STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD
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DOCKET NO: H-01	BOARD MEETING: May 4, 2021	PROJECT NO: 20-035	PROJECT COST: Original: $4,518,953
FACILITY NAME: Sauganash Dialysis		CITY: Chicago	
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The Applicants (DaVita Inc. and Total Renal Care, Inc.) propose a 12-station ESRD facility in approximately 6,956 gross square feet of leased space at a cost of $4,518,953. The expected completion date is December 31, 2022.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (DaVita Inc. and Total Renal Care, Inc.) propose a 12-station ESRD facility in approximately 6,956 gross square feet of leased space at a cost of $4,518,953. The expected completion date is December 31, 2022.
- This Application for Permit (#20-035) is a replacement for the previously approved Permit #18-048. The proposed location of this ESRD facility (6201 North McCormick Boulevard, Chicago) is approximately 1-mile from the previous location (4054 West Peterson Avenue, Chicago). According to the Applicants the new location has had a survey and there are no issues with the new site. Permit #18-048 was relinquished on February 10, 2021.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Applicants propose to establish a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).
- One of the objectives of the Health Facilities Planning Act is *"to assess the financial burden to patients caused by unnecessary health care construction and modification. Evidence-based assessments, projections and decisions will be applied regarding* ***capacity, quality, value and equity*** *in the delivery of health care services in Illinois.* ***Cost containment and support for safety net services*** *must continue to be central tenets of the Certificate of Need process."* [20 ILCS 3960/2]

PUBLIC HEARING/COMMENT:

- A public hearing was offered on this project; however, no hearing was requested. No letters of support or opposition were received by the State Board.

SUMMARY:

- There is a calculated need **for 64-ESRD stations** in the City of Chicago (HSA VI ESRD Planning Area) as of March 2021. The geographical service area ("GSA") for the proposed facility is a 5-mile radius with a population estimate of 854,980 residents (2018 est.). The Applicants have identified 386 pre-ESRD patients within this 5-mile GSA and are estimating 63 patients will require dialysis within 24 months after opening of the proposed facility.
- The Applicants' emphasized that the proposed facility will address:
    - the calculated need for 64-stations in the City of Chicago (HSA VI).
    - provide dialysis to a medically underserved population.
- The Applicants addressed a total of 22 criteria and have failed to meet the following:

Criterion	Non-Compliant
77 ILAC 1110.230 (c) – Unnecessary Duplication of Service	There are 16 ESRD facilities within the 5-mile radius with 269 stations. One of these facilities is not fully operational. Five of the 15 facilities that are operating are at target occupancy of 80% or above. The average utilization of the 15 existing facilities is approximately 72%. The table below estimates the number of stations at the 80% target occupancy that are needed in this 5-mile GSA at the Planning Area's historical growth of 3.10% annually. Current patient numbers will justify 229 stations in this 5-mile GSA at the 80% target occupancy. Based upon the historical growth in the HSA VI ESRD Planning Area of 3.1% it appears these 12 additional stations or 281 stations will not be needed until 2028 in this 5-mile GSA. [See pages 14-15 of this report]

(CORRECTED)
STATE BOARD STAFF REPORT
Project #20-035
Sauganash Dialysis
APPLICATION/CHRONOLOGY/SUMMARY

Applicants	DaVita Inc. and Total Renal Care, Inc.
Facility Name	Sauganash Dialysis
Location	6201 North McCormick Boulevard, Chicago, Illinois
Permit Holder	DaVita Inc. and Total Renal Care, Inc.
Operating Entity	Total Renal Care, Inc.
Owner of Site	TCB – Lincoln Village LLC
Total GSF	6,956 GSF
Application Received	07/28/2020
Application Deemed Complete	07/31/2020
Review Period Ends	11/28/2020
Financial Commitment Date	12/31/2022
Project Completion Date	12/31/2022
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 Total Renal Care, Inc.) propose a 12-station ESRD facility in approximately 6,956 gross square feet of leased space at a cost of $4,518,953. The expected completion date is December 31, 2022.

