



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-01	BOARD MEETING: December 14, 2021	PROJECT NO: 21-019	PROJECT COST: Original: \$4,570,170
FACILITY NAME: NANI Sycamore Dialysis		CITY: Sycamore	
TYPE OF PROJECT: Non-Substantive			HSA: I

PROJECT DESCRIPTION: The Applicants [Sycamore Renal Care, LLC and Nephrology Associates of Northern Illinois, Ltd.] propose to establish a 10-station ESRD facility in 7,800 GSF of leased space at a cost of \$4,570,170. The expected completion date is July 1, 2022.

The purpose of the Illinois Health Facilities Planning Act is to 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. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process. (20 ILCS 3960/2)

The Certificate of Need process required under this Act is designed to restrain rising health care costs by preventing unnecessary construction or modification of health care facilities. The Board must assure that the establishment, construction, or modification of a health care facility or the acquisition of major medical equipment is consistent with the public interest and that the proposed project is consistent with the orderly and economic development or acquisition of those facilities and equipment and is in accord with the standards, criteria, or plans of need adopted and approved by the Board. Board decisions regarding the construction of health care facilities must consider capacity, quality, value, and equity.

Information received by the State Board regarding this project can be found at this address:
<https://www2.illinois.gov/sites/hfsrb/Projects/Pages/NANI-Sycamore-Dialysis,-Sycamore---21-019.aspx>

CORRECTION

The alternative section was rewritten to reflect the correct alternatives considered by the Applicants [See pages 7-8 of this report].

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants [Sycamore Renal Care, LLC and Nephrology Associates of Northern Illinois, Ltd.] propose to establish a 10-station ESRD facility in 7,800 GSF of leased space at a cost of \$4,570,170. The expected completion date is July 1, 2022.

PURPOSE OF PROJECT

- The Applicants has stated the need to be addressed by this application for permit is the current lack of ESRD stations in the identified 15-mile geographical service area (“GSA”). According to the Applicants to remedy this lack of stations in this GSA the Applicants approached a joint venture partner to either expand the existing ESRD facilities in the GSA or establish a new facility in the area but was rejected due to a lack of interest, leasehold limitations, and/or constraints based upon the physical spaces of the existing facilities.

PUBLIC HEARING/COMMENT:

- No public hearing was requested. No letters of support and one letter of opposition have been received by the State Board.

SUMMARY:

- There is a calculated need for nine stations in the HSA I ESRD Planning Area. Within the 15-mile GSA the Applicants have identified 682 Stage 3 patients, 135 Stage 4 patients and 14 Stage 5 patients for a total of 831 patients. The Applicants are expecting that based upon natural attrition due to patient death, transplant, improved condition, that approximately 50% of these patients will require dialysis treatment. According to the Applicants there is an expectation that, by the second year of operation, 49 of these patients would be referred to the proposed facility for treatment and the other patients will utilize facilities within the 15-mile GSA. There are two facilities within the 15-mile GSA with 26 stations with an occupancy of 56.40% as of September 30, 2021. These two facilities can accommodate 37 additional patients to achieve the 80% target occupancy.

Executive Summary						
Facilities within 15-miles of the Proposed Facility						
Facility	City	Ownership	Miles	Stations	Patients	Occupancy
Sycamore Dialysis	Sycamore	DaVita	1.1	14	58	69.05%
Timber Creek Dialysis	Dekalb	DaVita	5.1	12	30	41.67%
Total				26	88	56.40%

Historically NANI has referred the following number of patients to these two facilities over the past three years.

Executive Summary				
TABLE TWO				
Historical Referrals by NANI to these two facilities				
Facility	2018	2019	2020	Total
Sycamore Dialysis	7	6	8	21
Timber Creek Dialysis	12	16	16	44

CONCLUSION:

- The Applicants addressed a total of 23 criteria and have not met the following criteria.

