To demonstrate compliance with this criterion the applicants must document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Part 1110 Appendix B. The number of years projected shall not exceed the number of historical years documented.

The applicants are projecting 62 patients by the second year after project completion.

62 patients x 156 treatments per year = 9,672 treatments

Twelve (12) stations x 936 treatments available = 11,232 treatments

9,672 treatments/11,232 treatments = 86.1% [3]

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 must 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 Applicants have provided the necessary attestation at pages 133 of the Application for Permit.

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

IX. In-Center Hemodialysis Projects

A) Criterion 1110.1430(b)(1) & (3)

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

This criterion has been addressed earlier in this report.

B) 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 49 ESRD stations in the HSA VI ESRD Planning Area per the April 2018 Revised Station Need Determinations.

2) Service to Planning Area Residents

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

The referring physician (Michael Arvan, M.D. with J. R. Nephrology & Associates, S.C.) is currently treating 129 CKD patients, who reside within either the ZIP code of the proposed Auburn Park Dialysis (60620) or 5 other nearby ZIP codes, all within 6 miles of the proposed Auburn Park Dialysis. Based upon attrition due to patient death, transplant, stable disease, or relocation away from the area and in consideration of other treatment modalities (HHD and peritoneal dialysis), Dr. Arvan anticipates that at least 62 of these 129 patients will initiate in-center hemodialysis within 12 to 24 months following project completion.

Zip Codes of Pre-ESRD Patients	
60620	37
60619	11
60636	12
60621	3
60643	33
60629	33
Total	129

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

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

The applicants have submitted a referral letter, estimating that 62 of the 129 pre-ESRD patients from the 30-minute service area will require dialysis services within 12-24 months of project completion.

5) Service Accessibility

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

i) The absence of the proposed service within the planning area;
ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;
iii) Restrictive admission policies of existing providers;
iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;
iv) For purposes of this subsection (c) (5) only, all services within the 30-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

1. There are 64 ESRD facilities with 1,304 stations in the HSA VI ESRD Planning Area as of January 2018.
2. There has been no documentation provided that there are access limitations due to payor status of patients in the HSA VI ESRD Planning Area because all ESRD facilities approved by the State Board accept Medicare and Medicaid patients.
3. No documentation of restrictive admission policies of existing providers has been provided by the Applicants.
4. The service area is federally designated as a health professional shortage area, and a medically underserved area, resulting in access issues to services.
5. There are forty-eight (48) facilities within 30 minutes of the proposed facility. Of these 48 facilities, six (6) are in ramp up and not fully operational. One facility (TRC Children's Dialysis) is considered as treating a specialized patient population. The average utilization at the forty-one (41) remaining facilities is approximately 69%. (See Table Five).

Conclusion:

The State Board has estimated a need for 49 stations in the HSA VI ESRD Planning Area by 2020. Based upon the physician referral letter there appears to be a sufficient number of pre-ESRD patients that will require dialysis within 12-24 months after project completion to justify the number of stations being requested. All of the 129 pre-ESRD patient reside within the planning area as attested to by the Applicants. Furthermore, the service area is federally designated as a health professional shortage area and a medically underserved area.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION (77 ILAC 1110.1430(c)(1), (2), (3) & (5))

TABLE FIVE

ESRD Facilities within 30 minutes of the Proposed Facility

Facility	Ownership	City	Time [1]	Stations [2]	Utilization [3]	Star Rating [4]
Beverly Dialysis	DaVita	Chicago	1.25	16	106.25%	3
FMC Southside	Fresenius	Chicago	7.5	39	89.81%	2
Fresenius Medical Care Marquette Park	Fresenius	Chicago	7.5	16	98.96%	4
USRC Scottsdale	USRC	Chicago	11.25	36	55.09%	3

