STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-01	BOARD MEETING: December 15, 2020	PROJECT NO: 19-022	PROJECT COST:
FACILITY NAME: Austin Dialysis at Loretto		CITY: Chicago	Original: $1,961,169
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The Applicants (Loretto Hospital and Austin Dialysis Center, LLC d/b/a Austin Dialysis at Loretto) propose a 12-station ESRD facility in 2,750 GSF of modernized space on the campus of Loretto Hospital in Chicago, Illinois. The cost of the project is $1,961,169 and the expected completion date is December 31, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Loretto Hospital and Austin Dialysis Center, LLC d/b/a Austin Dialysis at Loretto) propose to establish a 12-station ESRD facility in 2,750 GSF of leased space on the campus of Loretto Hospital, 645 South Central Avenue, Chicago, Illinois. The cost of the project is $1,961,169 and the expected completion date is December 31, 2021. Although the facility will be housed in Loretto Hospital, it will function as an outpatient care facility, and will seek licensure, accreditation, and Medicare certification as a freestanding facility.
- Dr. Sameer Suhail, M.D. is the sole owner of Austin Dialysis Center, LLC. Austin Dialysis Center, LLC will be responsible for operations of the ESRD. Loretto Hospital will waive the rental lease payments for the first two years with a value of $167,750. Should the Board approve this project Loretto Hospital will acquire 49% of Austin Dialysis Center, LLC.

BACKGROUND:

- This Application was deemed complete on **May 23, 2019**.
- On **October 23, 2019** the review for this Application was extended to provide the Applicants additional time to provide appropriate physician referrals.
- On **February 25, 2020** this Application for Permit was granted a **Board Deferral** in order to add a co-applicant and provide appropriate physical referral letters.
- On **March 9, 2020** the State Board received notice that Dr. Kosuri withdrew as Medical Director for the proposed project. As of the date of this report a medical director has not been identified by the Applicants.
- **On August 3, 2020,** the Applicants provided a letter from **MPG Physician Group** signed by the Chief Medical Officer Maria Elena Iliescu-Levine, M.D. *"declaring their commitment to recruiting and engaging a nephrologist, either as an employee of our group practice or as an independent contractor, who will provide services through our group practice and oversee the development of the Applicant's in-center hemodialysis center as its medical director, directly treat patients in need of both inpatient and outpatient dialysis care, and work to expand the service line as demand grows based on Loretto Hospital's expectations."* **Additionally,** the Applicants submitted additional information to the State Board. No nephrologist was identified that would be providing in-center dialysis patients to the proposed facility. Additionally, no medical director was identified.
- At the **September 2020 State Board meeting** the Applicants were granted a **Second Board Deferral** to allow the Applicants additional time to find a medical director and nephrologists to support the proposed facility.
- The Applicants are currently justifying the proposed project based upon the number of acute inpatient dialysis patients that receive care while they are patients at Loretto Hospital. The Applicants stated the following:
  "Specifically, the data provided by the Applicant identifies the number of inpatients treated each year since 2017 who received hospital-based dialysis treatments. In many cases, these patients did not have a nephrologist to oversee their ESRD care. Thus, for the present application on file with the State Board, for the purpose of justifying need for the proposed ESRD Facility, the Applicant did not count patients who had already established a doctor-patient relationship with a nephrologist outside of the hospital. The Applicant's intent was to ensure that the project would not adversely affect existing dialysis providers in the geographic service area. As a result, the data used to justify need for the proposed ESRD Facility only relies upon historical patient numbers where the hospital determined that the patients had not already chosen a nephrologist and who were in immediate need for dialysis treatments. Thus, the data submitted with Dr. Kosuri's letter remains as the basis to

justify need for this permit application. In sum, in regard to projected referrals for this Application, the Applicant reviewed the hospital's historic data, focusing solely on patients identified as pre-ESRD, and made a projection based on several factors, including: (1) the three-year trend of total patients receiving inpatient dialysis treatments; (2) the loss of patients due to a group of nephrologists ending its hospital affiliation in 2019; and (3) the ability to recapture patient referrals to outside providers upon the addition of one or more nephrologists following permit approval."