II. Summary of Findings

A. State Board Staff finds the proposed project does **not** appears 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 Total Renal Care, Inc. DaVita Inc., a Fortune 500 company, is the parent company of Total Renal Care, 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 operates in 45 states and the District of Columbia. The five states where DaVita is not located are: Alaska, Delaware, Mississippi, Vermont, and Wyoming. 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 Total Renal Care, Inc. and the

owner of the site is TCB – Lincoln Village LLC. This project is a substantive project subject to a Part 1110 and Part 1120 review. Substantive projects are

1. *Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.*
2. *Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.*
3. *Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board* in the Inventory*, whichever is less, over a 2-year period*. [20 ILCS 3960/12]

IV. Health Planning Area

The proposed facility will be in the I VI Health Service Area. This planning area includes the City of Chicago. As of March 2021, the State Board is estimating a **need for 64 ESRD stations.** Since 2008 the number of ESRD patients in this planning area has increased on average of 3.10% per year. Over this same period the number of stations approved by the State Board have increased by approximately 4% annually.

Annual Growth
HSA VI

Number of Patients 2017	5,149
Number of Patients 2008	4,127
Difference	1,022
Annual Growth	3.10%

The table below documents the stations needed in the HSA VI Planning Area.

TABLE ONE	
Need Methodology I VI ESRD Planning Area	
Planning Area Population – 2017	2,716,500
In Station ESRD patients -2017	5,149
Area Use Rate 2017	1895.454
Planning Area Population – 2022 (Est.)	2,721,500
Projected Patients – 2022	5,185.5
Adjustment	1.33
Patients Adjusted	6,891
Projected Treatments – 2022	1,070,281
Calculated Station Needed	1,429
Existing Stations	1,365
Stations Needed-2022	**64**

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of $2,945,447 and the Fair Market Value of Leased Space of $1,573,506. The estimated start-up costs and operating deficit is $2,954,710.

TABLE TWO

Project Costs and Sources of Funds

USE OF FUNDS	Reviewable	Non-Reviewable	Total	% of Total
New Construction Contracts	$1,411,067	$514,788	$1,925,855	42.62%
Contingencies	$141,107	$51,479	$192,586	4.26%
Architectural/Engineering Fees	$67,921	$24,483	$92,404	2.04%
Consulting and Other Fees	$29,916	$10,784	$40,700	0.90%
Movable or Other Equipment	$495,640	$163,362	$659,002	14.58%
Fair Markel Value of Leased Space or Equipment	$1,156,604	$416,902	$1,573,506	34.82%
Other Costs to Be Capitalized	$34,900	$0	$34,900	0.77%
TOTAL USES OF FUNDS	$3,337,155	$1,181,798	$4,518,953	100.00%
SOURCE OF FUNDS	Reviewable	Non-Reviewable	Total	% of Total
Cash and Securities	$2,180,551	$764,896	$2,945,447	65.18%
Leases (fair market value)	$1,156,604	$416,902	$1,573,506	34.82%
TOTAL SOURCES OF FUNDS	$3,337,155	$1,181,798	$4,518,953	100.00%

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

A) Criterion 1110.110 (a) – Background of the Applicants

The State Board requires the Applicants to demonstrate that they are fit, willing and able, and *have the qualifications, background and character to adequately provide a proper standard of health care service for the community.* Our review of the information provided by the Applicants as well as information maintained by the Illinois Department of Public Health verifies no adverse actions[1] three years prior to the filing of this Application for Permit. The Applicants have the qualifications, background and character to provide health care service to this community. (A full discussion can be found at pages 56-79 of the Application for Permit)

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

The Applicants stated the purpose of the project is to address the calculated need for 64-stations in the I VI ESRD Planning Area and improve access to dialysis services to the residents residing in the north side of Chicago.

The Geographical Service Area is a 5-mile radius from the location of the proposed facility with a population of approximately 854,980 residents (2018 est.). There are 281 stations in this 5-mile radius. According to the Applicants "*the Sauganash geographic service area is one of the most ethnically diverse areas in Chicago. Since the 1970s, it has been a point of entry for immigrants from Latin America and Asia. The community is 23% Hispanic and 11% Asian. Due to this large immigrant population, cultural barriers to access health care are high. These barriers include time and availability of providers, characteristics of healthcare personnel and patient-provider communications. Limited communication and perceived lack of linguistic and cultural competence from providers can lead to mistrust of the health care system and make it difficult for immigrants to establish relationships with primary care physicians. Provider communications and an ability to connect with one's primary care provider are critical for optimal healthcare, particularly when treating complex chronic Illnesses. Due to cultural and linguistic barriers faced by members of this community, the Health Resources & Services Administration ("HRSA") has designated this area a Medically Underserved Population*." [2] (A full