Criterion	Reasons for Non-Compliance
77 ILAC 1110.230 (b) – Planning Area Need	There is a calculated need for 9 stations in the HSA I ESRD Planning Area. The Applicants request for 10 stations exceeds the calculated number of stations needed by one station.
77 ILAC 1110.230 (b)(5) – Service Accessibility	The Applicants were unable to successfully address one of the following: <ul style="list-style-type: none">• There is dialysis service in the planning area.• There is no access limitation due patients' payor status.• There are no restrictive admission policies at existing providers of dialysis service.• The facility is not located in a medically underserved area.• The existing facilities in the GSA are not operating at the State Board's target occupancy. [See page 10 of this report]
77 ILAC 1110.230 (c) – Unnecessary Duplication of Service/Maldistribution	There are two facilities in the 15-mile GSA and both facilities are not at the target occupancy of 80%. These two facilities can accommodate an additional 37 patients to achieve the target occupancy of 80%. It appears a duplication of service may result with the establishment of this dialysis facility.

STATE BOARD STAFF REPORT

Project #21-019

NANI Sycamore Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Sycamore Renal Care, LLC and Nephrology Associates of Northern Illinois, Ltd.
Facility Name	NANI Sycamore Dialysis
Location	Sycamore, Illinois 60178
Permit Holder	Sycamore Renal Care, LLC and Nephrology Associates of Northern Illinois, Ltd.
Operating Entity/licensee	Sycamore Renal Care, LLC
Owner of Site	Iceberg Partners, LLC
Application Received	June 21, 2021
Application Deemed Complete	June 22, 2021
Application Modified	No
Review Period Ends	October 20, 2021
Project Completion Date	July 1, 2022

I. Project Description

The Applicants [Sycamore Renal Care, LLC and Nephrology Associates of Northern Illinois, Ltd.] propose to establish a 10-station ESRD facility in 7,800 GSF of leased space at a cost of \$4,570,170. The expected completion date is July 1, 2022.

II. Summary of Findings

- A. State Board Staff finds the proposed project is **not** in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project is in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The Applicants are Sycamore Renal Care, LLC. and Nephrology Associates of Northern Illinois, Ltd (“NANI”). Sycamore Renal Care, LLC is a new entity and is wholly owned by NANI. Nephrology Associates of Northern Illinois, Ltd is a physician owned Nephrology practice in the State of Illinois and has been in business for over 45 years. The proposed site is currently owned by Bethany Road Development, LLC. The property owner proposes to enter into a purchase agreement with Iceberg Partners, LLC (a wholly owned subsidiary of Nephrology Associates of Northern Illinois, Ltd.) for ownership of the land where the proposed facility will be located. Sycamore Renal Care, LLC will lease space from Iceberg Partners, LLC for the proposed facility. Nephrology Associates of Northern Illinois, Ltd. owns and operates an ambulatory surgical treatment center known as Willow Springs Surgery Center, in Justice, Illinois. The surgery center has been approved for general surgery, gastro, and podiatry surgical services.

This is a substantive project subject to a Parts 1110 and 1120 Review. Financial Commitment will occur after permit issuance.

IV. Health Planning Area

The proposed ESRD facility is in the HSA I ESRD Planning Area. HSA I ESRD Planning area includes the Illinois Counties of Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago. The Geographical Service Area for this project is 15-miles for a facility located in Winnebago County (77 ILAC 1110.220 (b) (5) (c)). As of October 2021, there is a calculated need **for nine stations** in this ESRD Planning Area

TABLE ONE	
Need Methodology HSA I ESRD Planning Area	
Planning Area Population – 2019	662,300
In Station ESRD patients -2019	729
Area Use Rate 2019 ⁽¹⁾	1.101
Planning Area Population – 2024 (Est.)	704,600
Projected Patients – 2024 ⁽²⁾	775.6
Adjustment	1.33
Patients Adjusted	1.031
Projected Treatments – 2024 ⁽³⁾	160,913
Calculated Station Needed ⁽⁴⁾	215
Existing Stations	206
Stations Needed	9
<ol style="list-style-type: none"> 1. 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. 2. 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. 3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient 4. $153,614/747 = 205$ 5. $936 \times 80\% = 747$ [Number of treatments per station operating at 80%] 	

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of \$3,081,600 and a Fair Market Value of the Lease of \$1,488,570. The cost of the land is \$350,000 and the estimated start-up costs and operating deficit is \$2,313,000.

