



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-03	BOARD MEETING: July 24, 2018	PROJECT NO: 17-071	PROJECT COST: Original: \$1,438,835
FACILITY NAME: Dialysis Care Center Hazel Crest		CITY: Hazel Crest	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (Dialysis Care Center Hazel Crest, LLC and Dialysis Care Center Holdings, LLC) propose to establish a 12-station ESRD facility in 3,900 GSF of lease space at a cost of \$1,438,835. The expected completion date is February 29, 2020.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants propose to establish a 12-station ESRD facility in 3,900 GSF of lease space at a cost of \$1,438,835. The expected completion date is February 29, 2020.
- The Applicants term the proposed 12-station facility a transitional facility. The Applicants define a transitional facility as a facility that will allow hemodialysis patients to continue treatment in-center for a short period of time, giving care givers the freedom to take care of areas of their life. Respite care is for short term use but give care partners time off. [June 2018 State Board Transcripts pages 169-170]

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)
- One of the objectives of the Health Facilities Planning Act is *“to assess the financial burden to patients caused by unnecessary health care construction and modification. Evidence-based assessments, projections and decisions will be applied regarding **capacity, quality, value and equity** in the delivery of health care services in Illinois. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.”* [20 ILCS 3960/2]
- As part of the Illinois Health Care Facilities Plan Section 77 ILAC 1100.410 states that *“Health care services should be appropriately located to best meet the needs of the population. Illinois residents needing services should not be forced to travel excessive distances. Where feasible, underutilized services should be consolidated to promote efficiency of operation and quality when such consolidation does not create access problems.”*

PUBLIC HEARING/COMMENT:

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

SUMMARY:

- The State Board Staff notes there is an estimated need for 25 ESRD stations in the HSA VII ESRD Planning Area, per the June 2018 ESRD Inventory Update.
- The State Board Staff reviewed the physician referral letter submitted with the Application for Permit. That letter identified 25 historical referrals. The 79 projected patient referrals exceeded the 25 historical referrals. The Applicants submitted a second listing documenting 65 historical patient referrals. Fifty-nine of these patient referrals were accepted. Should these 59 patients require dialysis the proposed facility will be at the target occupancy of 80% two-years after project completion.
- The Applicants have stated that no home care dialysis patients are being used to support this project. However the facility is being designed to provide care to home care patients should the need arise.
- The Board Staff notes the Applicants have three facilities within 30-minutes of the proposed facility. Two of the facilities are in ramp-up (DCC – Olympia Fields and DCC-Oak Lawn) and one facility (DCC-Beverly Dialysis) is not yet operational.
- **Board Staff identified 35** facilities within 30 minutes of the proposed facility. Ten facilities are considered to be in ramp-up and not fully operational. Of the remaining 25 facilities, 9 (36%) are operating above the State standard. The average utilization is approximately 74%. Additionally based upon the information provided there appears to be a surplus of stations within the 30 minute service area. The number of stations per resident in the 30-minute service area is 1.5 times the State of Illinois ratio of stations per resident.
- The Applicants are new entities and therefore no audited financial statements are available. However based on information at the Illinois Secretary of State Website it appears that the DCC Holdings, LLC

was formed in May of 2016 and the Board Staff does expect audited financial statements going forward. When discussed with the Applicants the Applicants stated *“We are not a publicly traded company and do not have any loans from financial institutions that require us to have audited financial statements. When and if we will require a loan or line of credited from a financial institution we will obtain the services of an auditor.”*

- The Applicants did provide a projected income statement and balance sheet and projected ratios as required for DCC-Hazel Crest, LLC and financial ratios, balance sheet and income statement for DCC Holdings, LLC for years 2016 and 2017 (unaudited) [See Tables Four, Five, Six, Seven, and Eight at the end of this report]. The financial information indicated that the proposed facility will be profitable by year two of operation. Additionally the Board Staff spoke to Chase Bank and discussed with Chase Bank the letter received by the State Board in February 2018. That letter provided the account number and the amount of funds currently available (February 2018) to fund the dialysis projects. At that time the Applicants had in excess of \$10 million in that account. Chase Bank stated that the letter was prepared by the Bank’s attorney specifically for the certificate of need process.
- The applicants addressed a total of twenty one (21) criteria and have failed to adequately address the following:

Criteria	Reasons for Non-Compliance
77 ILAC 1110.1430(c)(1) (2) and (3) - Unnecessary Duplication of Service/Mal-distribution/Impact of Project on Area Providers	Based upon the information provided in the Application for Permit it appears that there is a surplus of stations within this 30 minute service area. The number of stations per resident within the 30 minute service area is 1.5 times the number of stations per resident in the State of Illinois. That ratio is 1 station per every 1,504 residents compared to the State of Illinois ratio of 1 station per every 2,694 residents. Of the 25 facilities currently operating in the 30 minute service area nine are at target occupancy.
77 ILAC 1120.130 Financial Viability	The Applicants provided projected financial ratios for the new entity (DCC-Hazel Crest) and the historical information for DCC – Holdings, Inc. as required as well as supporting information. The information is not audited and the Applicants have stated that audited statements are not needed because they do not have any debt. The Applicants do not meet all of the financial ratios for the new entity for the first year of operation. Financial ratios and supporting documentation is provided at the end of this report.
77 ILAC 1120.140 (c) – Reasonableness Project Costs	The contingencies costs exceed the State standard for new construction (10%) by 2.3%.

STATE BOARD STAFF REPORT
Project 17-071
Dialysis Care Center Hazel Crest

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	Dialysis Care Center Hazel Crest, LLC, Dialysis Care Holdings, LLC
Facility Name	Dialysis Care Center Hazel Crest
Location	18325 Pulaski Avenue, Hazel Crest, Illinois
Permit Holder	Dialysis Care Center Hazel Crest, LLC, Dialysis Care Holdings, LLC
Operating Entity	Dialysis Care Center Hazel Crest, LLC
Owner of Site	Hazel Property Group, LLC
Total GSF	3,900 GSF
Application Received	December 11, 2017
Application Deemed Complete	December 20, 2017
Review Period Ends	April 20, 2018
Financial Commitment Date	February 29, 2020
Project Completion Date	February 29, 2020
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 12-station ESRD facility in 3,900 GSF of lease space at a cost of \$1,438,835. The expected completion date is February 29, 2020.

II. Summary of Findings

- A. State Board Staff finds the proposed project does **not** appear to be in conformance with the provisions of 77 ILAC 1100 (Part 1110).
- B. State Board Staff finds the proposed project does **not** appear to be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

Dialysis Care Center Hazel Crest, 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. This facility is currently in ramp-up.
- **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. This facility is currently in ramp-up.
- **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.
- **In February of 2018** the State Board approved Permit #17-052 – Dialysis Care Center Beverly to establish a 12-station ESRD facility at a cost of \$1,609,752.
- **In April of 2018** the State Board issued an Intent-to-Deny for Permit #17-061, Dialysis Care Center-Elgin, to establish a 14-station ESRD facility in Elgin. At the June 2018 State Board Meeting this project was approved.

IV. Health Planning Area

The proposed facility will be located in the HSA VII ESRD Planning Area. The HSA VII ESRD Planning Area includes Suburban Cook and DuPage County. As of June 2018 there is a calculated need for 25 ESRD stations in this ESRD planning area. As can be seen by the Table One below the State Board is projecting an increase in the population in this ESRD Planning Area of 1.22% and an increase in the number of dialysis patients of approximately 28% for the period 2015 thru 2020.

The five-year need determination is a short-term assessment that applies to the planning area need requirements in the 77 Ill. Adm. Code 1110 category of service review criteria. The in-center hemodialysis or end stage renal disease (ESRD) station need is a five-year projection from the base year. The need for additional treatment stations is projected utilizing the following methodology. [77 ILAC 1100.630 - In-Center Hemodialysis Category of Service]

TABLE ONE	
Need Methodology HSA VII ESRD Planning Area	
Planning Area Population – 2015	3,466,100
In Station ESRD patients -2015	5,163
Area Use Rate 2013 ⁽¹⁾	1.472
Planning Area Population – 2020 (Est.)	3,508,600
Projected Patients – 2020 ⁽²⁾	5,163
Adjustment	1.33x
Patients Adjusted	6,590
Projected Treatments – 2020 ⁽³⁾	1,071,219
Existing Stations	1,405
Stations Needed-2018	1,430
Number of Stations Needed	25
<ol style="list-style-type: none"> 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 2020 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients. 	

TABLE ONE	
Need Methodology HSA VII ESRD Planning Area	
3.	Projected treatments are the number of patients adjusted x 156 treatments per year per patient

V. Project Costs and Sources of Funds

The applicants are funding the project with cash of \$1,012,500 and the FMV of leased space in the amount of \$426,335. The operating deficit and start-up cost was listed as \$2,500. However, the operating deficit as reported in Table Four below was \$724,656.