- **Board Staff Notes:** Board Rules require physician referral letters with the number of historic ESRD patients by zip code of residence for the prior 3-years and the number of projected ESRD patients by zip code of residence that would require dialysis within 2-years after project completion. The Applicants do not meet this requirement and the Board Staff could not determine if the proposed project will serve the residents of the GSA or the demand for the proposed 12-stations in this GSA.

PUBLIC HEARING/COMMENT:

- A public hearing was offered regarding the proposed project, but none was requested. Five letters of support were received, and one letter of opposition was received:
  - Donald Dew, President/CEO Habilitative Systems, Inc. (support)
  - Melody Lewis, Executive Director, Austin Chamber of Commerce (support)
  - Camille Lilly, State Representative, 78th District (support)
  - LaShawn Ford, State Representative, 8th District (support)
  - Kimberly Lightford, State Senator, 4th District (support)
  - Hamid Humayun M.D. CEO & Medical Director, Maple Avenue Kidney Center (oppose)

SUMMARY:

- There is a calculated need for 52 ESRD stations in the City of Chicago (HSA VI ESRD Planning Area) as of November 2020. The Geographical Service Area for the proposed facility is a 5-mile radius that has a population estimate of 1,353,395 residents. Currently, there are a total of 15 ESRD facilities with 340 stations in this 5-mile GSA. Of these 15 ESRD facilities five ESRD facilities are at target occupancy as of September 30, 2020. No referral letters have been submitted as required. Based upon an annual growth in the number of ESRD patients in the HSA VI ESRD Planning Area of 3.10% annually no additional stations are needed in this 5-mile GSA until 2027 at the target occupancy of 80%.
- The Applicants addressed a total of 22 criteria and did not meet the following:

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
77 ILAC 1110.120 (b) – Projected Utilization	Board Staff was not able to determine if the Applicants would be at target occupancy within 2-years after project completion because appropriate in-center referrals had not been provided by the Applicants.
77 ILAC 1110.230 (b) (2) (3) (5) - Planning Area Need	No physician referrals were provided that would indicate that the proposed facility will serve the residents of this 5-mile GSA. Additionally, the Board Staff was unable to determine if there was enough demand for the proposed 12-station facility without the physician referral letters. The Board Staff was unable to determine if service access

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
	would be improved because no pre-ESRD patients that will utilize an in-center facility were identified.
77 ILAC 1110.230 (c) (A) (B) (C) – Unnecessary Duplication/Maldistribution of Service/Impact on Other Area Providers	There are 15 facilities within the 5-mile GSA. Five of the 15 facilities are at target occupancy. Based upon the historical growth in the number of ESRD patients in the City of Chicago it appears additional stations would not be needed in the 5-mile GSA until 2026.
77 ILAC 1110.230 (e) – Staffing	The Applicants have failed to name a Medical Director as required by the State Board.
77 ILAC 1120.120 – Availability of Funds	There is no assurance that a loan in the amount of $1,119,500 will be forthcoming should this project be approved.
77 ILAC 1120.130 – Financial Viability	The projected financial information did not include the loan amount of $1,119,500, nor as stated above has there been any assurance provided that if this project is approved the loan will be made.

STATE BOARD STAFF REPORT
Project 19-022
Austin Dialysis at Loretto

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Loretto Hospital Austin Dialysis Center, LLC d/b/a Austin Dialysis at Loretto
Facility Name	Austin Dialysis at Loretto
Location	645 South Central Avenue, Suite 100, Chicago, Illinois
Permit Holder	Austin Dialysis Center, LLC d/b/a Austin Dialysis at Loretto
Operating Entity	Austin Dialysis Center, LLC d/b/a Austin Dialysis at Loretto
Owner of Site	Loretto Hospital
Total GSF	2,750 GSF
Application Received	May 21, 2019
Application Deemed Complete	May 23, 2019
Review Period Ends	September 20, 2019
Review Period Extended	October 23, 2019
Board Deferral	February 25, 2020
Financial Commitment Date	December 31, 2021
Project Completion Date	December 31, 2021
Can the Applicants request a deferral?	No

I. Project Description

The Applicants (Loretto Hospital and Austin Dialysis Center, LLC d/b/a Austin Dialysis at Loretto) propose to establish a 12-station ESRD facility in 2,750 GSF of leased space on the campus of Loretto Hospital in Chicago, Illinois. The cost of the project is $1,961,169 and the expected completion date is December 31, 2021.