TABLE TWO				
Project Costs and Sources of Funds				
Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total
Preplanning Costs	\$25,000	\$38,000	\$63,000	1.38%
Site Preparation	\$51,000	\$32,000	\$83,000	1.82%
New Construction Contracts	\$1,247,262	\$623,538	\$1,870,800	40.94%
Contingencies	\$100,005	\$49,995	\$150,000	3.28%

TABLE TWO				
Project Costs and Sources of Funds				
Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total
Architectural/Engineering Fees	\$110,406	\$79,194	\$189,600	4.15%
Consulting and Other Fees	\$80,000	\$80,000	\$160,000	3.50%
Movable or Other Equipment (not in construction)	\$376,819	\$188,381	\$565,200	12.37%
Fair Market Value of Leased Space or Equipment	\$1,032,430	\$456,140	\$1,488,570	32.57%
Total Uses of Funds	\$3,022,922	\$1,547,248	\$4,570,170	100.00%
Source of Funds				
Cash and Securities	\$1,990,492	\$1,091,108	\$3,081,600	67.43%
Leases (fair market value)	\$1,032,430	\$456,140	\$1,488,570	32.57%
Total Sources of Funds	\$3,022,922	\$1,547,248	\$4,570,170	100.00%

VI. Background of the Applicants

The Applicants are Sycamore Renal Care, LLC. and Nephrology Associates of Northern Illinois, Ltd. The Applicants are in compliance with all the State Board reporting requirements and are in Good Standing with the State of Illinois. The Applicants have attested that they have not had any adverse actions as that term is defined¹ for the three years prior to filing this Application for Permit. The Applicants have also attested that the State Board and the Illinois Department of Public Health can access all documents to verify information submitted with this Application for Permit.

VII. Purpose of the Project, Safety Net Impact, Alternatives to the Project

A. Criterion 1110.110 (b) – Purpose of the Project

The purpose of this project is to establish a 10-station ESRD facility in Sycamore, Illinois. The geographical service area (“GSA”) for this project is 15-miles. There are approximately 160,878 residents in this 15-mile GSA. The Applicants have identified 682 Stage 3 ESRD patients, 135 Stage 4 ESRD Patients and 14 Stage ESRD Patients. The Applicants believe there is a need for additional stations in this 15-mile GSA based upon the Applicants’ number of pre-ESRD patients in this GSA. Additionally, the Applicants believe patients need to have unfettered access to stations in which there are no competing

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]

corporate policies or precedents to be considered but, rather, all decisions can be driven by what is in the best interests of patient care.

TABLE THREE City, Zip Code, Population & Pre-ESRD Patients within the 15-mile GSA					
			Pre ESRD		
City	Zip Code	Population	CKD 3	CKD 4	CKD 5
Burlington	60109	681	3		
Clare	60111	183	1		
Cortland	60112	4,124	16	1	1
Creston	60113	641		1	
DeKalb	60115	42,908	94	22	1
Elburn	60119	5,629	12	1	
Plato Center/ Campton Hills	60124	18,935	92	18	1
Esmond	60129	212	2		
Genoa	60135	5,220			
Hampshire	60140	6,008	77	15	3
Pingree Grove	60140	8,107			
Campton Hills	60140	14,341			
Huntley	60142	26,966	293	67	7
Kaneville	60144	434			
Kingston	60145	1,112	4		
Kirkland	60146	1,845	6		
Malta	60150	1,190	5		
Maple Park	60151	1,650	4	1	
Sycamore	60178	17,726	73	9	1
Lee	60530	352			
Cherry Valley	61016	2,614			
Total		160,878	682	135	14