[1] "Adverse Action" means 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. As defined in Section 1-129 of the Nursing Home Care Act [210 ILCS 45], *"Type 'A' violation" means a violation of* the Nursing Home Care *Act or of the rules promulgated thereunder which creates a condition or occurrence relating to the operation and maintenance of a facility presenting a substantial probability that risk of death or serious mental or physical harm to a resident will result therefrom or has resulted in actual physical or mental harm to a resident.* As defined in Section 1-128.5 of the Nursing Home Care Act, *a "Type AA violation" means a violation of* the *Act or of the rules promulgated thereunder which creates a condition or occurrence relating to the operation and maintenance of a facility that proximately caused a resident's death.* [210 ILCS 45/1-129]

[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.

discussion of the purpose of the project can be found at pages 80-87 of the Application for Permit)

C) Criterion 1110.110I – Safety Net Impact

A Safety Net Impact Statement was provided as required at pages 149-150 of the Application for Permit.

TABLE THREE
Charity Care and Medicaid Information
DaVita Information
State of Illinois

	2015	2016	2017	2018	2019
Net Patient Revenue	$311,351,089	$353,226,322	$357,821,315	$394,525,498	$420,024,352
Amt. of Charity Care (charges)	$2,791,552	$2,400,299	$2,818,603	$2,711,788	$3,509,730
Cost of Charity Care	$2,791,552	$2,400,299	$2,818,603	$2,711,788	$3,509,730
% of Charity Care/Net Patient Revenue	0.90%	0.68%	0.78%	0.69%	0.84%
Number of Charity Care Patients (self-pay)	109	110	98	128	149
Number of Medicaid Patients	422	297	407	298	277
Medicaid Revenue	$7,361,390	$4,692,716	$9,493,634	$7,951,548	$6,613,469
% of Medicaid to Net Patient Revenue	2.36%	1.33%	2.65%	2.01%	1.57%

1. The Applicants do not define charity care per the Illinois Health Facilities Planning Act. "Charity Care" *means 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] For profit entities do not have charity care. Charity Care are considered a bad debt expense.

Staff Note on Reimbursement: Most payments for dialysis is through Medicare and Medicaid. Under the new ESRD PPS payment system[3], Medicare pays dialysis facilities a bundled rate per treatment and that rate is not the same for each facility. Each facility, within a given geographic area, may receive the same base rate. However, there are several adjustments both at the facility and at patient-specific level that affects the final reimbursement rate each facility will receive. What a dialysis facility receives from its commercial payors will also vary. Even if two different dialysis providers billed the same commercial payer the same amount, the actual payment to each facility will depend on the negotiated discount rate obtained by the commercial payer from each individual provider. [Source: Center for Medicare and Medicaid]

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.

[3] The ESRD PPS provides a patient-level and facility-level adjusted per treatment (dialysis) payment to ESRD facilities for renal dialysis services provided in an ESRD facility or in a beneficiary's home. The bundled per treatment payment includes drugs, laboratory services, supplies and capital-related costs related to furnishing maintenance dialysis. [CMS.gov]

The Applicants considered <u>two alternatives</u> to the proposed project; **<u>doing nothing or utilize existing clinics.</u>** Both alternatives were rejected.

These two alternatives were rejected because these two alternatives would not address the calculated need for 64-stations in the HSAVI ESRD Planning Area. Additionally, the Applicants stated *"DaVita considered utilizing existing facilities within the Sauganash Dialysis GSA; however, due to the growth in the need for dialysis services in this community, the existing clinics will not be able to accommodate NorthShore Medical Group's projected referrals. There are 14 existing or approved dialysis clinics within 5 miles of the proposed Sauganash Dialysis. Average utilization of area dialysis clinics was 75.6% as of June 30, 2020. Further, over the past four years, patient census at the existing clinics has increased 2.3% annually and is anticipated to increase for the foreseeable future due to the demographics of the community and disease incidence and prevalence trend. Accordingly, average utilization of the existing clinics is expected to exceed 80% by 2024, the second year after completion of Sauganash Dialysis."* (Application for Permit pages 88-90)

VII. <u>Size of the Project Projected Utilization and Assurances</u>

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 5,113 GSF for the 12-stations. The State Board Standard is 470 GSF per station or 5,640 GSF. The Applicants have successfully addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (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 estimating 63 patients will require dialysis within 12-24 months of project completion.