II. Summary of Findings

A. State Board Staff finds the proposed project is **not** in conformance with the provisions of 77 ILAC 1110 (Part 1110).

B. State Board Staff finds the proposed project is **not** to be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The Applicants are Loretto Hospital and Austin Dialysis Center, LLC d/b/a Austin Dialysis at Loretto. Dr. Sameer Suhail, M.D. is the sole owner of Austin Dialysis Center, LLC, and Austin Dialysis Center LLC will be responsible for operations of the ESRD facility, and Medicare certification. It is noted that Loretto Hospital will acquire 49%

ownership in the entity after issuance of the Certificate of Need permit, being actively involved in daily operations, provision of care, and be in control of capital assets such as fixed equipment, mobile equipment, and buildings. Loretto Hospital is an Illinois not-for profit hospital, incorporated under the laws of this state on September 7, 1939. This project is subject to a Part 1110 and Part 1120 review. Financial commitment will occur after permit approval.

IV. Health Planning Area

The proposed facility will be in the HSA VI Health Service Area. This planning area includes the City of Chicago. As of **November 2020** the State Board is estimating **a need for 52** ESRD stations. Historical growth in this planning area has averaged 3.10% annually for the past 10-years.

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of $121,500, securities totaling $167,750, fair market value (FMV) of leased space totaling $264,419, equipment leases (FMV) totaling $288,000, and loans totaling $1,119,500. The estimated start-up costs and operating deficit is $167,750.

TABLE ONE
Project Uses and Sources of Funds

Uses of Funds	Reviewable	Non-reviewable	Total	% of Total
Modernization Contracts	$705,500	$0	$705,500	36%
Contingencies	$70,500	$0	$70,500	3.50%
Architectural/Engineering Fees	$71,500	$0	$71,500	3.60%
Consulting & Other Fees	$0	$50,000	$50,000	2.50%
Movable or Other Equipment (not in construction contracts)	$288,000	$56,000	$344,000	17.60%
Fair Market Value of Leased Space [(1)]	$432,169	$0	$432,169	22%
Fair Market Value Leased Equipment	$288,000	$0	$288,000	14.80%
Total Uses of Funds	$1,855,169	$106,000	$1,961,169	100.00%
Sources of Funds				
Cash	$71,500	$50,000	$121,500	6.20%
Securities [(1)]	$167,750	$0	$167,750	8.50%
Leases Space (fair market value) [(1)]	$264,419	$0	$264,419	13.50%
Leases Equipment (fair market value)	$288,000	$0	$288,000	14.80%
Other Funds & Sources (Loans)	$1,063,500	$56,000	$1,119,500	57%

1. The Amount of the FMV of the lease space in the **Uses of Funds** does not equal the FMV of the lease space in the **Sources of Funds**. The difference of $167,500 is the

amount of the forgiven lease amount, which will be used to fund Loretto Hospital's 49% interest in Austin Dialysis Center, LLC.

VI. Background of the Applicants, Purpose of the Project, Safety Net Impact, Alternatives

A) Criterion 1110.110(a) - Background of the Applicant

To address this criterion the applicants must provide a list of all facilities currently owned in the State of Illinois and an attestation documenting that no adverse actions[1] have been taken against any applicant's facility by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities and Services Review Board or a certified listing of adverse action taken against any applicant's facility; and authorization to the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of the application for permit.

1. The applicant, Austin Dialysis Center, LLC was formed 2014 and is not currently operating any other facilities in Illinois. The co-applicant, Loretto Hospital, owns and operates the following:
    a. The Immediate Care Center of Oak Park, Oak Park
    b. Loretto Hospital outpatient Mental Health Program at Symphony West, Chicago
    c. Loretto Primary/Intermediate Care, Berwyn

2. The Applicants provided the necessary attestation that no adverse action has been taken against any facility owned or operated by the Applicants and authorization allowing the State Board and IDPH access to all information to verify information in the Application for Permit. [Application for Permit pages 111-116]

3. Evidence of ownership (Copy of the Letter of Intent to Lease the Property) of the site has been provided as required at pages 38-43 of the Application for Permit. Organizational relationships can be found at pages 47 of the Application for Permit.