TABLE TWO			
Project Costs and Sources of Funds			
	Reviewable	Total	% of Total
New Construction Contracts	\$487,500	\$487,500	33.9%
Contingencies	\$60,000	\$60,000	4.1%
Architectural and Engineering Fees	\$45,000	\$45,000	3.1%
Movable or Other Equipment	\$420,000	\$420,000	29.3%
FMV of Leased Space	\$426,335	\$426,335	29.6%
Total	\$1,438,835	\$1,438,835	100.00%
Cash		\$1,012,500	70.4%
FMV of Leased Space		\$426,335	29.6%
Total		\$1,438,835	100.00%

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 six facilities submitted by the Applicants (Permit #16-020, #16-022 #16-058, #17-052, #17-061, and #17-070) was \$1,232,598. 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. For the Applicants six facilities, the average cost per station was \$41,652.

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 or a certified listing of adverse action taken.

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 Hazel Crest, LLC and Dialysis Care Center Holdings, LLC during the three (3) years prior to filing the application. [Application for Permit page 80-83]
2. The applicants have authorized the Illinois Health Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connections the applicants' certificate of need to establish 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 83]
3. The site is owned by Hazel Property Group, LLC and evidence of this can be found at page 37-66 of the application for permit in the Letter of Intent to lease the property at 18325 Pulaski Avenue Unit A-B, Hazel Crest, Illinois.

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)

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 1110.230 (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 (a) – 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 purpose of this project is to create additional life-sustaining dialysis accessibility to the large, growing population of ESRD patients in the HSA 7 market area - specifically, Hazel Crest and Cook County residents. The project will address the current State Board determined need for additional hemodialysis stations needed in Planning area, HSA-07. The only two dialysis facilities in Hazel Crest are both currently operating at very high utilization, both above the State standard utilization rate. The addition of Dialysis Care Center Hazel Crest in this community will provide additional treatment options for patients in the specific market area, as well as for patients in 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 5.195 million, while the population of the city of Hazel Crest was 14,100. 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.”
[Application for Permit page 84]

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. Project of Greater or Lesser Size/Scope/Cost
 2. Pursuing a joint venture for the establishment of a new facility
 3. Using existing facilities
- 1) The option of a project of lesser scope/cost was initially considered, but was later rejected because of its inability to address the over-utilization of existing facilities in the Hazel Crest area. This option would cause the existing facilities to reach and eventually exceed their operational capacities, resulting in access issues in the service area.
 - 2) The applicants deemed this alternative inapplicable. The proposed facility will be 100% owned and operated by physicians practicing in the service area. This is unique in the sense that there are no facilities in the service area that are solely physician owned. The applicant have chosen this model to allow the physicians the independence needed to make quality patient care decisions for the benefit of the patient.
 - 3) The option of utilizing existing facilities was determined to be the least feasible alternative. The applicants reiterate that the physician-owned facility concept is unique to the proposed facility exclusively, which allows the physician/owners the independence to make clinical decisions that improve patient access/service, and clinical outcomes. The growing ESRD population in the Hazel Crest/suburban Cook County/HSA-07 service area requires the introduction of additional ESRD stations/facilities.

Although the applicants gave equal consideration to the alternatives mentioned above, it was determined that the establishment of an additional 12-station ESRD facility (project cost: \$1,438,835), is the most practical and economical alternative for the service area. The applicants identified no project costs with the above mentioned alternatives.

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 12-station ESRD facility in 3,900 GSF of space or approximately 325 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 Notes: While the Applicants are in compliance with this criterion the size of this 12-station dialysis facility is extremely small. For a 12-station facility we would

expect to see a total gross square feet of approximately 7,000 GSF for both clinical and non-clinical space.

The State Board Staff would expect to see a 12-station facility with the following:

• Reception Area	500 GSF
• Patient Area	2,960 GSF
• Support Area	2,100 GSF
• Staff and Administrative Area	<u>1,440 GSF</u>
Total	7,000 GSF

The Applicants stated the following *“our dialysis facilities are "transitional" dialysis facilities, which will typically be smaller in size than traditional dialysis facilities that the board has seen in the past. We have a very reputable and well-known dialysis architect firm that designs all our dialysis facilities. As a company, we do not compromise on patient care or safety.”*

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 98 Stage III and IV pre-ESRD patients with lab values indicative of active kidney failure who live in the Hazel Crest/HSA-VII service areas. The Board Staff accepted 59 physician historical referrals. If those 59-patients materialize the Applicants will be at target occupancy 2-years after project completion which is February 2022.

$$\begin{aligned} 59 \text{ patients} \times 156 \text{ treatments per year} &= 9,204 \text{ treatments} \\ 12 \text{ stations} \times 936 \text{ treatments per station per year} &= 11,232 \text{ treatments} \\ 9,204 \text{ treatments} \div 11,232 \text{ treatments} &= 81.94\% \end{aligned}$$

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 page 127 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) – Background of Applicants

This criterion was addressed previously in this report.

