



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET NO:</b> H-05	<b>BOARD MEETING:</b> February 25, 2020	<b>PROJECT NO:</b> 19-050	<b>PROJECT COST:</b>  Original: \$3,457,480
<b>FACILITY NAME:</b> DaVita Freeport Dialysis (New Facility Name - DaVita Alpine Dialysis)		<b>CITY:</b> Rockford	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA: I</b>

**PROJECT DESCRIPTION:** The Applicants (DaVita Inc. and Renal Treatment Centers-Illinois Inc.) propose to discontinue DaVita Freeport Dialysis, a 10-station dialysis facility located at 1028 South Kunkle Boulevard, Freeport, and establish DaVita Alpine Dialysis, an 8-station replacement facility at 615 Harrison Avenue, Rockford. The cost of the project is \$3,457,480 and the expected completion date is March 31, 2022.

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- The Applicants (DaVita Inc. and Renal Treatment Centers of Illinois Inc.) propose to discontinue a 10-station dialysis facility located at 1028 South Kunkle Boulevard, Freeport, Illinois and establish an 8-station ESRD facility at 615 Harrison Avenue, Rockford, Illinois. The cost of the project is \$3,457,480 and the expected completion date is March 31, 2022. Should this project be approved the name of the facility will be known as DaVita Alpine Dialysis.
- Both Freeport and Rockford are in the HSA I ESRD Planning Area.

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- The Applicants propose to discontinue an existing health care facility and establish a replacement health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).

### **PUBLIC HEARING/COMMENT:**

- A public hearing was offered regarding the proposed project, but none was requested. **Two letters of support and no letters of opposition** were received by the State Board Staff. The letters of support were from SwedishAmerican Hospital and the Mayor of Rockford and are included at the end of this report.

### **SUMMARY:**

- The State Board has calculated **a need for 5 stations in the HSA I ESRD Planning Area** (HSA I includes the Illinois counties of Jo Davies, Stephenson, Winnebago, Boone, Carroll, Ogle, DeKalb, Whiteside and Lee counties) per the December 2019 Inventory Update. There are currently 200 Stations in this Planning Area with 55% of the stations (110/200 stations) within the 17-mile Geographical Service Area (“GSA”) of this project.
- The discontinuation of the 10-station ESRD facility in Freeport is warranted as the facility has averaged 36.5% utilization over the past four quarters (12-31-2018 – 9/30/ 2019).
- To relocate an existing ESRD facility within the same planning area requires the existing facility (Freeport Dialysis) to be at the target occupancy for the previous 12-months prior to relocation. As mentioned above the existing facility (Freeport Dialysis) has averaged 36.5% over the past four quarters. **Note:** The Applicants stated that the patients dialyzing at the Freeport Dialysis facility will be accommodated at the other DaVita facility in Freeport (Driftwood Dialysis).
- The Applicants state no new stations are being added in this Planning Area. Historically the relocation of a facility within the same planning the distance from the existing facility to the proposed new facility was small in order to accommodate the existing facility’s patients. In this case the distance between the existing facility and the proposed relocated facility is approximately 30-miles to an area where there are existing underutilized facilities and outside the 17-mile radius from the Freeport facility.
- There are seven facilities with 110-stations and 439 patients in the 17-mile Geographical Service Area (“GSA”) operating at approximately 67% utilization as of December 31, 2019. Based upon the historical growth of 4% annually in the number of dialysis patients in this planning area it appears that there is a sufficient number of stations in the 17-mile GSA to accommodate the workload (45 patients) identified by the Applicants as needing dialysis within two years after project completion (March 2024).

- The Applicants have addressed a total of 22 criteria and failed to meet the following:

<b>Criterion</b>	<b>Reasons for Non-Compliance</b>
<b>77 ILAC 1110.230 (b) Planning Area Need</b>	The number of stations requested exceed the calculated need in the planning area.
<b>77 ILAC 1110. 230 (c) - Unnecessary Duplication/Maldistribution</b>	The 7-existing ESRD facilities are operating at approximately 67% utilization and based upon the average growth in the number patients it appears that the proposed workload can be accommodated by the existing 7 facilities.
<b>77 ILAC 1110.230 (i) - Relocation</b>	The existing facility was operating at 36.5% utilization for the past 4 quarters and was not at 80% target utilization as required by the criterion.

**STATE BOARD STAFF REPORT**  
**Project 19-050**  
**DaVita Freeport Dialysis / Alpine Dialysis**

<b>APPLICATION/CHRONOLOGY/SUMMARY</b>	
Applicants	DaVita Inc and Renal Treatment Centers-Illinois, Inc.
Facility Name	DaVita Freeport Dialysis / Alpine Dialysis
Location	1028 South Kunkle Boulevard, Freeport, Illinois 615 Harrison Avenue, Rockford, Illinois
Permit Holder	Renal Treatment Centers-Illinois, Inc.
Operating Entity	Renal Treatment Centers-Illinois, Inc.
Owner of Site	Harrison Kishwaukee, LLC
Total GSF	5,200 GSF
Application Received	October 9, 2019
Application Deemed Complete	October 10, 2019
Review Period Ends	February 7, 2020
Financial Commitment Date	February 25, 2022
Project Completion Date	March 31, 2022
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	No

**I. Project Description**

The Applicants (DaVita Inc. and Renal Treatment Centers-Illinois Inc.) propose to discontinue a 10-station dialysis facility located at 1028 Kunkle Avenue, Freeport, Illinois and establish an 8-station facility at 615 Harrison Avenue, Rockford. The cost of the project is \$3,457,480 and the expected completion date is March 31, 2022.