4. Certificates of Good Standing have been provided as required for Loretto Hospital and Austin Dialysis Center, as entities with permission to transact business in the State of Illinois. An Illinois Certificate of Good Standing is evidence that an Illinois business franchise (i.e. Illinois Corporation, LLC or LP) is in existence, is authorized to transact business in the state of Illinois, and complies with all state of Illinois business requirements and therefore is in "Good Standing" in the State of Illinois. [Application for Permit page 45-46]

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*

[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 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. [Application for Permit page 48-55]

6. The proposed location of the 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). [Application for Permit pages 57-93]

B) Criterion 1110.110(b) - Purpose of the Project

To demonstrate compliance with this criterion the Applicants must document

1. **That the project will provide health services that improve the health care or well-being of the market area population to be served.**
2. **Define the planning area or market area, or other relevant area, per the applicant's definition.**
3. **Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.**
4. **Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.**
5. **Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.**

The Applicants stated the following in part:

"The primary purpose of this project is to establish an ESRD facility to provide dialysis services and treatments to Loretto Hospital's existing patients as well as the residents of the Austin community and surrounding neighborhoods. It is very important to have adequate dialysis care at Loretto Hospital because the community has a large percentage of residents who are African American, a demographic group that is at increased risk of developing chronic kidney disease (CKD), which often leads to dialysis and may require a kidney transplant. The applicants decided to seek a Certificate of Need (CON) permit from the State Board is to enhance access to care for Loretto's patients who need dialysis care. The most recent inventory of health care services published by the State Board shows that the health service area has a need for additional dialysis stations. The applicant will close the need gap by establishing the ESRD facility, which will serve a community that is largely African-American, a population group disproportionately affected by kidney disease"

C) Criterion 1110.110(c) – Safety Net Impact Statement

To demonstrate compliance with this criterion the Applicants must document

- **The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.**
- **The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.**
- **How the discontinuation of a facility or service might impact the remaining safety net providers in each community, if reasonably known by the applicant.**

The Applicants provided a safety net impact statement as required at pages 318-321.

TABLE TWO
Loretto Hospital
Net Revenue, Charity and Medicaid Information

	2018	2017	2016	2015
Net Patient Revenue	$33,275,906	$63,501,711	$38,507,013	$33,974,217
Amt. of Charity Care (charges)	$3,177,673	$2,147,639	$1,287,335	$1,061,311
Cost of Charity Care	$3,177,673	$2,573,063	$2,147,643	$1,053,200
% of Charity Care/Net Patient Revenue	9.5%	3.4%	3.3%	3.1%
Number of Charity Care Patients (self-pay)	87	1,337	130	111
Number of Medicaid Patients	1,807	2,906	2,039	1,383
Medicaid Revenue	$13,558,359	$29,287,135	$18,064,174	$13,598,752
% of Medicaid to Net Patient Revenue	40.7%	46.1%	46.9%	40%

1. Information from 2015-2018 Hospital Profiles. This is self-reported data by the Hospital

D) Criterion 1110.110(d) – Alternatives to the Proposed Project

To demonstrate compliance with this criterion the Applicants must identify all the alternatives considered to the proposed project.

The Applicants considered three alternatives to the proposed project;

1) Do Nothing/Maintain Status Quo
The applicants rejected this alternative because it fails to address the growing need for dialysis services in HSA-VI. The applicants note that Loretto Hospital has served approximately 100 patients that required dialysis while patients of the hospital in the last two years, which presents a valid need for these services. The applicants identified no costs with this alternative.

2) Propose a Project of Lesser Scope
The applicants note, per the MSA requirement, that the smallest facility that can be established in an MSA is 8 stations. The applicants cite a need for 52 additional stations in the service area, and a projected referral population that will support 12 stations. The applicants rejected this alternative and feel that a project of lesser scope would not meet the needs of its existing and future patient populations. The applicants identified no project costs with this alternative.

3) Utilize Other Health Care Resources in the GSA
The applicants rejected this alternative, citing a heightened need for ESRD services in the zip code (60644) in which the hospital is located. It is noted that 70% of Loretto Hospital patients were required to seek ESRD services further away, increasing travel time, the potential for missed appointments, and a lessened continuity of care. The applicants agree with their patient base in that it is best to receive patient care within their own community. The applicants identified no project costs with this alternative.

VII. Size of the Project, Projected Utilization and Assurances

A) Criterion 1110.120(a) - Size of the Project

To demonstrate compliance with this criterion the Applicants must document the size of the proposed facility is in compliance with the State Board Standards published in Part 77 ILAC 1110 Appendix B.