63 patients x 156 treatment per year = 9,828
12 stations x 936 treatments per year per station = 11,232 treatments
9,828 ÷ 11,232 = 87.5%

An historical listing of patient referrals to existing clinics that includes zip code origin are provided on pages 161-171 of the application. The Applicants also supplied zip code information with the number of pre-ESRD patients from zip codes within the defined service area. The Applicants have met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC

1110.120(b))

C) Criterion 1110.120I – 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 201 of the Application for Permit.

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

VIII. Planning Area Need

1) Criterion 1110.230 – 77 Ill. Adm. Code 1100

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:

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 64-stations. The Applicants have met this criterion.

2) 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 12-station dialysis facility will be located at 6201 North McCormick Boulevard Chicago, Illinois 60659. The Applicants have identified 386 pre-ESRD patients that reside within 5-miles of the proposed facility. Within 12-24 months the Applicants expect to refer approximately 63 of these patients to the proposed facility if approved. 58% of these patients reside in the 60076-zip code (approximately 4.2 miles from the proposed location) and 25% of the patients reside in 60712-zip code (approximately 2.4 miles from the proposed facility). The proposed facility will provide services to the residents of the area in which the facility will be located as required. [Application for Permit page 96].

TABLE FIVE
Pre- ESRD Patients by Zip Code within 5-miles of Proposed facility

Zip Code	# Pre-ESRD	City	Miles
60712	94	Lincolnwood	2.4
60646	45	Chicago	3.7
60076	222	Skokie	4.2
60630	25	Chicago	5.4
Total	386		

3) 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).

North Shore Medical Group (Dr. Ho) identified 386 pre-ESRD patients within 5-miles of the proposed facility (Application for Permit page 162). Of these 386 patients 63 of these patients are estimated to require dialysis within 12-24 months of the opening of this facility. (Application for Permit Appendix 1)

5) 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 the HSA VI ESRD planning area with 1,365 stations.

ii) No Access limitations have been identified by the Applicants.

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 Population.

v) There are 16 ESRD facilities within the 5-mile radius. One of these facilities was recently approved (Permit #20-005-Rogers Park Dialysis) and is not operational. The average utilization of the 15 operating facilities is approximately 72.0%.

TABLE SIX ESRD Facilities within 5-miles of Proposed Location							
ESRD Name		**City**	**Miles**	**Stations**	**Patients**	**Utilization**	**Star Rating**
DaVita Irving Park Dialysis	DaVita	Chicago	2.51	12	51	70.83%	5
DaVita Rogers Park Dialysis	DaVita	Chicago	2.6	12	0	0.00%	NA
DaVita Big Oaks Dialysis Center	DaVita	Niles	3.04	12	51	70.83%	5
DaVita Evanston Renal Center	**DaVita**	**Evanston**	**3.3**	**20**	**97**	**80.83%**	**4**
DaVita Logan Square	DaVita	Chicago	4.26	28	105	62.50%	5
Fresenius Kidney Care Rogers Park	Fresenius	Chicago	1.75	20	88	73.33%	5
FKC North Kilpatrick	Fresenius	Chicago	2.45	28	117	69.64%	5
Fresenius Kidney Care Lakeview	**Fresenius**	**Chicago**	**3.29**	**14**	**69**	**82.14%**	**4**
Fresenius Kidney Care Northcenter	Fresenius	Chicago	3.45	16	73	76.04%	5
Fresenius Kidney Care Uptown	**Fresenius**	**Chicago**	**3.78**	**14**	**75**	**89.29%**	**3**
Fresenius Kidney Care West Belmont	**Fresenius**	**Chicago**	**4.25**	**17**	**82**	**80.39%**	**4**
Fresenius Kidney Care Logan Square	Fresenius	Chicago	4.4	16	62	64.58%	4
Fresenius Kidney Care Evanston	Fresenius	Evanston	4.84	14	55	65.48%	3
Fresenius Kidney Care Skokie	Fresenius	Skokie	5	14	60	71.43%	4
Nephron Dialysis Center, Ltd.		**Chicago**	**1.56**	**16**	**77**	**80.21%**	**5**
Center for Renal Replacement, LLC		Lincolnwood	1.94	16	36	37.50%	5
Total Stations/Patients/Ave %				269	1,098	66.75%	

1. Distance determined by MapQuest
2. Number of stations and patients as of December 31, 2020.
3. Star Rating from the Medicare Website.