B) Criterion 1110.1430(c)(1), (2), (3) & (5) - 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 25 ESRD stations by 2020 in the HSA-07 ESRD Planning Area per the June 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 this project is to ensure that the ESRD patient population of the greater Hazel Crest area, market area, and planning area HSA-07 has access to life sustaining dialysis. We anticipate that well over 90% of Dialysis Care Center Hazel Crest will be residents of the planning area HSA-07.”*

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 (with the Original Application for Permit) that was signed by Dr. Tauseef Sarguroh, M.D., containing referral information for both himself and his colleagues, attesting to the provision of care to 98 Stage 3-4 pre-ESRD patients. As part of this original submittal the Applicants estimated that 79 patients would require in-center hemodialysis services within 2-years of project completion. The applicants will continue to refer patients to other area facilities, in accordance with the patient's place of residence, and choice. However the projected referrals were in excess of the historical referrals (25 historical referrals) submitted by the Applicants with the Application for Permit. See Table below.

TABLE THREE		
Original Patient Historical Referrals		
Facility	City	Patients
Davita Chicago Heights	Chicago	18
DaVita Olympia Fields	Olympia Fields	5
DaVita Hazel Crest	Hazel Crest	1
FMC Orland Park	Orland Park	1
Glenshire Nursing Home	Richton Park	(7)
Glenwood Nursing Home	Glenwood	(8)
TOTAL		25
Application, pgs. 190-191		
Nursing Home Dialysis Patients are not considered in the evaluation of this Application		

The Applicants were informed that the 25 historical referrals did not justify the 12-station facility and on May 18, 2018 the Applicants submitted 65 historical referrals as documented below. Six of these referrals are nursing home patients and cannot be accepted because the referrals are not for an in-patient hemodialysis facility. The State Board Staff accepted 59 historical referrals.

Revised Patient Historical Referrals		
Zip Code	Facility	Patients
60409	Davita Chicago Heights	1
60411	Davita Chicago Heights	4
60425	Davita Chicago Heights	3
60473	Davita Chicago Heights	1
60484	Davita Chicago Heights	1
60426	Davita Olympia Fields	1
60428	Davita Olympia Fields	1
60430	Davita Olympia Fields	1
60466	Davita Olympia Fields	1
47907	Glenwood Healthcare and Rehab	1
60409	Glenwood Healthcare and Rehab	1
60425	Glenwood Healthcare and Rehab	2
60445	Glenwood Healthcare and Rehab	1

Revised Patient Historical Referrals		
Zip Code	Facility	Patients
60455	Glenwood Healthcare and Rehab	1
60411	Davita Chicago Heights	9
60425	Davita Chicago Heights	4
60473	Davita Chicago Heights	2
60475	Davita Chicago Heights	1
60484	Davita Chicago Heights	2
60477	Davita Chicago Heights	1
60430	Davita Hazel Crest	1
60461	Davita Olympia Fields	1
60466	Davita Olympia Fields	1
60478	Davita Country Club Hills	1
60406	Dialysis Care Center Olympia Fields	1
60411	Dialysis Care Center Olympia Fields	1
60617	Concerto Dialysis	2
60429	Concerto Dialysis	3
60430	Concerto Dialysis	2
60411	Concerto Dialysis	2
60411	Fresenius Kidney Care Orland Park	1
60473	Davita Chicago Heights	1
60484	Davita Chicago Heights	1
60473	Davita Harvey	1
60466	Dialysis Care Center Olympia Fields	1
60466	Dialysis Care Center Olympia Fields	1
60629	Dialysis Care Center Olympia Fields	1
60619	Concerto Dialysis	1
60429	Concerto Dialysis	3
Total		65
Nursing Home Referrals		(6)
Total	Referrals Accepted	59

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 is no absence of the proposed service within the planning area as there are 78 existing dialysis facilities in the HSA VII 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 35 facilities within 30 minutes of the proposed facility. Ten of the facilities are in ramp-up or not yet operational. The remaining 25 facilities the average utilization is approximately 74%. (See Table Nine at the end of this report)

In summary, the State Board has estimated a need for 25 additional ESRD stations in the HSA VII ESRD Planning Area by 2020. Based upon the State Board's calculated need for station it appears the Applicants have met the requirements of this criterion.