The Applicants are proposing 2,750 GSF for 12-stations, amounting to 229 GSF per station. The State Board Standard is 470 GSF per station or 5,640 GSF. [5,640 GSF (State Standard) – 2,750 GSF (Proposed GSF) = (GSF). The Applicants have successfully addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH SIZE OF THE PROJECT CRITERION (77 ILAC 1110.120(a))

B) Criterion 1110.120(b) – Projected Utilization

To demonstrate compliance with this criterion the Applicants must document that the proposed facility will be in compliance with the State Board Standards published in Part 77 ILAC 1110 Appendix B two (2) years after project completion.

The Applicants are projecting 65 patients will require dialysis within 12-24 months of project completion (application, p. 217).

65 patients x 156 treatments per year = 10,140
12 stations x 936 treatments per year per station = 11,232 treatments
10,140 ÷ 11,232 = 90.2%

However, Board Staff was unable to accept these patient referrals as of this report no in-center dialysis patients have been identified to utilize the proposed facility.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH PROJECTED UTILIZATION CRITERION (77 ILAC 1110.120(b))

C) Criterion 1110.120(e) – Assurance

To demonstrate compliance with this criterion the Applicants must document that the proposed facility will be in compliance with the State Board Standards published in Part 77 ILAC 1110 Appendix B two (2) years after project completion.

The Applicants have provided the necessary attestation as required at page 258 of the Application for Permit.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH ASSURANCE CRITERION (77 ILAC 1110.120(e))

VIII. In-Center Hemodialysis

A) Criterion 1110.230(b)(1)(A) & (B) - Planning Area Need

The applicant shall document that the number of stations to be established or added is necessary to serve the planning area's population, based on the following:

1) 77 Ill. Adm. Code 1100

A) The number of stations to be established for in-center hemodialysis is in conformance with the projected station deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.

B) The number of stations proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the utilization standard specified in 77 Ill. Adm. Code 1100.

The Applicants are proposing a 12-station facility. There is a calculated need in this ESRD Planning Area for **52 stations per the November 2020** Inventory update. The Applicants have met this sub-criterion.

B) Criterion 1110.230 (b) (2) - Service to Planning Area Residents

A) Applicants proposing to establish or add stations shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

The proposed 12-station facility will be located at 645 South Central Avenue, Suite 100, Chicago, IL. No historic referrals were identified by the Applicants that would indicate the proposed facility will serve the residents of the 5-mile geographical service area.

C) Criterion 1110.230 (b) (3) - Service Demand – Establishment of In-Center Hemodialysis Service

The number of stations proposed to establish a new in-center hemodialysis service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest 2-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new facility, the applicant shall submit projected referrals. The applicant shall document subsection (b) (3) (A) and either subsection (b) (3) (B) or (C).

No historical or projected referrals were provided by the Applicants. Service Demand was not provided by the Applicants.

D) Criterion 1110.230 (b) (5) - Service Accessibility

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 shall document the following:

A) Service Restrictions

The applicant shall document that at least one of the following factors exists in the planning area:

- **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;**

v) For purposes of this subsection (b)(5) only, all services within the established radii outlined in subsection (b)(5)(C) meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

i) There is no absence of ESRD services in the HSA VI ESRD Planning Area-Chicago. There are 68-ESRD facilities within this planning area with 1,363 stations.
ii) No Access limitations have been identified.
iii) No restrictive admission policies of existing providers have been identified.
iv) The proposed facility will be in an area that has been Federally designated as a Medically Underserved Area and Medically Underserved Population.[2]
v) There are 14 ESRD facilities within the 5-mile radius with an average utilization of approximately 69%. Ten of the 15-ESRD facilities are not at the target occupancy of 80%.

As per the criterion the Applicants are proposing a facility that meets the calculated need for 52 stations in the HSA VI ESRD Planning Area. There are 15 facilities within the 5-mile GSA with 5 of the facilities operating in excess of the 80% target occupancy. The Board Staff was unable to determine if service access would be improved because no pre-ESRD patients that will utilize an in-center facility were not identified. The Applicants have not successfully addressed this criterion.