Summary:

The State Board requires the evaluation of ESRD applications based on the planning area population's need for the service and determine whether other ESRD facilities are not, or will not, be sufficiently available or accessible to meet that need as required. The Applicants are proposing a 12-station ESRD facility to address the calculated need of 64-stations in the HSA VI ESRD planning area (City of Chicago). The proposed facility will serve the residents of the planning area as evidenced by the 386 pre-ESRD patients identified by the Applicants within the 5-miles of the proposed facility. The Applicants have identified 63 patients that will they believe will require dialysis within 12-24 months after project completion. (See Application for Permit Appendix 1). The Applicants have addressed the Planning Area Need as required.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS 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. The names and location of all ESRD facilities existing and approved within the 5-mile GSA (*the established radii*) was provided as required-See Table Four above.

B. A list of zip codes was provided at page 98 of the Application for Permit. There are approximately 854,980 residents within this 5-mile radius. There are 16 ESRD facilities within this 5-mile radius with 269 stations. The 2017 State of Illinois Estimated Population is 12,741,080. As of March 2021, there is 4,976 ESRD stations. In the State of Illinois there is one station for every 2,561 residents.

TABLE SEVEN
Ratio of Stations to Population

	Population	Stations	Ratio
5-mile GSA	854,980	281	1 station for every 3,042 residents
State of Illinois	12,741,080	4,976	1 station for every 2,561 residents

C. The Applicants stated the following regarding the impact of the proposed facility on other providers in the 5-mile GSA:

"The proposed dialysis clinic will not have an adverse impact on existing clinics in the Sauganash GSA. As discussed above, this project was previously approved by the State Board; however, due to site issues, DaVita could not move forward with the original site. Importantly, this proposed Sauganash dialysis will be located approximately 1 mile from the original site and will serve the same patient base as the approved previously Sauganash Dialysis. Further, since approval of the initial Sauganash application, nothing has changed."

Summary

There are 16 ESRD facilities within the 5-mile radius with 269 stations. One of these facilities is not fully operational. Five of the 15 facilities that are operating are at target occupancy of 80% or above. The average utilization of the 15 existing facilities is approximately 72%. The table below estimates the number of stations at the 80% target occupancy that are needed in this 5-mile GSA at the Planning Area's historical growth of 3.10% annually. Current patient numbers will justify 229 stations in this 5-mile GSA at the 80% target occupancy. Based upon the historical growth in the HSA VI ESRD Planning Area of 3.1% it appears these 12 additional stations or 281 stations will not be needed until 2028 in this 5-mile GSA.

TABLE EIGHT Estimate of the Number of Stations within the 5-mile GSA at 3.10% growth										
Year	2021	2022	2023	2024	2025	2026	**2027**	2028	2029	2030
Patients	1,098	1,131	1,165	1,200	1,236	1,273	1,311	1,350	1,391	1,433
# of Stations	229	236	243	250	257	265	273	281	290	298

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION (77 ILAC 230 (c)

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. The Medical Director is Dr. Ho, M.D. A copy of Dr. Ho's curriculum vitae has been provided as required. As patient volume increases, nursing and patient care technician staffing will increase accordingly to maintain a ratio of at least one direct patient care provider for every 4 ESRD patients. At least one registered nurse will be on duty while the clinic is in operation. All staff will be training under the direction of the proposed clinic's Governing Body, utilizing DaVita's comprehensive training program. A summary of the training program has been provided. The facility will maintain an open medical staff. [Application for Permit pages 107-173]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT 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:

- DaVita utilizes an electronic dialysis data system;

- Sauganash Dialysis 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; and
- Patients, either directly or through other area DaVita facilities, will have access to training for self-care dialysis, self-care instruction, and home hemodialysis and peritoneal dialysis. [Application for Permit pages 144-145]

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 NorthShore University HealthSystem-Evanston Hospital has been provided as required. NorthShore Evanston Hospital has agreed to provide Emergency, In-Patient and Backup Support Services to the dialysis patients. The Hospital is approximately 5.8 miles from the proposed facility. [See pages 123-127 of the Application for Permit]

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 on page 130 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 $2,945,447 and the Fair Market Value of Leased Space of $1,573,506. The estimated start-up costs and operating deficit is $2,954,710.