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

C) Criterion 1110.1430(d)(1), (2) & (3) - 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 35 facilities within 30 minutes of the proposed facility. Ten of the facilities are in ramp-up or not yet operational. One of the facilities did not report utilization data for the first quarter of 2018 (Concerto Dialysis). The remaining 24 facilities the average utilization is approximately 74%. (See Table at the end of this report)
- 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	938,485	624	1 Station per every 1,504 residents
State of Illinois (2015 est.)	12,978,800	4,818	1 Station per every 2,694 residents

The population in the 30-minute service area is 938,485 residents. The number of stations in the 30-minute service area is 624. The ratio of stations to population is one (1) station per every 1,504 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 2,694 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 1,796 resident. Based upon this methodology there is 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 target utilization standard.”* Board Staff reiterates that the facility will be in HSA-VII where there is a need for an additional 25 stations based on the monthly updates to the Inventory of Health Care Facilities and Services as of June, 2018.

There appears to be a surplus of ESRD stations in this 30-minute service area as the number of stations in this area are 1.5 times the ratio of stations to residents in the State of Illinois. The Applicants have not met the requirements of this criterion,

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT 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 1110.230 (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. Tauseef Sarguroh M.D. will serve as the Medical Director for Dialysis Care Center Hazel Crest. A physician curriculum vitae for Dr. Sarguroh is provided as required.

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

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 Hazel Crest will maintain at least a 4 to 1 patient-staff ratio at all times on the treatment floor. An 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))

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 page 117 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-Naperville-Joliet 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 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 not provided the necessary signed affiliation agreement. A negative finding results for this criterion

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION CONTINUITY OF CARE (77 ILAC 1110.1430(i))

H) Criterion 1110.1430(j) - 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 127 of the application for permit.

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

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 1120.120 – 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 this project with cash in the amount of \$1,012,500 and a lease with a FMV of \$426,335. The lease is an operating lease to be paid over the life of the facility.

The Illinois Health Planning Act asks that Applicants have financial resources to adequately provide a proper service for the community. By rule an Applicant must provide evidence that they have sufficient resources to meet the purpose of the Act. To determine whether the Applicants for this project had sufficient financial resources the Board Staff contacted the Applicants Bank to verify the information submitted in a Bank Letter. The Applicants did provide a letter from Chase Bank (see project file), attesting to the applicants banking history, and confirming the balance of a checking account on February 14, 2018. The Board Staff spoke to Chase Bank and discussed with the Bank the letter received by the State Board in February 2018. The letter provided the account number and the amount of funds available at that time to fund the approved and proposed dialysis projects. At that time the Applicants had in excess of \$10 million in the account. Chase Bank stated that the letter was prepared by the Bank's attorney specifically for the certificate of need process.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS 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, or they meet the State Board's financial ratio standards for the past three (3) fiscal years or the project will be funded from internal resources.

The Applicants are funding this project with cash in the amount of \$1,012,500 and a lease with a FMV of \$426,335. The Applicants stated that approximately 64% of the revenue for this facility will come from Medicare, 3% from Medicaid and the balance from commercial insurance (33%).

The Board Staff notes that Medicare and Medicaid patients typically make up the largest percentage of patients served by a dialysis facility. CMS implemented an ESRD Prospective Payment System (PPS). Under the new ESRD PPS, Medicare pays dialysis facilities a bundled rate per treatment. The rate is not the same for each facility. Each facility, within a given geographic area, may receive the same base rate. However, there are a number of

adjustments both at the facility and at patient-specific level that affects the final reimbursement rate each facility will receive. What a dialysis facility receives from its commercial payers will also vary. Even if two different dialysis providers billed the same commercial payer the same amount, the actual payment to each facility will depend on the negotiated discount rate obtained by the commercial payer from each individual provider. [Source CMS Website]

The Applicants provided projected financial ratios for the new entity (DCC-Hazel Crest) and the historical information for DCC – Holdings, Inc. as required as well as supporting information. The information is not audited and the Applicants have stated that audited statements are not needed because they do not have any debt. The Applicants do not meet all of the financial ratios for the new entity for the first year of operation. Financial ratios and supporting documentation is provided at the end of this report.

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 \$1,012,500 and a lease with a FMV of \$426,335. The operating lease is considered debt financing under current State Board rule. The term of the lease is for ten years with two (2) five (5) year renewal options stated. The base rent is \$16.50 for the first year, with annual 2% increases through year ten. The lease terms appear reasonable.

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

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

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

Only Clinical Costs are reviewed in this criterion.

New Construction and Contingencies Costs are \$547,500 or \$140.38 per GSF for 3,900 GSF of clinical space. This appears reasonable when compared to the State Board Standard of \$286.54 per GSF, with 2019 listed as mid-point of construction.

Contingencies – These costs total \$60,000, and are 12.3% of the new construction costs identified for this project. This is **not** in compliance with the State standard of 10%.

Architectural Fees are \$45,000 and are 8.2% of new construction and contingencies. This appears reasonable when compared to the State Board Standard of 7.36% to 11.06%.