**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 1110 (Part 1110).
- B. State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

**III. General Information**

The Applicants are DaVita Inc. and Renal Treatment Centers-Illinois, Inc. DaVita Inc, a Fortune 500 company, is the parent company of Renal Treatment Centers-Illinois, Inc. DaVita Inc. is a leading provider of kidney care in the United States, delivering dialysis services to patients with chronic kidney failure and end stage renal disease. DaVita serves patients with low incomes, racial and ethnic minorities, women, handicapped persons, elderly, and other underserved persons in its facilities in the State of Illinois. The operating entity will be Renal Treatment Centers-Illinois, Inc, and the owner of the site is Harrison Kishwaukee LLC. Financial commitment will occur after permit approval.

#### IV. Health Planning Area

The existing facility is in Freeport, Illinois (Freeport Dialysis). The proposed facility will be located at 615 Harrison Avenue, Rockford (Alpine Dialysis). Both facilities are located in HSA-I, which includes the Illinois counties of Jo Davies, Stephenson, Winnebago, Boone, Carroll, Ogle, DeKalb, Whiteside and Lee counties.

From 2008 to 2018 there has been a 4% annual increase in the number of ESRD patients in this Planning Area. The State Board is estimating an increase in the population of 5.65% in this Planning Area from 2017-2022. As of December 2019, the State Board is estimating a need for an additional 5 stations in this Planning Area.

<b>TABLE ONE</b>	
<b>Need Methodology HSA I ESRD Planning Area</b>	
Planning Area Population – 2017	665,800
In Station ESRD patients -2017	702
Area Use Rate 2017 <sup>(1)</sup>	1034.71
Planning Area Population – 2022 (Est.)	702,200
Projected Patients – 2022 <sup>(2)</sup>	740.4
Adjustment	1.33
Patients Adjusted	985
Projected Treatments – 2022 <sup>(3)</sup>	153,614
Calculated Station Needed <sup>(4)</sup>	205
Existing Stations	200
<b>Stations Needed 2022</b>	<b>5</b>
<div><div>1.</div><div>Usage rate determined by dividing the number of in-station ESRD patients (2017) in the planning area by the 2017 – planning area population per thousand.</div></div> <div><div>2.</div><div>Projected patients calculated by taking the 2022 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients.</div></div> <div><div>3.</div><div>Projected treatments are the number of patients adjusted x 156 treatments per year per patient</div></div> <div><div>4.</div><div><math>153,614 / 747 = 205</math></div></div> <div><div>5.</div><div><math>936 \times 80\% = 747</math> [Number of treatments per station operating at 80%]</div></div>	

#### V. Project Costs and Sources of Funds

The Applicants are funding this project with cash in the amount of \$2,188,941 the fair market value of a lease (FMV) of 1,268,539.

TABLE TWO Project Costs and Sources of Funds			
Uses of Funds	Reviewable	Total	% of Total
New Construction Contracts	\$1,437,000	\$1,437,000	41.60%
Contingencies	\$143,700	\$143,700	4.10%
Architectural/Engineering Fees	\$85,961	\$85,961	2.50%
Consulting and Other Fees	\$60,400	\$60,400	1.70%
Movable or Other Equipment (not in construction contracts)	\$461,880	\$461,880	13.40%
Fair Market Value of Leased Space or Equipment	\$1,268,539	\$1,268,539	36.70%
Total Uses of Funds	\$3,457,480	\$3,457,480	100.00%
Sources of Funds	Reviewable	Total	% of Total
Cash and Securities	\$2,188,941	\$2,188,941	63.30%
Leases (fair market value)	\$1,268,539	\$1,268,539	36.70%
Total Sources of Funds	\$3,457,480	\$3,457,480	100.00%

## VI. **Discontinuation**

### A) **Criterion 1110.130 (a) (b) (c) – Discontinuation**

**To demonstrate compliance with this criterion the Applicants must document the reasons for the discontinuation and provide data that verifies the need for the proposed action.**

The proposed project is one of three proposed to relocate ESRD stations in HSA-I to areas of greater need in the service area. The Applicants stated:

*“The applicants currently operate two clinics in Freeport, Illinois: Freeport Dialysis and Driftwood Dialysis. Collectively, these clinics have 20 stations and operate just below 50% utilization. In December 2011, the State Board approved the establishment of Driftwood Dialysis to alleviate overutilization at Freeport Dialysis, which was operating at 110% utilization at the time. Due to physical constraints at Freeport Dialysis, establishment of a second dialysis facility was the only option to meet the need for dialysis patients in Freeport and the surrounding communities. Since the Driftwood dialysis clinic became Medicare certified in January 2013, neither Freeport Dialysis nor Driftwood Dialysis has maintained 80% utilization. The applicants have been aware of a compelling need for services in Rockford for some time now and have documented that need with support from community stakeholders. Accordingly, the applicants propose to discontinue Freeport Dialysis and relocate 8 stations to Rockford where a need for additional stations exist.”*