[2] Medically Underserved Areas (MUAs) and Medically Underserved Populations (MUPs) identify geographic areas and populations with a lack of access to primary care services. MUAs have a shortage of primary care health services for residents within a geographic area such as:

- a whole county;
- a group of neighboring counties;
- a group of urban census tracts; or
- a group of county or civil divisions.

MUPs are specific sub-groups of people living in a defined geographic area with a shortage of primary care health services. These groups may face economic, cultural, or linguistic barriers to health care. Examples include, but are not limited to, those who are:

- homeless;
- low-income;
- Medicaid-eligible;
- Native American; or
- migrant farmworkers.

MUA/P designations are based on the Index of Medical Underservice (IMU). IMU is calculated based on four criteria:

- the population to provider ratio;
- the percent of the population below the federal poverty level;
- the percent of the population over age 65; and
- the infant mortality rates.

IMU can range from 0 to 100, where zero represents the completely underserved. Areas or populations with IMUs of 62.0 or less qualify for designation as an MUA/P. Source: Health Resources and Services Administration.

TABLE THREE
Facilities within 5-miles of Proposed Facility

Facility	City	Stations	Mile	Patients	Occ	Star Rating	Met Standard?
Fresenius Kidney Care West Suburban	Oak Park	46	2	207	75.00%	4	No
Fresenius Kidney Care Oak Park	Oak Park	12	2.2	60	83.33%	5	Yes
Oak Park Kidney Center, LLC	Oak Park	18	2.6	58	53.70%	2	No
Fresenius Kidney Care Austin Community	Chicago	16	2.7	61	63.54%	4	No
Fresenius Kidney Care Congress Parkway	Chicago	30	3	94	52.22%	5	No
DaVita Cicero Dialysis	Cicero	12	3.2	1	1.39%	NA	NA
Fresenius Kidney Care Cicero	Cicero	20	3.8	104	86.67%	4	Yes
Lawndale Dialysis	Chicago	16	3.8	98	102.08%	3	Yes
Garfield Kidney Center	Chicago	24	3.9	83	57.64%	4	No
Fresenius Kidney Care Berwyn	Berwyn	30	4.4	127	70.56%	5	No
Mt. Sinai Hospital	Chicago	16	4.7	81	84.38%	2	Yes
Fresenius Kidney Care Humboldt Park	Chicago	34	4.8	127	62.25%	3	No
Loyola Center for Dialysis on Roosevelt	Maywood	30	4.9	147	81.67%	4	Yes
Fresenius Kidney Care River Forest	River Forest	24	5	109	75.69%	4	No
DaVita Brickyard Dialysis	Chicago	12	5	19	26.39%	NA	NA
Total		340		1,376	67.45%		

1. Stations as of November 2020
2. Miles determined by Map Quest
3. Patients as of September 30, 2020
4. Star Rating from the Medicare Compare Website

STATE BOARD STAFF FINDS THE PROPOSED PROJECT <u>NOT</u> IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC 1110.230 (b) (1) (2) (3) (5))

C) Criterion 1110.230(c) - Unnecessary Duplication of Service/Maldistribution

1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:

A) A list of all zip code areas that are located, in total or in part, within the established radii outlined in subsection (c)(4) of the project's site;

B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and

C) The names and locations of all existing or approved health care facilities located within the established radii outlined in subsection (c)(4) of the project site that provides the categories of station service that are proposed by the project.

A. A list of zip codes was provided at page 224 of the Application for Permit. There are approximately 1,353,395 residents within this 5-mile radius. There are 15 ESRD facilities within this 5-mile radius with 340 stations.

B. There is one station per every 5,328 residents in the identified 5-mile GSA. In the State of Illinois there is one station per every 2,621 resident. There is not a surplus of stations in this 5-mile GSA when compared to the State of Illinois ratio. To have a surplus of stations in this 5-mile GSA there would have to be one station per every 1,741 residents or 1.5 times the State of Illinois ratio.

TABLE FOUR
Ratio Analysis

	5-mile GSA	State of Illinois
Stations	340	4,971
Population	1,353,395	12,978,800
Ratio	1 station per 5,328 residents	1 station per 2,611 resident

Based upon the historic growth of 3.1% in number of ESRD patients over the past 10-years in the HSA VI Planning Area there will be no need for additional stations in this 5-mile GSA until 2026.