Movable or Other Equipment – These costs are \$420,000 or \$35,000 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 \$426,355. The State Board does not have a standard for these costs.

The contingencies costs exceed the State standard for new construction by 2.3%, resulting in a negative finding for this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS 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 \$243.69 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 \$10.23 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 Hazel Crest will not have any impact on safety net services in the Hazel Crest area. Outpatient dialysis facilities services are not typically considered or viewed as "safety net" services. As a result, the presence of Dialysis Care Center Hazel Crest as a provider is not expected to alter the way any other healthcare providers function in the community.

Dialysis Care Center Hazel Crest 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 Hazel Crest 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 Hazel Crest will not refuse any patients. Medicaid patients wishing to be served at Dialysis Care Center Hazel Crest 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 Hazel Crest is to provide services to all patients regardless of race, color, national origin. Dialysis Care Center Hazel Crest 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 Hazel Crest 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 Hazel Crest 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.

The Applicants were asked to provide an update to concerns expressed at the June 17, 2018 State Board Meeting regarding their contract status with the following State of Illinois Managed Care Providers: *[Applicants response in Italics]*

For Option A – Statewide

- Blue Cross Blue Shield of Illinois – *Yes, Contracted with both Medicaid and dual eligible*
- Harmony Health Plan – *Yes, submitted contracting application on 3/29/18; awaiting on approval from plan*
- IlliniCare Health Plan – *Yes, submitted contracting application on 3/26/18; awaiting on approval from plan*
- Meridian Health – *Yes, submitted contracting application on 3/28/18; awaiting on approval from plan*
- Molina Healthcare of IL – *Yes, submitted contracting application on 3/29/18; awaiting on approval from plan*

For Option B – Cook County Only

- CountyCare Health Plan – *Yes, submitted contracting application on 5/7/18; awaiting on approval from plan*
- NextLevel Health. *Yes, submitted contracting application on 3/27/18; awaiting on approval from plan*

For DCFS Youth

- IlliniCare Health Plan – *N/A as we do not currently accept Pediatric patients*

TABLE FOUR
DCC-Hazel Crest, LLC
Projected Ratios

		State Standard	2020	2021	2022
Current Ratio	$\frac{\text{Current Asset}}{\text{Current Liabilities}}$	2.0	6.2	5.3	5.9
Net Margin %	$\frac{\text{Net Revenue}}{\text{Net Patient Revenue}}$	3.5%	-350.80%	7.69	8.95
LTD to Capitalization	$\frac{\text{LTD}}{\text{LTD} + \text{Equity}}$	<50%	0	0	0
Projected Debt Service	$\frac{\text{NI} + \text{Dep} + \text{Interest}}{\text{Principle Payment} + \text{Interest Expense}}$	>1.75	0	0	0
Days Cash On Hand	$\frac{\text{Cash} + \text{Investments}}{\text{Operating Expense} - \text{Dep Expense}/365 \text{ days}}$	>45 Days	188	159	178
Cushion Ratio	$\frac{\text{Cash} + \text{Investments}}{\text{Principle Pay} + \text{Interest Expense}}$	>3.0	0	0	0

TABLE FIVE
Dialysis Care Center Hazel Crest
Pro-forma Income Statement

	Inception	Year 1	Year 2	Year 3
Patients	5	45	58	72
Treatments	726	6,534	8,422	10,454
Revenue	\$224,153	\$2,097,163	\$2,810,569	\$3,581,396
Average Rev/Treatment	\$309	\$321	\$334	\$343
Expenses				
Personnel	\$556,000	\$823,604	\$991,136	\$1,031,177
Total Supplies	\$47,190	\$434,054	\$561,089	\$698,563
Total Facilities Expenses	\$245,437	\$394,809	\$500,029	\$579,670
Total Initial Fees	\$5,025	\$0.00	\$0.00	\$0.00
Depreciation	\$53,690	\$53,690	\$53,690	\$48,857
Overhead-3% of Rev	\$6,725	\$62,915	\$84,317	\$107,442
Write Offs -1% of Rev	\$2,242	\$20,972	\$28,106	\$35,814
Total Expenses	\$948,808	\$1,822,543	\$2,250,867	\$2,534,023
Income (Loss)	(\$724,656)	\$274,620	\$559,702	\$1,047,373