This 10-station facility over the past four quarters has had the following utilization:

<b>TABLE THREE</b>					
<b>Utilization of Freeport Facility</b>					
Facility	Stations	<b>Quarterly Utilization</b>			
		12/31/2018	3/31/2019	6/30/2019	9/30/2019
Freeport Dialysis Unit	10	50.00%	43.33%	38.33%	13.33%

Per the Applicants all ESRD patients served by the DaVita Freeport Dialysis facility are expected to transfer their care to the other Freeport facility (DaVita Driftwood Dialysis). It would appear based upon the information submitted in the Application for Permit and reviewed by the State Board Staff the proposed discontinuation is warranted. [Application for Permit page 61]

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION DISCONTINUATION (77 ILAC 1110.130)**

**VII. Background of the Applicants**

**A) Criterion 1110.110 (a) (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*<sup>1</sup> taken against any facility they own or operate.

1. The Applicants have attested that there has been no adverse action taken against any of the facilities owned or operated by DaVita Inc. or Renal Treatment Centers-Illinois, Inc, during the three (3) years prior to filing the application. [Application for Permit page 78] A listing of all facilities owned and operated by the Applicants in Illinois has been provided at pages 73-77 of the Application for Permit.

<sup>1</sup> “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)

2. The Applicants have authorized the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connection to the Applicants' certificate of need to discontinue a 10-station ESRD facility establish an 8-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 78]
3. Renal Treatment Centers-Illinois, Inc. will be the operator of Freeport/Alpine Dialysis. Renal Treatment Centers-Illinois, Inc. is a wholly owned subsidiary of DaVita Inc. As the person with final control over the operator, DaVita Inc. is named as an applicant for this CON application. DaVita Inc. does not do business in the State of Illinois. A Certificate of Good Standing for DaVita Inc. from the state of its incorporation, Delaware, has been provided (Application, p. 29). Renal Treatment Center's-Illinois Inc's Illinois Certificate of Good Standing has been provided at Application for Permit page 28.
4. The site is owned by Harrison Kishwaukee, LLC and evidence of this can be found at pages 31-39 of the application for permit in the Letter of Intent to lease the property at 615 Harrison Avenue, Rockford, Illinois.
5. The Applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.*
6. The proposed location of the ESRD facility is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects consider the preservation and enhancement of both State owned and non-State-owned historic resources* (20 ILCS 3420/1).

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANTS (77 IAC 1110.110 (a))**



## **VIII. Purpose of the Project, Safety Net Impact, Alternatives to the Project**

### **A) Criterion 1110.110 (b) – Purpose of the Project**

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

The applicants stated: *“The Alpine Dialysis patient service area (PSA) is located on the south side of Rockford, which is an economically disadvantaged community. The percentage of PSA residents living below the Federal Poverty Level (FPL) is nearly twice that of the state. Further, this community has significant African-American (15.6%) and Hispanic (19.3%) populations who are more susceptible to losing kidney function than the general population. The applicants currently operate two clinics in Freeport, Illinois: Freeport Dialysis and Driftwood Dialysis. Collectively, these clinics have 20 stations and operate just below 50% utilization. In December 2011, the State Board approved the establishment of Driftwood Dialysis to alleviate overutilization at Freeport Dialysis, which was operating at 110% utilization at the time. Due to physical constraints at Freeport Dialysis, establishment of a second dialysis facility was the only option to meet the need for dialysis patients in Freeport and the surrounding communities. Since the Driftwood dialysis clinic became Medicare certified in January 2013, neither Freeport Dialysis nor Driftwood Dialysis has maintained 80% utilization. At the same time, patient census in the Rockford area increased by 9%. To properly redistribute the dialysis stations, the applicants propose the relocation of 8 dialysis stations to Rockford and through a separate application expanding Driftwood Dialysis by one station (for a total of 12 stations in Freeport). The proposed Alpine Dialysis would be located on the south side of Rockford, which is an economically disadvantaged community where there is currently no dialysis clinic. The community is an economically disadvantaged community, with 21% of the residents living below the FPL and a third living below 150% of the FPL (one and one-half times greater than the State).”* [Application for Permit pages 79-80]

### **B) Criterion 1110.110(c) - Safety Impact Statement**

**To demonstrate compliance with this criterion the Applicants must document the safety net impact if any of the proposed project. Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]**

A Safety Net Impact Statement has been provided as required at page 158-159 of the Application for Permit. Information of the number of charity care and Medicaid patients and the amount of charity care expense and Medicaid revenue is presented below.