B. Criterion 1110.110 (d) - Alternatives to the Proposed Project

The Applicants considered ~~two~~ **four** alternatives to the proposed project. The Applicants considered the ~~construction of a freestanding building~~ in the general vicinity of the proposed site, to house the infusion therapy program. According to the Applicants this alternative was dismissed due to the capital costs that would be incurred. In addition to the acquisition cost associated with the purchase of a suitable site, the square footage that would need to be constructed would increase by approximately 30% to accommodate non-reviewable areas. The cost of the new construction would exceed that of the proposed project cost by approximately \$2 million. The ~~second alternative~~ considered was the conversion of space within AMITA Health Saint Joseph Medical Center Joliet. According to the Applicants this alternative was rejected because the capital cost would have exceeded the proposed project by \$1 million.

1. The Applicants considered expanding the two existing facilities but according to the Applicants the existing facilities are not in an ideal position to expand, whether due to a lack of interest, leasehold limitations, or constraints based upon the physical spaces in which they are located.
2. A joint venture was considered by the Applicants but at present, there is not an interest from the likely partners in the pursuit of another joint venture.
- 3&4. Doing nothing and utilizing existing facilities was also considered but was rejected because the lack of expansion would result in increased reliance upon treatment hours that are not in the best interests of patients, providers, or their families. The Applicants stated while there are 24-hours in a day, not all those hours are equally well suited for dialysis care and the failure to expand in advance of the needs of this community would likely undermine the ultimate care available to these patients. [Application for Permit page 73]

VIII. Size of the Proposed Project, Projected Utilization

A) Criterion 1110.120 – Size of the Proposed Project

The Applicants are proposing 5,200 GSF of space of 520 GSF per station for the 10 ESRD stations. The State Board Standard is 520 GSF per station. The Applicants have met the requirements of this State Board Standard.

B) Criterion 1110.120 (b) – Projected Utilization

The Applicants are expecting to refer 49 patients by the second year after project completion. Based upon the 49 referrals the 10 stations will be at the 80% target occupancy by 2024 – the second year after project completion.

IX. In-Center Hemodialysis Projects

A) Criterion 1110.230 (b) - Planning Area Need

- 1) 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.
- 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.
 - B) Applicants proposing to add stations to an existing in-center hemodialysis service shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.
 - C) Applicants proposing to expand an existing in-center hemodialysis service shall submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility).

1. There is a need for 9 stations in the HSA I ESRD Planning Area. The Applicants are proposing 10 stations. The Applicants exceed the calculated station need by 1 station.
2. The Applicants state over 80% of the proposed patients to be treated at the proposed facility will reside within HSA I – ESRD Planning Area. The Applicants provided a list of historical patient data including the patient zip code, name of facility where the facility was referred for calendar year 2018 through first Quarter of 2021. The Applicants have also provided a referral letter from the proposed medical director for the facility and a chart describing the practice's 831 current CKD patients and indicates the zip code where they reside within the Planning Area. Within the 15-mile GSA the Applicants have 682 Stage 3 patients and 135 Stage 4 patients and 14 Stage 5 Patients.