West Lawn Dialysis	DaVita	Chicago	11.25	12	98.61%	4
Stony Creek Dialysis	DaVita	Oak Lawn	13.75	14	97.62%	3
FMC Chatham	Fresenius	Chicago	13.75	16	88.54%	3
FMC Ross Englewood	Fresenius	Chicago	13.75	24	48.61%	2
Grand Crossing Dialysis	DaVita	Chicago	15	12	95.83%	2
FMC Dialysis Burbank	Fresenius	Burbank	15	26	76.28%	3
Jackson Park Dialysis	Fresenius	Chicago	17.5	24	67.36%	2
Alsip Dialysis Center	Fresenius	Alsip	18.75	20	68.33%	3
FMC Merrionette Park	Fresenius	Merrionette Park	18.75	24	93.75%	3
Mt. Greenwood Dialysis	DaVita	Chicago	18.75	16	95.83%	3
FMC Garfield	Fresenius	Chicago	18.75	22	71.97%	3
Stony Island Dialysis	DaVita	Chicago	18.75	32	79.17%	5
Emerald Dialysis	DaVita	Chicago	20	24	70.83%	3
FMC South Shore	Fresenius	Chicago	21.25	16	43.75%	2
FMC Bridgeport	Fresenius	Chicago	22.5	27	74.69%	3
FMC Prairie	Fresenius	Chicago	23.75	24	70.83%	3
FMC Midway	Fresenius	Chicago	25	12	81.94%	3
FMC New City	Fresenius	Chicago	25	16	18.75%	3
FMC Roseland	Fresenius	Chicago	25	12	88.89%	2
FMC Polk Street	Fresenius	Chicago	25	24	38.89%	2
Chicago Ridge Dialysis	DaVita	Worth	27.5	16	51.04%	3
SAH Dialysis 26th Street	St. Anthony	Chicago	27.5	15	53.33%	3
Stroger Hospital Dialysis		Chicago	27.5	9	42.59%	2
Circle Medical Mgmt.		Chicago	27.5	27	74.69%	1
Greenwood Dialysis Ctr.	Fresenius	Chicago	27.5	28	66.07%	2
FMC South Deering	Fresenius	Chicago	28	20	46.67%	2
Kenwood Dialysis	DaVita	Chicago	28	32	65.63%	3
Dialysis Center of America – Crestwood	Fresenius	Crestwood	28.75	24	61.11%	3
FMC Blue Island Dialysis	Fresenius	Blue Island	28.75	28	66.67%	3
Woodlawn Dialysis	DaVita	Chicago	28.75	32	67.71%	3
Little Village Dialysis	DaVita	Chicago	28.75	16	90.63%	5
FMC Chicago Dialysis	Fresenius	Chicago	30	21	50.79%	2
Total Stations Average Utilization				**772**	**68.84%**	
FMC Evergreen Park	Fresenius	Evergreen Park	7	30	25.00%	N/A
Dialysis Care Center*	DCC	Oak Lawn	13.75	11	0.00%	N/A
Ford City Dialysis	DaVita	Chicago	13	12	0.00%	N/A
Dialysis Care Center Beverly	DCC	Chicago	16	14	0.00%	N/A
USRC West Chicago*	USRC	Chicago	16.25	13	0.00%	N/A
DaVita Washington Heights*	DaVita	Chicago	17.5	16	0.00%	N/A
Fresenius Medical Care Beverly Ridge*	Fresenius	Chicago	17.5	16	4.17%	N/A
Brighton Park Dialysis*	DaVita	Chicago	17.5	16	0.00%	N/A
Park Manor Dialysis	DaVita	Chicago	27	16	6.25%	N/A
Provident Hospital Cook County	Cook County	Chicago	27	12	0.00%	N/A

TRC Children's Dialysis*	DaVita	Chicago	30	8	33.33%	N/A
USRC Hickory Hills*	USRC	Hickory Hills	30	13	0.00%	N/A
Total Stations Average Utilization				**897**	**53.06%**	

1. Time from MapQuest and adjusted per 77 IAC 1100.510 (d)
2. Stations as of April 2018
3. Utilization as of March 31, 2018
4. Star Rating from Medicare Compare Website
5. NA – No Data Available

C) 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 41 facilities within 30 minutes of the proposed facility. Six of the facilities are in ramp-up and not yet fully operational, and one facility (TRC Children's Dialysis), is classified as serving a restrictive patient population (pediatrics). For the remaining 34 facilities, the average utilization is approximately 72%.

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	2,459,976	897	1 Station per every 2,742 residents
State of Illinois (2015 est.)	12,978,800	4,745	1 Station per every 2,736 residents

The population in the 30-minute service area is 2,459,976 residents. The number of stations in the 30-minute service area is 897. The ratio of stations to population is one (1) station per every 2,742 residents. The number of stations in the State of Illinois is 4,745 stations *(as of April,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 2,736 residents. 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 1,824 residents.