<b>TABLE FOUR<sup>(1)</sup></b> <b>SAFETY NET INFORMATION</b> <b>DaVita Inc. of Illinois</b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Net Revenue</b>	<b>\$353,226,322</b>	<b>\$357,821,315</b>	<b>\$394,665,458</b>
<b>CHARITY</b>			
Amount of Charity Care (charges)	\$2,400,299	\$2,818,603	\$2,711,788
Charity (self-pay) Cost	\$2,400,299	\$2,818,603	\$2,711,788
% of Charity Care to Net Rev.	.67%	.78%	.68%
<b>SAFETY NET INFORMATION</b>			
Charity # of Patients	110	98	126
Charity Cost in Dollars	\$2,400,299	\$2,818,603	\$2,711,788
<b>MEDICAID</b>			
Medicaid # of Patients	297	407	298
Medicaid Revenue	\$4,692,716	\$9,493,634	\$7,951,548
<ol style="list-style-type: none"> <li>1. Source: Page 158-159 of the Application for Permit.</li> <li>2. Charity Care is defined by the State Board as care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. [20 ILCS 3960/3]. As a for profit entity DaVita, Inc does not provide charity care the numbers reported are for self-pay patients.</li> </ol>			

### **C) Criterion 1110.110 (d) – 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 four alternatives:

#### **1) Do Nothing/Maintain Status Quo**

The applicants rejected this alternative, as it would do nothing to address the current issue with under-utilization at both Freeport facilities, and the need for additional stations in Rockford. There were no costs identified with this alternative.

#### **2) Utilize Existing Facilities**

The applicants deemed this alternative as unacceptable, due to the immediate need to resolve the under-utilization between the two facilities in Freeport and the need to introduce additional stations to the south side of Rockford. The option of utilizing existing facilities in their current capacity would perpetuate the underutilization of facilities in Freeport, and the need for additional stations in Rockford. Cost of this alternative: \$0.

#### **3) Facility of Greater or Lesser Scope**

The applicants considered establishing a facility of lesser scope in Rockford, but rejected this, based on the 8-station minimum requirement for ESRD facilities in a Metropolitan Statistical Area (MSA). There were no project costs associated with this option.

**4) Establish a New Facility/Option Chosen**

The option of reallocating stations between Freeport and Rockford through the discontinuation of Freeport Dialysis and the establishment of Alpine Dialysis, in conjunction with related ESRD transactions in the service area, was deemed as the most efficient and cost-effective way to move ESRD stations from one section of the service area to another, while maintaining access to much-needed dialysis services. The cost associated with the option chosen: \$3,457,480.

**IX. Size of the Project, Project Utilization, 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 the State Board Standards published in Part 1110 Appendix B.

The Applicants propose 8 stations in 5,200 GSF of space. The State Board Standard is 450-650 GSF per station or 5,200 GSF of space. The Applicants have successfully addressed this criterion.

**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 the proposed 24-stations will be at target occupancy of 80% within 2-years after project completion.

In his referral letter, Dr. Syed Ahmed M.D. of Rockford Nephrology Associates states he is currently treating 73 Stage 4 and 5 ESRD patients, and conservatively predicts that 45 of these patients will present to DaVita Alpine Dialysis within 12 to 24 months after project completion.

$$\begin{aligned} 45 \text{ patients} \times 156 \text{ treatments per year} &= 7,020 \text{ treatments} \\ 8 \text{ stations} \times 936 \text{ treatments per year} &= 7,488 \text{ treatments} \\ 7,020 \text{ treatments} \div 7,488 \text{ treatments} &= 93.7\% \end{aligned}$$

**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 must attest that the proposed project will be at target occupancy within 2-years after project completion.

The Applicants have provided the necessary attestation at page 137 of the Application for Permit.

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

**X. In-Center Hemodialysis Projects**

**A) Criterion 1110.230(b) - 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 calculated need for 5 ESRD stations in the HSA-I ESRD Planning Area per the December 2019 Revised Station Need Determination. The Applicants are proposing a facility with 8-stations in this Planning Area. The number of stations requested exceed the number of stations needed in this planning area.

**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 stated the purpose of the project is to meet the need for additional stations, realign station placement in the planning area to better meet patient need, and ensure that the ESRD patient population of South Rockford in Health Service Area I has access to life sustaining dialysis. The Applicants identified a total of 73 Pre-ESRD patients that reside in the HSA I ESRD Planning Area. Of that number 45 pre-ESRD patients identified in Dr. Ahmed's referral letter are anticipated to initiate dialysis within two years of project completion and reside in the planning area of the Replacement Facility.

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

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

The Applicants have submitted a referral letter (application, p. 161), estimating that at least 45 of the 73 pre-ESRD patients from the service area will require dialysis services within 12-24 months of project completion.

**5) Service Accessibility**

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

- i) The absence of the proposed service within the planning area;**
- ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;**
- iii) Restrictive admission policies of existing providers;**
- iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level,**

high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;

v) For purposes of this subsection (c) (5) only, all services within the established radii (17-mile radius) must meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

1. There are 15 ESRD facilities with 200 stations in the HSA-I ESRD Planning Area as of December 2019. The Applicants are proposing to establish an 8 station facility (DaVita Alpine Dialysis) in southwest Rockford.
2. The Southwest Rockford service area is an economically disadvantaged area, resulting in populations susceptible to ESRD and hypertension, and possible access issues to services.
3. There are 7 facilities within 17 miles of the proposed facility. Of these 7-facilities only 2 are operating in excess of the State standard (80%). The average utilization of these 7 facilities is approximately 67%.