TABLE FOUR						
City, Zip Code, Population, Historical Data & Pre-ESRD Patients within the 15-mile GSA						
			2018-1st Quarter 2021	Pre ESRD		
City	Zip Code	Population	Historical	CKD 3	CKD 4	CKD 5
Burlington	60109	681		3		
Clare	60111	183		1		
Cortland	60112	4,124	13	16	1	1
Creston	60113	641			1	
DeKalb	60115	42,908	76	94	22	1
Elburn	60119	5,629	4	12	1	
Plato Center/ Campton Hills	60124	18,935		92	18	1
Esmond	60129	212		2		
Genoa	60135	5,220	13			
Hampshire	60140	6,008	10	77	15	3
Pingree Grove	60140	8,107				
Campton Hills	60140	14,341				
Huntley	60142	26,966		293	67	7
Kaneville	60144	434				
Kingston	60145	1,112	7	4		
Kirkland	60146	1,845		6		
Malta	60150	1,190		5		
Maple Park	60151	1,650	2	4	1	
Sycamore	60178	17,726	39	73	9	1
Lee	60530	352				
Cherry Valley	61016	2,614				
Total		160,878		682	135	14

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.

B) Projected Referrals

The applicant shall provide physician referral letters that attest to:

- i) The physician's total number of patients (by facility and zip code of residence) who have received care at existing facilities located in the area, as reported to The Renal Network at the end of the year for the most recent 3 years and the end of the most recent quarter;
- ii) The number of new patients (by facility and zip code of residence) located in the area, as reported to The Renal Network, that the physician referred for in-center hemodialysis for the most recent year.
- iii) An estimated number of patients (transfers from existing facilities and pre-ESRD, as well as respective zip codes of residence) that the physician will refer annually to the applicant's facility within a 24-month period after project completion, based upon the physician's practice experience. The anticipated number of referrals cannot exceed the physician's documented historical caseload.
- iv) An estimated number of existing patients who are not expected to continue requiring in-center hemodialysis services due to a change in health status (e.g., the patients received kidney transplants or expired).
- v) The physician's notarized signature, the typed or printed name of the physician, the physician's office address and the physician's specialty.
- vi) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services; and
- vii) Each referral letter shall contain a statement attesting that the information submitted is true and correct, to the best of the physician's belief.

In response to this criterion the Applicants provided a referral letter from Dr. Amit Arora, M.D. the facility's proposed medical director and representing several physicians from Nephrology Associates of Northern Illinois Ltd [NANI]. The referral letter [documented in the Table above] provides historical patient information for 831 patients who are CKD² level 3 through CKD level 5 patients from the planning area [15-mile GSA]. The Applicants believe that the facility will be providing dialysis to 49 patients within two years after project completion. As can be seen by the Table above, there are 73 Stage 3 patients and 9 Stage 4 patients residing in the **zip code [60178-Sycamore]** of the location of the proposed facility. The Applicants have demonstrated there is sufficient demand for the proposed project.

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.

² Doctors determine the stage of kidney disease using the glomerular filtration rate (GFR), a math formula using a person's age, gender, and their serum creatinine level (identified through a blood test). Creatinine, a waste product that comes from muscle activity, is a key indicator of kidney function. When kidneys are working well, they remove creatinine from the blood; but as kidney function slows, blood levels of creatinine rise.

- **Stage 1** with normal or high GFR (GFR > 90 mL/min)
- **Stage 2** Mild CKD (GFR = 60-89 mL/min)
- **Stage 3A** Moderate CKD (GFR = 45-59 mL/min)
- **Stage 3B** Moderate CKD (GFR = 30-44 mL/min)
- **Stage 4** Severe CKD (GFR = 15-29 mL/min)
- **Stage 5** End Stage CKD (GFR <15 mL/min)

- 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.

There is no absence of dialysis service in the planning area and there is no access limitation due to payor status. No restrictive admission policies of existing providers have been identified. The location [60178] of the proposed facility is not in a medically underserved area. The Applicants stated, *“the proposed facility is located near a medically underserved population (“MUP”) and a large number of the patients that will benefit from the facility reside in the same MUP.”*

There are two facilities within the 15-mile GSA³ with 26 stations and 88 patients as of September 30, 2021. The 88 patients at these two facilities at the 80% target occupancy justifies 19 stations in this 15-mile GSA.