TABLE SIX DCC-Holdings, LLC Financial Ratios				
		State Standard	2016	2017
Current Ratio	$\frac{\text{Current Asset}}{\text{Current Liabilities}}$	2.0	18.5	50.7
Net Margin %	$\frac{\text{Net Revenue}}{\text{Net Patient Revenue}}$	3.5%	9.5%	11.29%
LTD to Capitalization	$\frac{\text{LTD}}{\text{LTD} + \text{Equity}}$	<50%	49.8%	52.01%
Projected Debt Service	$\frac{\text{NI} + \text{Dep} + \text{Interest}}{\text{Principle Payment} + \text{Interest Expense}}$	>1.75		
Days Cash On Hand	$\frac{\text{Cash} + \text{Investments}}{\text{Operating Expense} - \text{Dep Expense}/365 \text{ days}}$	>45 Days	870	400
Cushion Ratio	$\frac{\text{Cash} + \text{Investments}}{\text{Principle Pay} + \text{Interest Expense}}$	>3.0		

TABLE SEVEN
DCC-Holdings LLC
For the Period Ended December 31
Income Statement
(unaudited)

INCOME		2016	2017
	Fee for Service	\$19,295,839	\$47,089,727
	Insurance Returns	\$0	\$0
	Total Income	\$19,295,839	\$47,089,727
EXPENSES			
	Auto & Travel Expenses	\$261,158	\$358,494
	Charitable contribution	\$9,207	\$579,975
	Compensation, Related Taxes & Benefits	\$236,998	\$8,113,968
	Computer & IT Cost	\$5,145,487	\$276,358
	Equipment Rentals	\$179,473	\$1,166,519
	Insurance	\$20,606	\$77,456
	Legal & Professional Fee	\$480,685	\$174,511
	Medical Services	\$53,946	\$753,492
	Medical Supplies	\$256,344	\$8,676,385
	Office Supplies	\$244,310	\$384,891
	Other Expenses	\$5,549,792	\$191,601
	Rent	\$310,395	\$1,113,541
	Repairs	\$80,665	\$125,372
	Telephone Expense	\$838,108	\$132,383
	Provision for Bad Debt	\$49,207	\$15,962,414
	Utilities	\$2,492,788	\$90,188
	Total Expenses	\$153,678	\$38,177,548
EARNINGS BEFORE TAXES & DEPRECIATION		\$16,362,847	\$8,912,179
	IL Corporation Tax	\$129,344	\$346,910
	Interest	\$0	\$0
	Depreciation	\$154,880	\$189,860
NET PROFIT		\$2,648,769	8,375,409
	Non-Controlling Interest	\$816,447	\$3,059,793
Profit		\$1,832,323	\$5,315,616

TABLE EIGHT
DCC Holdings, LLC
Balance Sheet
As of
(unaudited)

		<u>12/31/2016</u>	<u>12/31/2017</u>
Current Assets			
	Bank	\$6,182,596	\$10,851,261
	Prepayment	\$0	\$43,632
	Account Receivables	<u>\$5,962,414</u>	<u>\$14,742,759</u>
		\$12,145,010	\$25,637,652
Fixed Assets			
	Assets	\$1,762,147	\$1,943,826
	Depreciation	<u>-\$867,888</u>	<u>-\$1,018,785</u>
		\$894,259	\$925,041
Other Assets			
	Deposit	\$101,387	\$24,553
	Transfers	<u>\$783,352</u>	<u>\$1,630,239</u>
		\$884,739	\$1,654,792
Total Assets		\$13,924,008	\$28,217,485
Current Liabilities			
	Accounts Payable	\$528,783	\$142,975
	Income Tax	<u>\$129,344</u>	<u>\$363,162</u>
		\$658,127	\$506,137
Long Term Liabilities ⁽¹⁾			
	BCBS	\$6,606,545	\$14,412,145
	Transfers	<u>\$0</u>	<u>\$0</u>
		\$6,606,545	\$14,412,145
Capital			
	HD5 Holdings	-\$9,399,212	-\$7,501,711
	Non Controlling	-\$979,729	-\$1,552,980
	Retained Earnings	\$15,205,955	\$17,038,278
	Net Income	<u>\$1,832,323</u>	<u>\$5,315,616</u>
		\$6,659,337	\$13,299,203
Total Liabilities & Partners Capital		\$13,924,008	\$28,217,484

1. BCBS refers to Blue Cross and Blue Shield. In discussions with the Applicants it is the Staff's understanding that BCBS reimburses the Applicants at the charge rate and then pays at the negotiated rate.