**TABLE FIVE**  
**Facilities within the 17-mile GSA**

Facility	City	Ownership	Stations (1)	Distance (2)	Patients (3)	Occupancy	Star Rating (4)
Stonecrest Dialysis	Rockford	DaVita	12	2.7	71	98.61%	3
DaVita Rockford Dialysis	Rockford	DaVita	22	5.5	87	65.91%	4
DaVita Forest City Dialysis <sup>(5)</sup>	Rockford	DaVita	12	5.7	26	36.11%	4
DaVita Roxbury Dialysis	Rockford	DaVita	16	6.4	83	86.46%	4
Churchview Dialysis	Rockford	DaVita	24	8.1	93	64.58%	4
Machesney Park Dialysis	Machesney Park	DaVita	12	10.9	46	63.89%	5
Belvidere Dialysis	Belvidere	DaVita	12	16.6	33	45.83%	5
Total Stations/Average Occupancy			<b>110</b>		439	66.52%	

1. Number of Stations as of December 2019

2. Distance determined by MapQuest

3. Patients as of December 31, 2019

4. Star Rating from the Medicare Dialysis Compare Website

5. Forest City Dialysis was approved June 2016 and was completed December 19, 2017 the date of CMS station certification.

### **Summary:**

There is calculated need for 5 ESRD stations as of December 2019. The number of stations requested exceed the number of stations needed in this planning area.

### **STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC 1110.230(b)(1), (2) and (3))**

#### **C) Criterion 1110.230(c) - 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 17 miles and determines if there is existing capacity to accommodate the demand identified in the application for permit. There are 7 facilities within 17 miles of the proposed facility. Of these 7 facilities two facilities are operating in excess of the State Board Standard of 80%. The average utilization of these 7 facilities is approximately 67%. (See Table Four above)
2. To determine a **mal-distribution (i.e. surplus) of stations** in the seventeen (17) minute service area the State Board compares the ratio of the number of stations per population in the seventeen (17) mile 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 seventeen miles service area must be 1.5 times the number of stations per resident in the State of Illinois.

<b>TABLE SIX</b>			
<b>Ratio of Stations to Population</b>			
	Population	Stations	Ratio
17 Mile Service Area	347,856	110	1 Station per every 3,162 residents
State of Illinois (2017 IDPH est.)	12,802,100	4,946	1 Station per every 2,588 residents

The population in the 17 mile service area is 347,856 residents. The number of stations in this service area is 110. The ratio of stations to population is one (1) station per every 3,162 residents. The number of stations in the State of Illinois is 4,946 stations. The estimated population in the State of Illinois is 12,802,100 residents (2017 IDPH Estimate). The ratio of stations to population in the State of Illinois is one (1) station per every 2,588 residents. To have a surplus of stations in this service area the number of stations per population would need to be one (1) station per every 3,886 residents. Based upon this methodology there is not a surplus of stations in this service area.

There are currently 439 patients (January 1, 2020) dialyzing at the facilities within the 17 mile radius that justifies 92 stations at the 80% target occupancy. It is not until 2025 that 110 stations will be utilized at target occupancy (80%) based upon the historical growth rate of 4% in this ESRD Planning Area.

**TABLE SEVEN**

Estimate of Number of Stations Needed based upon Historical Growth (4%) in the 17-mile GSA								
Year	01/2020	2021	2022	2023	2024	2025	2026	2027
Patients <sup>(1) (2)</sup>	439	457	476	496	516	537	539	582
# of Stations Needed at 80% <sup>(3)</sup>	92	96	100	104	108	112	117	122
<ol style="list-style-type: none"> <li>1. Number of patients at the 7-facilities in the 17-Mile GSA as of December 31, 2019.</li> <li>2. December 31, 2019 patient number (439) inflated by 4% the historical growth in the Planning Area for the period 2008-2018.</li> <li>3. Number of stations at 80% target occupancy (# of patients ÷ 4.8 treatments per week = number of stations needed at 80%.</li> </ol>								

3. The Applicants stated the following:  
*“The proposed dialysis facility will not have an adverse impact on existing facilities in the Alpine GSA. The proposed Alpine Dialysis would be located on the south side of Rockford, which is an economically disadvantaged community, where there is currently no dialysis clinic. This community is an economically disadvantaged community, with percentages of residents living below the FPL and 150% of the Federal Poverty limit, twice that of the State. Further, this community has significant African-American and Hispanic populations who are more susceptible to losing kidney function than the general population.”*

### **Summary**

There are facilities in the 17 mile geographical service area (“GSA”) currently operating at less than target occupancy (average 67%). It appears that no stations are needed in this 17-mile GSA until 2024. Additionally the 45-patients identified by the Applicants as requiring dialysis within 2-year after approval (2024) can be accommodated by the existing stations in the 17-mile GSA. It would appear at this time the establishment of an 8-station facility would result an unnecessary duplication of service in the GSA.