TABLE FIVE
Number of Stations warranted at 80% target occupancy at a 3.10% Annual Growth

Year	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Patients	1,376	1,419	1,463	1,508	1,555	1,603	1,653
Stations warranted at 80% target occupancy	287	296	305	314	324	334	344
Year	**2027**	**2028**	**2029**	**2029**	**2030**		
Patients	**1,704**	1,757	1,811	1,867	1,925		
Stations warranted at 80% target occupancy	**355**	366	377	389	401		

C. Impact of Project on Other Providers

Based upon the number of stations not currently at target occupancy it appears that the proposed project would impact other providers in the 5-mile GSA. There are 10 of the 15 existing facilities are not at target occupancy within this 5-mile GSA. The Applicants have not met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (77 ILAC 1110.230(c)(1)-(3))

D) Criterion 1110.230(e) - Staffing

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and The Joint Commission staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

The proposed clinic will be staffed in accordance with all State and Medicare staffing requirements. No medical director has been identified by the Applicants.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION STAFFING (77 ILAC 1110.230(e))

E) Criterion 1110.230 (f) - Support Services

An applicant proposing to establish an in-center hemodialysis category of service 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 attested to the following:

- A patient tracking system will be utilized to record the provision of dialysis care to its patients;
- Austin Dialysis at Loretto will have available all needed support services required by CMS which may consist of clinical laboratory services, blood bank, nutrition, rehabilitation, psychiatric services, and social services. [Application for Permit page 250]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SUPPORT SERVICES (77 ILAC 1110.230(f))

F) Criterion 1110.230(g) - Minimum Number of Stations

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 ESRD facility will be in the Chicago-Naperville-Elgin, IL-IN-WI MSA. The Applicants have successfully addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION MINIMUM NUMBER OF STATIONS (77 ILAC 1110.230(g))

G) Criterion 1110.230(h) - Continuity of Care

An applicant proposing to establish an in-center hemodialysis category of service shall 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.

A signed transfer agreement with Loretto Hospital has been provided as required. Loretto Hospital has agreed to provide Emergency, In-Patient and Backup Support Services to the dialysis patients. The proposed ESRD facility will be located on the Loretto Hospital campus.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CONTINUITY OF CARE (77 ILAC 1110.230(h))

H) Criterion 1110.230(i) - Relocation of Facilities

This criterion may only be used to justify the relocation of a facility from one location in the planning area to another in the same planning area and may not be used to justify any additional stations. A request for relocation of a facility requires the discontinuation of the current category of service at the existing site and the establishment of a new category of service at the proposed location. The applicant shall document the following:

1) **That the existing facility has met the utilization targets detailed in 77 Ill. Adm. Code 1100.630 for the latest 12-month period for which data is available; and**
2) **That the proposed facility will improve access for care to the existing patient population.**

The Applicants are proposing the establishment of a new facility and not relocating an existing facility. This criterion is not applicable to this project.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION RELOCATION OF FACILITIES (77 ILAC 1110.230(i))

I) Criterion 1110.230 (j) - Assurances

The applicant 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 Applicants have provided the necessary attestation at page 258 of the Application for Permit.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.230(j))

IX. Financial Viability

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 $289,250 an equipment lease with an FMV of $288,000, a lease for the space totaling $264,419, and a loan totaling

$1,119,500. A summary of the consolidated financial statements of the Applicants is provided below. It appears that the Applicants have enough cash to fund this project.

TABLE SIX Loretto Hospital Consolidated Financial Statements Ending June 30th 2016-2017 (in thousands (000))		
	2017	**2016**
Cash	$10,650,931	$15,476,868
Current Assets	$10,650,931	$15,476,868
Total Assets	$55,570,675	$56,6787,645
Current Liabilities	$13,184,074	$9,398,593
Long Term Debt	$22,058,234	$18,116,018
Patient Service Revenue	$63,067,790	$60,462,021
Total Net Revenues	$59,030,650	$58,710,595
Total Operating Expenses	$64,564,785	$60,002,012
Operating Income	($5,534,135)	($1,289,417)
Net Income	($4,800,186)	$2,191,907

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 this project with cash in the amount of $289,250 an equipment lease with an FMV of $288,000, a lease for the space totaling $264,419, and a loan totaling $1,119,500. As a new business entity, the Applicant has provided projected financial viability ratios in Table Eight. The financial viability ratios information is not complete as a loan in the amount of $1,119,500 has not been included in the projected financial statements. The Applicants have not met the requirements of this criterion.