TABLE NINE
Facilities within 30 minutes of the Proposed Site

Facility	Ownership	City	Adjusted Time	Stations ⁽¹⁾	Occupancy	Star Rating ⁽⁴⁾	Met Standard?
DSI Hazel Crest	Davita	Hazel Crest	1.15	20	83.33%	3	No
Country Hills Dialysis	DaVita	Country Club Hills	4.6	24	63.20%	3	No
FMC Hazel Crest	Fresenius	Hazel Crest	5.7	16	84.30%	5	Yes
DaVita Olympia Fields	DaVita	Matteson	10.3	24	68.06%	3	No
FMC Oak Forest	Fresenius	Oak Forest	12.6	12	80.56%	3	Yes
Community Dialysis of Harvey	DaVita	Harvey	14.9	16	72.20%	3	No
FMC South Suburban	Fresenius	Olympia Fields	14.9	27	67.90%	3	No
FMC Crestwood	Fresenius	Crestwood	14.9	24	61.10%	3	No
DaVita Chicago Heights	DaVita	Chicago Heights	16.1	16	82.20%	3	Yes
FMC Mokena	Fresenius	Mokena	18.4	14	69.00%	4	No
FMC Alsip	Fresenius	Alsip	18.4	20	68.30%	5	No
FMC Blue Island	Fresenius	Blue Island	18.4	28	66.60%	3	No
South Holland Renal Center	DaVita	South Holland	19.5	24	85.40%	3	Yes
Concerto Dialysis		Crestwood	21	9	40.74%	1	No
FMC Chatham	Fresenius	Chatham	24	16	88.40%	3	Yes
FMC Merrionette Park	Fresenius	Merrionette Park	24.1	24	93.70%	4	Yes
FMC Roseland	Fresenius	Chicago	25	12	88.80%	2	Yes
DaVita Chicago Ridge	DaVita	Worth	25.3	16	51.04%	3	No
DaVita Stony Island	DaVita	Chicago	27.6	32	79.10%	5	No
FMC Orland Park	Fresenius	Orland Park	27.6	18	60.19%	5	No
DaVita Mount Greenwood	DaVita	Chicago	28	16	95.80%	4	Yes
FMC Greenwood Dialysis	Fresenius	Chicago	28.7	28	66%	4	No
FMC South Holland	Fresenius	South Holland	29.9	24	100%	4	Yes
Palos Park Dialysis	DaVita	Orland Park	29.9	12	73.60%	3	No
FMC Steger	Fresenius	Steger	29.9	18	55.50%	3	No

Facility	Ownership	City	Adjusted Time ⁽¹⁾	Stations ⁽²⁾	Occupancy	Star Rating ⁽⁴⁾	Met Standard?
Dialysis Care Center Oak Lawn	DCC	Oak Lawn	29.9	11	43.90%	N/A	N/A
Calumet Dialysis Center	DaVita	Calumet City	27.6	16	20.80%	N/A	N/A
FMC Beverly Ridge	Fresenius	Chicago	23	16	4.17%	N/A	N/A
FMC Chicago Heights	Fresenius	Chicago Heights	21.8	12	12.50%	N/A	N/A
DaVita Washington Heights	DaVita	Chicago	21	16	6.25%	N/A	N/A
Dialysis Care Center Olympia Fields	DCC	Olympia Fields	10.3	11	42.40%	N/A	N/A
DaVita Tinley Park	DaVita	Tinley Park	12.6	12	27.70%	N/A	N/A
Dialysis Care Center Beverly	DCC	Chicago	24	14	0.00%	N/A	N/A
US Renal Care Hickory Hills	USRC	Hickory Hills	26	13	0.00%	N/A	N/A
US Renal Care West Chicago	USRC	Chicago	26.4	13	0.00%	N/A	N/A
				624	56.59%		
1.	Adjusted time per MapQuest and adjusted per 77 ILAC 1110.510 (d) – before March 7, 2018						
2.	Stations as of June 30, 2018						
3.	Occupancy as of March 31, 2018						
4.	Star Rating taken from Medicare ESRD Website						
5.	N/A – Not Available						

TABLE TEN
Explanation of Financial Ratios

Ratio	Formula	State Standard	Explanation
Current Ratio	Current Asset	2	For every \$1 in current liabilities there must be \$2 in current assets
	Current Liabilities		
Net Margin %	Net Income	3.50%	For every \$1 in revenue there is 3.5 cents in net profit
	Net Patient Revenue		
LTD to Capitalization	Long Term Debt	<50%	For every \$1 in Long Term Debt there must be \$2 in Long Term Debt + Equity (Total Capitalization)
	Long Term Debt + Equity		
Projected Debt Service	NI+Dep+Interest	>1.75	For every \$1 in Principle and Interest there must be \$1.75 of Cash
	Principal Payment + Interest Expense		
Days Cash on Hand	Cash + Investments	>45 Days	An Applicant must have sufficient cash and investments to pay expenses for 45 days without receiving revenue.
	Operating Expense-Dep Expense/365 days		
Cushion Ratio	Cash + Investments	>3	For every \$1 in Principle and Interest there must be \$3 in Cash and Investments
	Principal Payment + Interest Expense		

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