**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 1110.230(c)(1), (2) and (3))**

## **2) Criterion 1110.230(e) - 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.

- a. The proposed facility will be staffed in accordance with all State and Medicare staffing requirements. Dr. Syed Ahmed, M.D will serve as the Medical Director for the propose facility. A copy of Dr. Syed Ahmed, M.D curriculum vitae is attached at Application for Permit pages 105-107).
- b. *All staff will be training under the direction of the proposed facility's Governing Body, utilizing DaVita's comprehensive training program. DaVita's training program meets all State and Medicare requirements. The training program includes introduction to the dialysis machine, components of the hemodialysis system, infection control, anticoagulation, patient assessment/data collection, vascular access, kidney failure documentation, complications of dialysis, laboratory draws, and miscellaneous testing devices used. In addition, it includes in-depth theory on the structure and function of the kidneys: including, homeostasis, renal failure, ARF/CRF, uremia, osteodystrophy and anemia, principles of dialysis: components of hemodialysis system: water treatment: dialyzer reprocessing: hemodialysis treatment: fluid management: nutrition: laboratory: adequacy: pharmacology; patient education, and service excellence. A summary of the training program has been provided. The facility will maintain an open medical staff." [Application for Permit pages 113-120]*

## **STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 ILAC 1110.230(e))**

## **3) Criterion 1110.230(f) - Support Services**

To demonstrate compliance with this criterion the Applicants must submit a certification from an authorized representative that attests to each of the following:

- 1) Participation in a dialysis data system;
- 2) Availability of support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and
- 3) Provision of training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training provided at the proposed facility, or the existence of a signed, written agreement for provision of these services with another facility.

The Applicants have provided the necessary attestation as required at pages 121-122 of the application for permit.

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

## **4) Criterion 1110.1430(g) - 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 8-station facility will be located in the Rockford 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 1110.230(g))**

**5) Criterion 1110.230(h) - Continuity of Care**

**To demonstrate compliance with this criterion the Applicants must document that a signed, written affiliation agreement or arrangement is in effect for the provision of inpatient care and other hospital services. Documentation shall consist of copies of all such agreements.**

The Applicants have provided the necessary signed transfer agreement with SwedishAmerican Hospital and DaVita, Inc. as required. [See pages 124-133 of the Application for Permit.]

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

**6) Criterion 1110.230(i) – Relocation of Facilities**

**To demonstrate compliance with this criterion the Applicants must 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.**
- 1) The Freeport facility has averaged 36.5% utilization over the past four quarters not the 80% target occupancy as required by this criterion.
  - 2) The Applicants provided an extensive narrative at pages 133-134 of the Application for Permit that argues that the relocation of the facility to Rockford will alleviate the need for dialysis stations in the southwest portion of the City of Rockford. The existing Freeport Dialysis Patients will be accommodated at the other dialysis facility in Freeport (Driftwood Dialysis).

The relocation is not warranted at this time. The Applicants have not successfully addressed this criterion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION RELOCATION OF FACILITIES (77 ILAC 1110.230(i))**

**7) Criterion 1110.230(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:  
     $\geq 85\%$  of hemodialysis patient population achieves urea reduction ratio (URR)  $\geq 65\%$   
    and  $\geq 85\%$  of hemodialysis patient population achieves Kt/V Daugirdas II 1.2.

The necessary attestation has been provided at pages 136-137 of the application for permit.

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

## **XI. Financial Viability**

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

### **A) Criterion 1120.120 – Availability of Funds**

**To demonstrate compliance with this criterion the Applicants must document that the resources are available to fund the project.**

The Applicants are funding the project with cash in the amount of \$2,188,941, and the FMV (Fair Market Value) of a lease in the amount of \$1,268,539. A summary of the financial statements of the Applicants is provided below. The Applicants have enough cash to fund this project.

<b>TABLE EIGHT</b>				
<b>DaVita Audited Financial Statements</b>				
<b>Ending December 31<sup>st</sup></b>				
<b>(in thousands (000))</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Cash	\$323,038	\$508,234	\$674,776	\$1,499,116
Current Assets	\$8,424,159	\$8,744,358	\$3,994,748	\$4,503,280
Total Assets	\$19,110,252	\$18,948,193	\$18,755,776	\$18,514,875
Current Liabilities	\$4,891,161	\$3,041,177	\$2,710,964	\$2,399,138
LTD	\$8,172,847	\$9,158,018	\$8,944,676	\$9,001,308
Patient Service Revenue	\$10,709,981	\$9,608,272	\$9,269,052	\$9,480,279
Total Net Revenues	\$11,404,851	\$10,876,634	\$10,707,467	\$13,781,837
Total Operating Expenses	\$9,879,027	\$9,063,879	\$8,677,757	\$12,611,142
Operating Income	\$1,525,824	\$1,812,755	\$2,029,710	\$1,170,695
Net Income	\$333,040	\$830,555	\$1,033,082	\$427,440

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

### **B) Criterion 1120.130 - Financial Viability**

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

The Applicants are funding the project with cash in the amount of \$2,188,941, and the FMV (Fair Market Value) of a lease in the amount of \$1,268,539. The Applicants have

qualified for the financial waiver. To qualify for the financial waiver an applicant must document one of the following:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or

HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A-rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 ILAC 1120.130)**

## **XII. Economic Feasibility**

### **A) Criterion 1120.310(a) – Reasonableness of Financing Arrangements**

### **B) Criterion 1120.310(b) – Terms of Debt Financing**

To demonstrate compliance with these criteria the Applicants must document that leasing of the space is reasonable. The State Board considers the leasing of space as debt financing.

The Applicants are funding the project with cash in the amount of \$2,188,941, and the FMV (Fair Market Value) of a lease in the amount of \$1,268,539. The lease<sup>3</sup> is for 15-years at a base rent of \$24.50/psf<sup>4</sup> for years 1 through 5, with a 10% increase every 5 years. It would appear the lease is reasonable when compared to previously approved projects.

