RECEIVED

OCT 19 2018

HEALTH FACILITIES &
SERVICES REVIEW BOARD

ASSOCIATES IN NEPHROLOGY, S.C.
NEPHROLOGY AND HYPERTENSION
210 South Des Plaines Street
Chicago, Illinois 60661
(312) 654-2720

PAUL W. CRAWFORD, M.D., F.A.S.N
VIJAYKUMAR M. RAO, M.D., F.A.S.N.
CLARK MCCLURKIN, JR., M.D.
VINITHA RAGHAVAN, M.D.
DANIEL KNIAZ, M.D., F.A.C.P.
EDGAR V. LERMA, M.D., F.A.S.N.
RAMESH SOUNDARARAJAN, M.D., F.A.S.N.
NEETHA S. DHANANJAYA, M.D.
MARK P. LEISCHNER, M.D.
SREEDEVI CHITTINENI, M.D.
CHIRAG P. PATEL, M.D., F.A.S.N.
MADHAV RAO, M.D.
APRIL KENNEDY, M.D.
RIZWAN MOINUDDIN, D.O.
NIMEET BRAHMBHATT, M.D.
ALI KHAN, M.D.
MATTHEW MENEZES, M.D.
MINHSON BUI, M.D.
JOSHUA TROB, M.D.
FAWAD QURESHI, M.D.
ANCA ZEGREAN, M.D.
AZZA S. SULEIMAN, M.D.
SATYA P. AHUJA, M.D., F.A.S.N.
MARIA I. SOBRERO, M.D.
HAROLD BREGMAN, M.D., F.A.C.P.
CONSTANTINE G. DELIS, D.O.
KAREEN R. SIMPSON, M.D., F.A.S.N.
AMITABHA MITRA, M.D.
JIM JIANLING YAO, M.D.
EDUARDO J. CREMER, M.D.
RICHARD HONG, M.D.
LO-KU CHIANG, M.D.
HARESH MUNI, M.D.
BOGDAN DERYLO, M.D., M.Sc.
NIC I. HRISTEA, M.D., F.A.S.N.
DONALD CRONIN, M.D.
SEJAL PATEL, M.D.
SUMANTH MULAMALLA, M.D
MARCO PAGANI, M.D.
JAWAD MUNIR, M.D.
MOHAMMAD PURI, M.D.
MARK KRAUS, M.D.

October 19, 2018

Courtney Avery
Board Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62706

Re: Response to State Board Staff Report for Project #17-071, Dialysis Care Center Hazel Crest

Dear Courtney,

I am writing as the Chief Financial Officer for Associates in Nephrology (AIN), and we would like to take this opportunity to respond to the recently released State Board Staff Report ("SBSR") for Project# 17-071, Dialysis Care Center Hazel Crest. Our comments are related to the multiple negative findings that Board Staff raised in the SBSR. The applicant's continue to fail to address shortcomings identified by the Board. In short, we ask that this Board give this project a final denial because of the negative effect it's establishment would have on other area providers and the applicant's clear financial viability issues.

Financial Viability

The costs associated with this project appear to drastically underestimate what is required to establish a dialysis care facility. We are confident from previous testimony that the applicants will tell this Board that they are nimble and able to do things more economically because of their size. However, our decades of experience establishing these types of facilities leads us to believe that the applicants may not be including or disclosing all of the project costs associated with their project.

Your SBSR points out this discrepancy on pg. 7, when it describes the drastic departure of the average cost of establishing this type of facility. The reason there is not much variation in the average cost is because of the minimum IDPH construction standards that must be met. Yet inexplicably the applicants appear to have discovered new methods and lower cost materials to reduce their project costs by 7 times the average. While the applicant points to these reduced costs as a benefit, the audited financial statements raise several questions and may provide the answer for the variance in this proposed project's costs.

The lack of investment in this project and others filed by the applicant is likely a result of the applicant using the same cash resources to fund all of their projects and their inability to obtain financing to cover the project's costs. This bare bones approach to establishing a facility will ultimately harm the quality of patient care provided. All patients deserve access to the highest quality health care facilities, and the applicant's approach to re-purposing retail space to provide medical care is inconsistent with that idea.

The audited financial statement reveal that the applicant's assertion of liquidity is not entirely accurate. If you look at the liability Due to Third Party Payors ($14.4 million) then you quickly realize that the company is $3.4 million short on operating cash if the due to payor becomes due in 30-days as is stated in the footnotes. This is a common problem for companies with cash flow issues and the applicant's approach to addressing the issue is not a best practice. Payor overpayments should be 100% reserved with cash on hand.

The audited financial statement also does not describe the nature of the amount due from related parties or the ability of the related parties to pay the amount owed to the company. The nature of the advances to an unconsolidated entity is also not known. The audited financial statement also reflects that trade payables (typical supplies, utilities, rent, and other operating costs) are just over $2 million and the operating expense per day is $62,300. This indicates that an unpaid operating expense balance of 33 days, which is relatively high and could indicate a cash flow problem. The statement also does not reflect any liability for salary or benefits in these statements, which could be easily explained if the employees are part of another company. However, if that entity is commonly owned, it should be included in the consolidated financial statements for the organization as a whole.

Finally, the applicant has no apparent source of cash for the ambitious future growth they have been telling this Board they are undertaking. There is a very real possibility that the due from related parties ($4.3 million) could be demanded, in that event the underfunding of the payor overpayment ($3.4 million) would leave cash of only $1 million to finance start-up operations and capital expansion. The cash positioning of the applicant would appear to be in a risky position. This calls into question the applicant's financial viability and overall ability to complete this and other projects.

Conclusion

It is clear that the applicants are sincere in their desire to treat patients. Unfortunately for them, they are not yet in a position to be financially viable to sustain operations. Their lack of available operating cash and their inexperience in operating these types of facilities should not inspire confidence for the Board. We believe the applicants would be better off focusing on completing their already approved projects, operating those facilities and then re-filing these applications if they can establish a strong record of success.

Thank you for you opportunity to provide you with my comments on the SBSR for this project. I respectfully ask the Board to consider my concerns when reviewing this project and give this project a final denial.

Sincerely,

P. Kevin Flynn
Chief Financial Officer
Associates in Nephrology, SC