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October 15, 2019

VIA HAND DELIVERY

Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761
Attention: Courtney Avery

RECEIVED

OCT 15 2019

HEALTH FACILITIES &
SERVICES REVIEW BOARD

**Re: Application for Permit – Response to State Board Staff Report
Austin Dialysis at Loretto, Project 19-022**

Dear Ms. Avery:

I am writing in response to comments made by staff in the State Board Staff Report ("Staff Report") recently published by the Illinois Health Facilities and Services Review Board ("State Board") concerning certain deficiencies identified in the certificate of need permit application ("Application") of Austin Dialysis at Loretto ("Applicant"). The Staff Report shows that the Applicant met 14 of 17 applicable review criterion. This letter addresses elements regarding two of the three negative findings, both which relate to project funding.

Availability of Funds: 77 Ill. Adm. Code 1120.120

Under this review criterion, the Staff Report identifies two deficiencies concerning the availability of funds. The Staff Report notes that the State Board's staff were not able to identify the source of \$121,500 in the project budget for legal, consulting, and architectural fees. These costs were paid for prior to submission using general funds held by co-applicant Loretto Hospital.

The Staff Report also notes that a bank letter related to the loan is problematic because it neither fully covers \$1,119,500 of the project cost subject to the loan nor did it contain a sufficiently firm commitment stating that the loan will be made should the project be approved by the State Board. The Applicant will obtain a letter with sufficient language; however, a final copy was not obtained by the date on which comments to the Staff Report were due. The Applicant will provide this letter prior to the October 22, 2019 State Board hearing.

Viability Ratios: 77 Ill. Adm. Code 1120.130

The Staff Report recognizes that the viability ratios were incomplete in the original CON permit application. The Applicant first learned of this deficiency when the Staff Report was published. The Applicant was not contacted by the State Board's staff about the viability ratios during the staff review period. Upon learning of the deficiency, the Applicant completed the calculations for the viability ratios using historical financial data of co-applicant Loretto Hospital.

Table One below provides complete calculations related to the financial viability ratios, using the most recently available data.

TABLE ONE
Viability Ratios

Viability Ratio	FY 2016	FY 2017	FY 2018
Current Ratio	1.71	0.93	0.72
Net Margin Percentage	-4%	-10%	-10%
Percent Debt to Total Capitalization	10%	10%	11%
Projected Debt Service Coverage	2.28	-24.75	-21.11
Days of Cash on Hand	-459.11	-176.48	-102.23
Cushion Ratio	41.01	3.64	1.12

As with many CON permit applicants who are required to submit data concerning viability ratios, the Applicant does not satisfy every target ratio for the three year calculation period. Consequently, the Applicant is not able to reverse this negative finding. Nevertheless, the Applicant wants the State Board to have accurately calculated and complete data in the project file.

Thank you for your time and consideration. If you have questions, do not hesitate to contact me at (630) 464-4514.

Sincerely yours,



Joseph Hylak-Reinholtz
Legal Counsel for Applicant