TABLE NINE
DaVita Audited Financial Statements
Ending December 31st
(in thousands (000))

	2019	**2018**	**2017**	**2016**	**2015**
Cash	$1,102,372	$323,038	$508,234	$674,776	$1,499,116
Current Assets	$3,690,170	$8,424,159	$8,744,358	$3,994,748	$4,503,280
Total Assets	$17,311,394	$19,110,252	$18,948,193	$18,755,776	$18,514,875
Current Liabilities	$2,372,098	$4,891,161	$3,041,177	$2,710,964	$2,399,138
LTD	$7,977,526	$8,172,847	$9,158,018	$8,944,676	$9,001,308
Patient Service	$10,896,706	$10,709,981	$9,608,272	$9,269,052	$9,480,279
Total Net Revenues	$11,388,479	$11,404,851	$10,876,634	$10,707,467	$13,781,837
Total Operating Exp.	$9,745,162	$9,879,027	$9,063,879	$8,677,757	$12,611,142
Operating Income	$1,643,317	$1,525,824	$1,812,755	$2,029,710	$1,170,695
Net Income	$1,021,294	$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 have qualified for the financial waiver by funding the project from internal sources.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT 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 $2,945,447 and a lease with an FMV of $1,573,506. The lease is for 10 years at $30.00 per GSF per year for the first 5 years and $33.00 per GSF for years 6-10. [Application for Permit pages 32-43]

TABLE TEN
Terms of Lease Space

Premises	Approximately 6,956 GSF, 6201 McCormick Blvd. Chicago, Illinois 60659
Landlord:	TCB- Lincoln Village LLC
Tenant:	Total Renal Care, Inc. or related entity
Term:	10 Years with three five-year options
Base Rent:	$30.00 per PSF per year for the first 5 years and $33.00 per PSF for years 6-10.
Provisions:	Triple-net (NNN): Maintenance, real estate taxes/assessments, insurance premiums, utilities Estimated to be $12.12 PSF.

The Applicants attest:

"I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 and pursuant to 77 Ill. Admin. Code§ 1120.140(a) that the total estimated project costs and related costs will be funded in total with cash and cash equivalents. Further, the project involves the leasing of a facility. The expenses incurred with leasing the facility are less costly than constructing a new facility." [Application for Permit page 222]

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, the Table details the cost per station based upon 2008 historical information and inflated by 3% to the midpoint of construction.

TABLE ELEVEN
State Board Standards

Year	2015	2016	2017	2018	2019	2020	2021	2022
New Construction	$ 254.58	$ 262.22	$ 270.08	$ 278.19	$ 286.53	$ 295.13	$ 303.98	$ 313.10
Modernization	$ 178.33	$ 183.68	$ 189.19	$ 194.87	$ 200.71	$ 206.73	$ 212.94	$ 219.32
Equip	$49,127	$50,601	$52,119	$53,682	$55,293	$56,952	$58,520	$60,420

New Construction Contract and Contingences total $1,552,174 or $303.57 per GSF ($1,552,174 ÷ 5,113 per GSF = $303.57 per GSF]. This appears reasonable when compared to the State Standard of $303.98 per GSF or $1,554,250.

Contingencies total $141,107 and are 10% of new construction costs of $1,411,067. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees total $67,291 or 4.33% of new construction and contingencies [$67,291/$1,552,174= 4.33%]. This appears reasonable when compared to the State Board standard of 6.77% - 10.17%.

Consulting and Other Fees are $29,916. The State Board does not have a standard for these costs.

Movable or Other Equipment totals $495,640 or $41,303 per station [$495,640/12 stations = $41,303 per station]. This appears reasonable when compared to the State Board Standard of $58,520 per station.

Fair Market Value of Leased Equipment is $1,156,604. The State Board does not have a standard for this criterion.

Other Costs to be Capitalized is $34,900. The State Board does not have a 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 $111.14 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 $28.70 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)