TABLE SEVEN Financial Viability Ratios Austin Dialysis Center, LLC					
	State Standard	**Year 1**	**Year 2**	**Year 3**	**Met Standard?**
Current Ratio	➢ 1.5	1.96	1.88	1.82	Yes
Net Margin Percentage	➢ 3.5	5.6%	29.6%	28.7%	Yes
Long-Term Debt to Capitalization	< 80%	2.64%	1.41%	1.27%	Yes
Project Debt Service Coverage	>1.75	TBD	TBD	TBD	N/A

TABLE SEVEN Financial Viability Ratios Austin Dialysis Center, LLC					
	State Standard	**Year 1**	**Year 2**	**Year 3**	**Met Standard?**
Days Cash on Hand	➢ 45 days	TBD	TBD	TBD	TBD
Cushion Ratio	➢ 3.0	TBD	TBD	TBD	TBD
TBD: A loan in the amount of $1,119,500 has not been included in the calculation of Project Debt Service Coverage, Days Cash on Hand, and Cushion Ratio. The loan has not been included in the projected financial statements that have been provided at pages 284-285 of the Application for Permit.					

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 ILAC 1120.130)

X. 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 $289,250 an equipment lease with a FMV of $288,000, a lease for the space totaling $264,419, and a loan totaling $1,119,500. The lease for space is for 5 years at $30.50/GSF per year for the first 5 years with a 2.4% increase annually. [Application for Permit pages 268-273]. The equipment lease is located on pages 274-279 of the application. The applicant also supplied a letter of interest to lend from STC Capital Bank (application p. 262). The supplied letter does not confirm a promise on the lenders part to finance the mortgage portion of the project.

TABLE EIGHT Terms of Lease Space	
Premises	Approximately 2,750 GSF, 645 South Central Ave. Ste 100, Chicago, Illinois 60644
Landlord:	Loretto Hospital
Tenant:	Austin Dialysis Center, LLC
Term:	Initial 5 Year term with two five-year options
Base Rent:	$30.50/per gsf with 2.4% increases annually

The applicant supplied notarized attestations pertaining to the reasonableness of financing arrangements, saying that a portion of the project will be funded through financing, which is less costly than liquidation of existing investments (application, p. 310), and a Conditions of debt financing statement, saying that the debt financing will be at the lowest net cost available and in part involves leasing of space and equipment (application, p. 311).

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 the meeting the State Board Standards in Part 1120 Appendix A.

Table below details the ESRD cost per GSF for new construction based upon 2015 historical information and inflated by 3% to the midpoint of the construction. Additionally, Table details the cost per station based upon 2008 historical information and inflated by 3% to the midpoint of construction.

TABLE NINE
Calculation of ESRD Cost per GSF

Year	2015	2016	2017	2018	2019	2020
ESRD Cost Per GSF	$254.58	$262.22	$270.08	$278.19	$286.53	$295.13

Calculation of Moveable Equipment Cost per ESRD Station

Year	2015	2016	2017	2018	2019	2020
Cost per Station	$49,127	$50,601	$52,119	$53,683	$55,293	$56,952

Modernization Contracts total $705,500 or $242.69 per GSF ($705,500 ÷ 2,750 per GSF = $256.36]. This appears reasonable when compared to the State Standard of $295.13 per GSF or $811,607.

Contingencies total $70,500 and are 9.9% of modernization costs of $705,500. This appears reasonable when compared to the State Board Standard of 10%-15%.

Architectural and Engineering Fees total $71,500 or 9.2% of modernization and contingencies [$71,500 ÷ $776,000 = 9.2%]. This appears reasonable when compared to the State Board standard of 7.18% -10.78%.

Movable or Other Equipment totals $288,000 or $24,000 per station [$288,000 ÷ 12 stations = $24,000 per station]. This appears reasonable when compared to the State Board Standard of $56,952 per station or $683,424.

Fair Market Value of Leased Space/Equipment totals $720,169. There is no State Board standard for this criterion.

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 $128.21 operating expense per treatment. The Board does not have a standard for this criterion.

THE 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 $30.98 per treatment. The Board does not have a standard for this criterion.

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