TABLE FIVE						
Facilities within 15-miles of the Proposed Facility						
Facility	City	Ownership	Miles	Stations	Patients	Occupancy
Sycamore Dialysis	Sycamore	DaVita	1.1	14	58	69.05%
Timber Creek Dialysis	Dekalb	DaVita	5.1	12	30	41.67%
Total				26	88	56.4%

B) Criterion 1110.230 (c) – Unnecessary Duplication/Maldistribution

- 1) The applicant shall document that the project will not result in an unnecessary duplication.
- 2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, stations, and services.
- 3) The applicant shall document that, within 24 months after project completion, the proposed project:
 - A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and
 - B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

As shown above there are two facilities in the 15-mile GSA. Current patient census of 88 patients at these two facilities justifies 19 stations at the target occupancy of 80%.

³ The travel radius for purposes of subsection (c)(1) is:

- A) For applicant facilities located in the counties of Cook and DuPage, the radius shall be 5 miles.
- B) For applicant facilities located in the counties of Lake, Kane and Will, the radius shall be 10 miles.
- C) For applicant facilities located in the counties of Kankakee, Grundy, Kendall, **DeKalb**, McHenry, Winnebago, Champaign, Sangamon, Peoria, Tazewell, Rock Island, Monroe, Madison and St. Clair, the radius shall be **15 miles**.
- D) For applicant facilities located in any other area of the State, the radius shall be 19 miles.

There is one station per every 6,703 residents in the 15-mile GSA. There is one station per every 2,578 residents in the State of Illinois. Based upon this comparison there is not a surplus of stations in the 15-mile GSA.

TABLE SIX Maldistribution of Service Comparison			
	Population	Stations	Residents per Station
State of Illinois	12,822,972	4,974	2,578
15-Mile GSA	160,878	24	6,703

According to the Applicants the proposed dialysis facility will not lower utilization of other area providers that are operating below the target utilization standard. There are two other ESRD facilities in the GSA, and one is near state target utilization and based on the expected patient volume in the GSA the other facility will also be at target utilization. Based on expected patient volume there will be a need for additional stations within the GSA.

C) 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.

In response to this criterion the Applicants provided a narrative of the staffing for the proposed facility. The Applicants state the proposed facility will maintain the necessary clinical and professional staff to meet applicable state of Illinois regulations and certification criteria required by the Centers for Medicare and Medicaid Services (CMS). All patient care staff that are required to be registered with the Illinois Department of Financial and Professional Regulation will maintain their licenses and meet the requisite requirement for continued education. The staff shall also be required to complete an orientation program lead by the Medical Director. Annually all staff are required to complete OSHA training, compliance training, CPR certification, skills competency, CVC competency, water quality training, and pass a competency exam. At all times the facility will maintain at least a 4 to 1 patient to staff ratio on the treatment floor. An RN will be on duty at all times that the unit is in operation

D) 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 provided the necessary attestation as required at page 96 of the Application for Permit.

E) 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 Applicants propose to establish a 10 station ESRD facility. This meets the minimum required number of stations for an ESRD facility that is to be located within a metropolitan statistical area (“MSA”).

F) 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.

The Applicants have a written transfer agreement with Kishwaukee Community Hospital d/b/a Northwestern Medicine Kishwaukee Hospital.

G) 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 provided the necessary assurance as required at page 100 of the Application for Permit.

X. Financial Viability

A) Criterion 1120.120 – Availability of Funds

The Applicants are financing this project with cash in the amount of \$3,081,600 and the FMV of the lease in the amount of \$1,488,570. The Applicants provided audited financial statements for NANI which they deem confidential. Based upon the Staff review of the audited financial statements the Applicants have sufficient cash to fund this project.

B) Criterion 1120.130 – Financial Viability

NANI Sycamore Dialysis is a new entity. No Historical financial data is available. The Applicants provided the financial ratios for the second year after project completion. Pro-forma financial statements are provided at the end of this report.