3. The applicants stated the following regarding the **impact on other facilities**.

a. The proposed dialysis facility will not have an adverse impact on existing facilities in the Auburn Park GSA. Excluding recently approved dialysis facilities which are being

developed to serve distinct groups of patients, average utilization of area dialysis facilities is 75.47%, which is just below the HFSRB's utilization standard of 80%. Furthermore, patient census among the existing facilities within the Auburn Park GSA has increased by 95 patients since March 31, 2015. 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[26] 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 diagnosis cases in the years ahead. However once diagnosed many of these patients will be further along in the progression of CKD due to the lack nephrologist care prior to diagnosis. It is imperative that enough dialysis stations are available to treat this new influx of ESRD patients who will require dialysis in the next two years. Further, the in-center hemodialysis facilities approved by the HFSRB within the last 3.5 year are either in development or operational less than two years. Each facility will serve a distinct patient base within the greater Chicago area. As stated in the physician referral letters for these facilities, each physician projects to refer a sufficient number of patients to achieve 80% utilization by the second year after project completion. Accordingly, the proposed Auburn Park Dialysis will not adversely impact existing facilities in the Auburn Park GSA.

b. The proposed dialysis facility will not lower the utilization of other area facilities that are currently operating below HFSRB standards. As noted above, there are 48 dialysis facilities within the Auburn Park GSA. Excluding recently approved dialysis facilities which are being developed to serve distinct groups of patients, average utilization of area dialysis facilities is 75.47%, or just below the State Board's utilization standard of 80%. Furthermore, patient census among the existing facilities within the Auburn Park GSA has increased by 95 since March 31. 2015. 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% o 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 progression of CKD due to the lack of nephrologist care prior to diagnosis. It is imperative that enough dialysis stations are available to treat this new influx of ESRD patients who will require dialysis in the next two years. Further, the in-center hemodialysis facilities approved by the HFSRB within the last 3.5 years are either in development or operational less than two years. Each facility will serve a distinct patient base within the greater Chicago area. As stated in the physician referral letters for these facilities, each physician projects to refer a sufficient number of patients to achieve 80% utilization by the second year after project completion. Accordingly, the proposed Auburn Park Dialysis will not lower the

utilization of other area facilities that are currently operating below HFSRB standards.

While there are existing facilities within 30-minutes of the proposed facility not at target occupancy; the State Board is estimating a 6.6% growth in the number of dialysis patients in this planning area by 2020. If that growth continues, all of the existing facilities approved by the State Board and that are fully operational should achieve target occupancy by 2020. Based upon the methodology above there is not a surplus of stations in this 30 minute service area and it does not appear the Applicants will adversely impact other ESRD facilities. Based upon these factors the Applicants have successfully addressed this criterion.

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(d)(1), (2) and (3))

D) 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 Applicants stated the following:

"The proposed facility will be staffed in accordance with all State and Medicare staffing requirements.

a. *Medical Director: Mohammad Rasmi Mataria, M.D. will serve as the Medical Director for the propose facility. A copy of Dr. Matari's curriculum vitae is attached at Attachment - 24C Application, p. 102).*

b. *Other Clinical Staff: Initial staffing for the proposed facility will be as follows:*

Administrator (1.0 FTE)
Registered Nurse (4.24 FTE)
Patient Care Technician (3.95 FTE)
Biomedical Technician (0.29 FTE)
Social Worker (0.53 FTE)
Registered Dietitian (0.54 FTE)
Administrative Assistant (0.78 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.

c. *All staff will be training under the direction of the proposed facility's Governing Body, utilizing DaVita's comprehensive training program. DaVita's training program meets all State and Medicare requirements. The training program includes introduction to the dialysis machine, components of the hemodialysis system, infection control, anticoagulation, patient assessment/data collection, vascular access, kidney failure documentation, complications of dialysis, laboratory draws, and miscellaneous testing devices used. In addition, it includes in-depth theory on the structure and function of the kidneys: including, homeostasis, renal failure, ARF/CRF, uremia, osteodystrophy and anemia, principles of dialysis: components of hemodialysis system: water treatment: dialyzer reprocessing: hemodialysis treatment: fluid management: nutrition; laboratory: adequacy: pharmacology; patient education, and service excellence. A summary of the training program has been provided. Auburn Park Dialysis will maintain an open medical staff."* [Application for Permit pages 167-179]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (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 have provided the necessary attestation as required at pages 118-119 of the application for permit.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SUPPORT SERVICES (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 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 12-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))

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.