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

### **C) Criterion 1120.310(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.

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<sup>3</sup> The lease is an operating lease and the lease expense is paid over the life of the lease and not depreciated.

<sup>4</sup> Price per square foot

As shown below, the Applicants have met all of the State Board Standards published in Part 1120, Appendix A. Only Clinical Costs are reviewed in this criterion. The Applicants are proposing 5,200 GSF of clinical space.

**New Construction Costs** - are \$1,437,000 or \$276.35 per GSF. This is in compliance with the State Board Standard of \$295.13 (2020 mid-point).  
 $[\$1,437,000 \div 5,200 \text{ GSF for modernization} = \$276.35 \text{ per GSF}]$

**Contingencies Costs** are \$143,700 or 10% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

**Architectural and Engineering Fees** are \$85,961 which is 5.4% of the new construction and contingencies costs of \$1,580,700. This appears reasonable compared to the State standard of 6.53% - 9.81%.

**Consulting and Other Fees** – These costs are \$60,400. The State Board does not have a standard for this criterion.

**Movable Equipment** - is \$461,880 for 8 ESRD stations, or \$57,735 per station. This is in compliance with the State Board Standard of \$58,661 per station.

**Fair Market Value of Leased Space** is \$1,268,539. The State Board does not have a standard for this criterion.

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

**D) Criterion 1120.310(d) - Direct Operating Costs**

To demonstrate compliance with this criterion the Applicants must provide the direct operating cost for the first year when the Applicants reach target occupancy but no more than two years after project completion.

The Applicants are estimating \$120.13 per treatment in direct operating costs. The State Board does not have a standard for these costs.

<b>TABLE NINE</b>	
<b>Direct Operating Costs</b>	
Total Operating Expenses	\$843,338
Estimated Annual Treatments:	7,020
<b>Cost Per Treatment:</b>	<b>\$120.13</b>

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION DIRECT OPERATING COSTS (77 ILAC 1120.140 (d))**

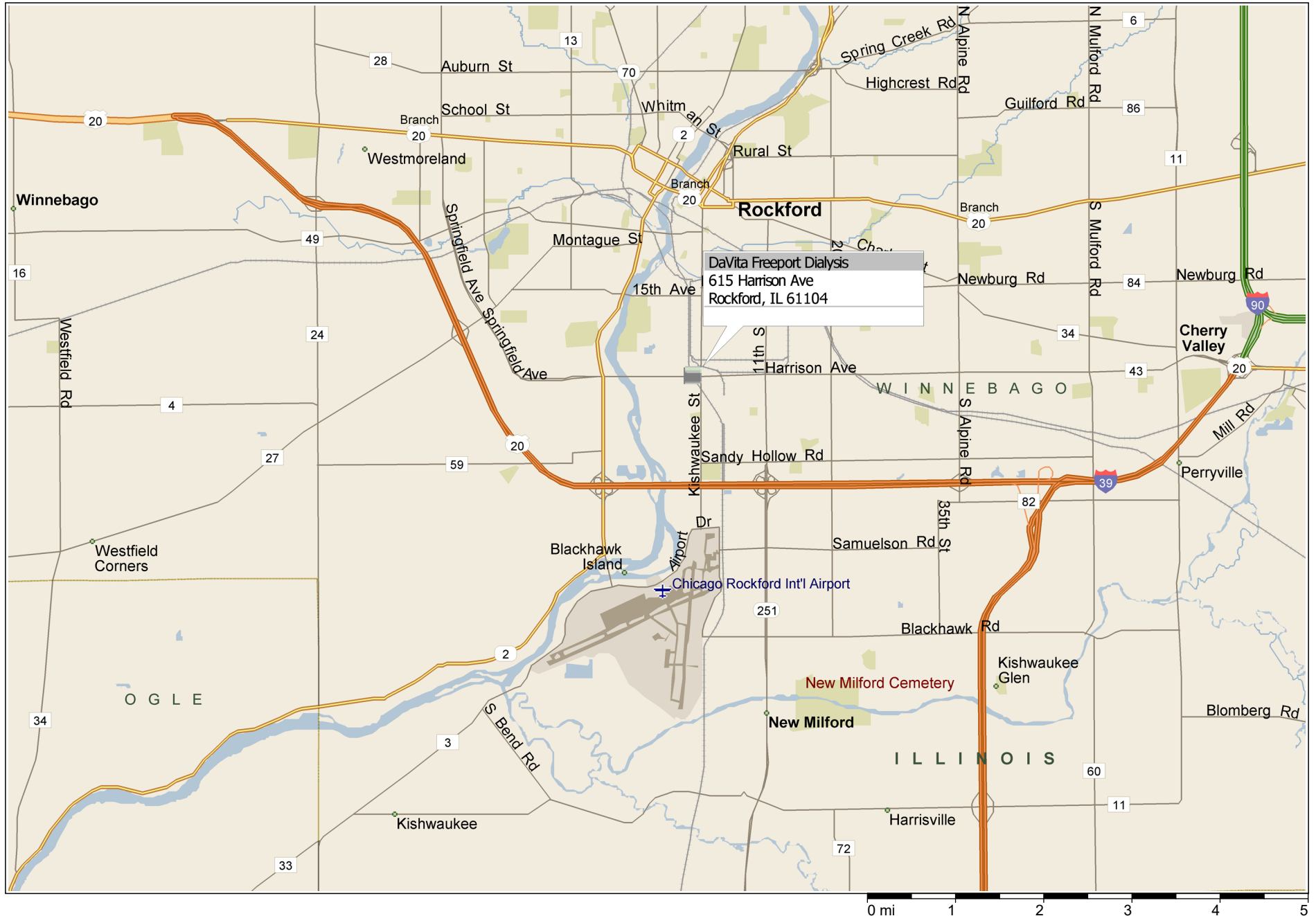
**E) Criterion 1120.310(e) - Total Effect of the Project on Capital Costs**

The Applicants are estimating \$27.31 in capital costs. The State Board does not have a standard for these costs.