TABLE SEVEN NANI Sycamore Dialysis Financial Viability Ratio 2 nd Year after Project Completion		
Current Ratio	>1.5	5.44
Net Margin Percentage	>3.5%	18.17%
Long -Term Debt to Capitalization	<80%	NA
Projected Debt Service Coverage	>1.75	NA
Days-Cash-On-Hand	>45 Days	89
Cushion Ratio	3	NA
1. NA- NANI Sycamore Dialysis has no long-term debt.		

XI. Economic Feasibility

A) Criterion 1120.140 (a) – Reasonableness of Debt Financing

B) Criterion 1120.140 (b) – Terms of Debt Financing

The lease is between the Iceberg Partners, LLC, a wholly owned subsidiary of NANI and Sycamore Renal Care, LLC. The terms of the lease are documented below. The lease appears reasonable when compared to previously approved projects by the State Board. See pages 55-56 of the Application for Permit for the letter of intent to lease.

Leaseholder	Iceberg Partners, LLC
Lessee	Sycamore Renal Care LLC
Terms	\$205,400 monthly
Term Per GSF	\$26.33 per GSF
Annual Increase	1.70%
Length	5-Years

C) Criterion 1120.140 (c) – Reasonableness of Project Costs

Only the reviewable costs are reviewed. The detail of construction contract and movable equipment includes the both reviewable and nonreviewable costs.

Preplanning Costs total \$25,000 and are 1.45% of new construction, contingencies and movable or other equipment. This appears reasonable when compared to the State Board Standard of 1.8% or \$31,034.

Site Preparation totals \$51,000 and is 3.79% of new construction and contingencies. This appears reasonable when to the State Board Standard of \$67,363.

New Construction and Contingencies total \$1,347,267 or \$259 per GSF. This appears reasonable when compared to the State Board Standard of \$303.98 per GSF.

General conditions	\$108,000
Concrete work	\$36,000
Masonry	\$42,000
Metals	\$36,000
Wood & Plastics	\$168,000
Thermal Moisture Protection	\$48,000
Doors & Windows	\$118,800
Finishes	\$306,000
Specialties	\$42,000
Construction Equipment	\$18,000
Mechanical Work	\$504,000
Electrical Work	\$354,000
Indirect cost	\$90,000
Total	\$1,870,800

Contingencies total \$100,000 and is 8.02% of new construction. This appears reasonable when compared to the State Board Standard of 10%.

Architectural/Engineering Fees total \$110,406 or 8.19% of new construction and contingencies. This appears reasonable when compared to the State Board Standard of 10.17%.

Movable or Other Equipment totals \$376,819 or \$37,682 per station. This appears reasonable when compared to the State Board Standard of \$58,661.

Moveable and Other Equipment	
Dialysis Equipment	\$36,000
Clinical Equipment	\$42,000
Office Furniture / Artwork	\$42,000
Computer Equipment	\$10,800
TV's	\$30,000
Other Equipment	\$3,600
Generator	\$132,000

Moveable and Other Equipment	
Water Treatment	\$228,000
Communications	\$24,000
Signage	\$12,000
Other	\$4,800

Total \$565,200

Consulting and Other Fees total \$80,000. The State Board does not have a standard for this cost.

Fair Market Value of Leased Space totals \$1,032,430. The State Board does not have a standard for this cost.

D) Criterion 1120.140 (d) – Projected Operating Costs

The Applicants are projecting operating costs of \$331 per treatment. The State Board does not have a standard for this criterion.

E) Criterion 1120.140 (e) – Effect of the Project on Capital Costs

The Applicants are projecting operating costs of \$28.34 per treatment. The State Board does not have a standard for this criterion.

SAFETY NET IMPACT STATEMENT AND CHARITY CARE

The Applicants provided the following response to the Safety Net Impact and Charity Care. Criterion 77 ILAC 1110.110 (b).