The applicants have provided the necessary signed transfer agreement with Advocate Health And Hospitals Corporation d/b/a Advocate Christ Medical Center and Total Renal Care, Inc. d/b/a Auburn Park Dialysis as required. [See pages 120-132 of the Application for Permit.]

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

H) 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 pages 133-134 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

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

A) Criterion 1120.120 – 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 the project with cash in the amount of $2,301,902 and a FMV of a lease in the amount of $1,751,843. A summary of the financial statements of the Applicants is provided below. The Applicants have sufficient cash to fund this project.

TABLE SIX
DaVita Inc.
Audited Financial Statements
December 31st
(in thousands)

	2017	2016
Cash	$508,234	$674,776
Current Assets	$8,744,358	$3,994,748
Total Assets	$18,948,193	$18,755,776
Current Liabilities	$3,041,177	$2,710,964
LTD	$9,158,018	$8,944,676
Patient Service Revenue	$9,608,272	$9,269,052
Total Net Revenues	$10,876,634	$10,707,467
Total Operating Expenses	$9,063,879	$8,677,757
Operating Income	$1,812,755	$2,029,710
Net Income	$830,555	$1,033,082

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

B) Criterion 1120.130 - Financial Viability

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

The Applicants are funding the project with cash in the amount of $2,301,902 and a FMV of a lease in the amount of $1,751,843. The Applicants have qualified for the financial waiver.

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.

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 the project with cash in the amount of $2,301,902 and a FMV of a lease in the amount of $1,751,843. The lease is for fifteen years at a base rent of $26.00/psf[4] with 2% annual escalations on the base rent. The lease is an operating lease.[5] It would appear the lease is reasonable when compared to previously approved projects.

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

[4] Price per square foot

[5] An operating lease is a contract that allows for the use of an asset, but does not convey rights of ownership of the asset.

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

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

As shown below, the Applicants have met all of the State Board Standards published in Part 1120, Appendix A.

Only Clinical Costs are reviewed in this criterion.

Modernization and Contingencies Costs are $873,796 or $194.86 per GSF for 4,484 GSF of clinical space. This appears reasonable when compared to the State Board Standard of $200.71 per GSF, with 2019 listed as mid-point of construction.

Contingencies – These costs total $79,435, and are 9.9% of the modernization costs identified for this project. This is in compliance with the State standard of 10%-15%.

Architectural Fees are $94,000 and are 10.7% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 7.18% to 10.78%.

Consulting and Other Fees are $80,000. The State Board does not have a standard for these costs.

Movable or Other Equipment – These costs are $637,705 or $53,142 per station (12 stations). This appears reasonable when compared to the State Board Standard of $55,293 per station.

Fair Market Value of Leased Space and Equipment – These costs are $1,118,665. The State Board does not have a standard for these costs.

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

D) Criterion 1120.140(d) – Projected Operating Costs

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

The Applicants are projecting $256.72 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 $22.68 per treatment.

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

Star Rating System
Centers for Medicare & Medicaid Services (CMS) Star Ratings

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

CMS assigns a one to five 'star rating' in two separate categories: best treatment practices and hospitalizations and deaths. The more stars, the better the rating. Below is a summary of the data within the two categories.

- Best Treatment Practices

This is a measure of the facility's treatment practices in the areas of anemia management; dialysis adequacy, vascular access, and mineral & bone disorder. This category reviews both adult and child dialysis patients.

- Hospitalization and Deaths

This measure takes a facility's expected total number of hospital admissions and compares it to the actual total number of hospital admissions among its Medicare dialysis patients. It also takes a facility's expected patient death ratio and compares it to the actual patient death ratio taking into consideration the patient's age, race, sex, diabetes, years on dialysis, and any co-morbidities.

The Dialysis Facility Compare website currently reports on 9 measures of quality of care for facilities. These measures are used to develop the star rating. Based on the star rating in each of the two categories, CMS then compiles an 'overall rating' for the facility. As with the separate categories: the more stars, the better the rating.

17-062 DaVita Auburn Park Dialysis - Chicago