<b>TABLE TEN</b>	
<b>Projected Capital Costs</b>	
Depreciation	\$182,422
Amortization	\$9,328
Total Capital Costs:	\$191,750
Treatments:	7,020
<b>Capital Cost per Treatment</b>	<b>\$27.31</b>

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

# 19-050 DaVita Freeport Dialysis - Rockford





Thomas P. McNamara  
Mayor  
Office of the Mayor

January 27, 2020

Ms. Debra Savage  
Chairperson  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62671

RECEIVED

JAN 28 2020

HEALTH FACILITIES &  
SERVICES REVIEW BOARD

**Re: Letter of Support DaVita Alpine Dialysis Project 19-050**

Dear Ms. Savage,

I am writing to support and encourage the Illinois Health Facilities and Services Review Board to approve the eight-station dialysis facility for DaVita Alpine Dialysis.

It is my understanding the new facility will help address the growing need for dialysis services in the area by closing an underutilized clinic in Freeport and making it easier for Rockford-area patients to get the appropriate treatment options. Studies have also shown that access and continuity of care are especially important for chronic care patients, and that having a medical "home" helps reduce health care costs as well as medical complications.

There is an urgent need of the dialysis services to this area as most of the area's population lack proper health insurance. This center will accommodate all patients regardless of their insurance status. Access to care is an important issue for me and my constituents. I am very attuned to our area's health care issues and dedicated to providing our community with sufficient medical access and, when possible, a better quality of life. I believe local, community-based medical facilities are vital as they allow residents to be near their homes and spend more time at work, with their loved ones or otherwise enjoying productive lives.

Adding needed medical facilities to this area will benefit residents in my community, and I give my full support to DaVita Alpine Dialysis. I highly recommend that Illinois Health and Services Review Board approve the DaVita Alpine Dialysis application for the facility in Rockford.

Thank you,

Thomas P. McNamara  
Mayor, City of Rockford





February 5, 2020

Ms. Debra Savage  
Chair  
Illinois Health Facilities and  
Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

**Re: DaVita Freeport Analysis (Project No. 19-050)**

Dear Ms. Savage:

SwedishAmerican, A Division of UW Health, offers our patients local access to many excellent specialists and plays a key role in maintaining and improving community health in Rockford, Illinois.

While SwedishAmerican offers a wide array of services, we do not provide outpatient dialysis services directly and instead rely on community providers to dialyze patients living with end-stage renal disease (ESRD). DaVita is a key partner in that endeavor and we support their efforts to expand access to dialysis services in the community.

As a community hospital, we experience firsthand the needs of those living with chronic kidney disease and the growing number of residents suffering from obesity, hypertension and heart disease, who are therefore at higher risk of developing kidney disease.

The SwedishAmerican Community Health Needs Assessment found that zip code 61109, where the proposed DaVita Alpine Dialysis facility would be located, scored 4 out of 5 on the Community Needs Index, with 5 representing the highest community need. As a result of these health care disparities, it is likely that the need for dialysis in Rockford is much greater than projected, and we fully support DaVita's efforts to send health care services to the areas that need them most.

Swedish American works to coordinate each ESRD patient's discharge plans with their dialysis provider to ensure the provider can access necessary clinical information to promote care

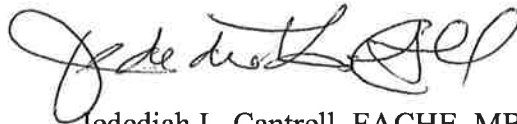
Ms. Debra Savage

Page 2

coordination between the hospital and dialysis unit. These combined efforts improve dialysis care and reduce the risk of re-hospitalization. DaVita and SwedishAmerican are jointly committed to these principles, which further aid ESRD patients who may develop any complications during dialysis or as a result of worsening kidney function. According to the US Renal Data System, on average, ESRD patients are admitted to the hospital roughly twice each year. Our health system's relationship with DaVita has great potential to improve patient outcomes and builds upon SwedishAmerican and DaVita's internal efforts to reduce dialysis complications and promote patient health.

With SwedishAmerican Hospital's commitment to a healthy Rockford, we welcome this effort by DaVita to improve dialysis access in our community. SwedishAmerican fully supports the proposed facility and respectfully requests that the Illinois Health Facilities and Services Review Board approve the application for Alpine Dialysis.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jedediah L. Cantrell', written in a cursive style.

Jedediah L. Cantrell, FACHE, MBA

Vice-President of Operations

SwedishAmerican, A Division of UW Health