NANI Sycamore Dialysis will not have any impact on safety net services in HSA 1 or the surrounding community. Outpatient dialysis facilities services provide a necessary service for patients in need of life sustaining dialysis care. This care is not viewed as a safety net service in the same way that primary care services are. Additionally, because there is an identified patient base to utilize this facility it is not expected to impact or alter the delivery of healthcare services by any area providers. There is no reason to believe that this project would have any adverse impact on any provider or health care system that provides dialysis care services on an outpatient basis. NANI Sycamore Dialysis will be operated as an open staff facility, which means that any nephrologist will be able to refer their patients and apply for privileges to provide services at the facility, if they desire. NANI Sycamore Dialysis is committed to providing ESRD services to all patients with or without insurance and to patients without regard to their ability to pay for service. It will be the facility's policy to not refuse any patients who require immediate service. Furthermore, Illinois Medicaid patients will not be denied services

It is will be the express policy of NANI Sycamore Dialysis is to provide services to all patients regardless of race, color, national origin, gender identification, sexual orientation, or other personal identifying characteristic. NANI Sycamore Dialysis is committed to providing ESRD services to all patients with or without insurance and to patients without regard to their ability to pay for service. It will be the policy of NANI Sycamore Dialysis to not refuse any patients who require immediate service. Furthermore, Illinois Medicaid patients will not be denied services. The facility will also be committed to work with any patient to try and find any financial resources and any programs for which they may qualify for. Nephrology Associates of Northern Illinois, Ltd. is active in the renal community and provides charitable donations to many organizations including the National Kidney Fund of Illinois.

Pro-Forma Income Statement		
Total Patients	40	49
Total Treatments	5760	5760
Net Revenue	\$2,272,320	\$2,896,488
Bad Debt/Contract Allowance	\$90,893	\$115,860
Revenue after Bad Debt	\$2,181,427	\$2,780,628
Expenses		
Total Personnel	\$748,800	\$776,160
Total Supplies	\$288,000	\$317,520
Total Ancillary Expenses	\$190,080	\$190,512
Total Other Medical Expenses	\$17,280	\$21,380
Machine Lease	\$36,000	\$36,000
Housekeeping	\$60,000	\$60,000
Management Fees	\$120,960	\$151,140
Medical Director Fee	\$140,000	\$140,000
Depreciation	\$200,000	\$200,000
Property Expense	\$380,000	\$380,000
Total Expenses	\$2,181,120	\$2,272,711
Income (Loss) Operations	\$307	\$507,917

Pro-Forma Balance Sheet		
Assets	Year 1	Year 2
Cash	\$1,000	\$1,000
Temporary Investments	\$249,032	\$388,747
Cash and Cash Equivalents	\$250,032	\$389,747
Gross Accounts Receivable	\$1,040,714	\$1,112,251
Allowance for Doubtful Accounts	-\$90,893	-\$115,860
Net Accounts Receivable	\$949,821	\$996,392
Inventory	\$33,200	\$15,280
Other Current Assets	\$0	\$0
Total Current Assets	\$1,233,053	\$1,421,419
Property, Plant, and Equipment	\$3,113,746	\$3,113,746
Accumulated Depreciation	\$200,000	\$400,000
Property, Plant, and Equipment, Net	\$2,913,746	\$2,713,746
Total Assets	\$4,143,799	\$4,135,165
Liabilities		
Due to Manager	\$165,093	\$172,959
Unreconciled Payments	\$47,450	\$88,245
Total Current Liabilities	\$212,543	\$261,194
Long Term Debt	\$0	\$0
Total Liabilities	\$212,543	\$261,194
Stockholder's Equity		
Contributed Capital, Total	\$3,933,949	\$3,933,949
Equity Distribution, Total	\$0	-\$565,402
Total Retained Earnings	\$0	\$307
Current Year Net Income	\$307	\$505,117
Total Stockholders' Equity	\$3,934,256	\$3,873,971
Total Liabilities and Stockholders' Equity	\$4,146,799	\$4,135,165