STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD
525 WEST JEFFERSON ST, SPRINGFIELD, ILLINOIS 62761 •(217) 782-3516 FAX: (217) 785-4111

DOCKET NO: H-08	BOARD MEETING: January 31, 2023	PROJECT NO: 22-043	PROJECT COST: Original: $5,731,509
FACILITY NAME: Circle Dialysis Clinic		CITY: Chicago	
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The Applicants (Circle Medical Management, Inc. and SRS-Chicago Circle, LLC) propose to establish a 24-station ESRD facility in 8,300 GSF of leased space at a cost of $5,731,509. The expected completion date is April 30, 2023.

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.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Circle Medical Management, Inc. and SRS-Chicago Circle, LLC) propose to establish a 24-station ESRD facility in 8,300 GSF of leased space at a cost of $5,731,509. The expected completion date is April 30, 2023.

PURPOSE OF PROJECT

- The Applicants state: *"The purpose of the relocation is to prevent an adverse impact on patients who are currently receiving services at the current facility, and to continue to provide the level of care that has traditionally been delivered to residents of the neighborhood in which the current facility is located, and patients who currently receive their care at Rush University. The facility has been in continuous operation since 1988. It serves a diverse group of patients. Recent studies have revealed the existence of significant social disparities in access to care. The current facility has made a point of eliminating those inequities since its inception more than 30 years ago. The owner's objective in relocation is to continue to provide care to a diverse mix of patients and continue to erode the barriers of access for patients who are challenged by the factors causing the disparity and inequity in healthcare that is finally being recognized today."*

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 25 additional stations in the HSA VI ESRD Planning Area. The Applicants have identified approximately 300 CKD 4 patients and 95 CKD 5 patients, under their care, and notes the current facility provides in-center dialysis to 92 patients, and peritoneal (home dialysis) to 24 patients. The Applicants are expecting that this patient population will transfer to the replacement facility upon project completion. There are 21 facilities within the 5-mile GSA with 470 stations reporting an average occupancy of 53.7%. This project will not result in unnecessary duplication/maldistribution because it in does not introduce additional ESRD stations to the service area.

TABLE ONE Facilities within 5-miles of Circle Dialysis Clinic				
ESRD Name	**City**	**Stations**	**Patients**	**Utilization**
DaVita West Side	Chicago	12	32	51%
FMC Polk	Chicago	24	28	53%
FMC West Willow	Chicago	12	43	53%
DaVita Garfield	Chicago	24	90	56%
FMC Congress Parkway	Chicago	30	93	52%
DaVita Little Village	Chicago	16	70	77%
FMC West Metro	Chicago	12	20	16%
FMC Northwestern	Chicago	42	135	52%
FMS Humboldt Park	Chicago	34	125	61%
FMC Prairie	Chicago	24	100	66%
FMC Austin	Chicago	20	59	50%
DaVita Lincoln Park	Chicago	25	60	46%
DaVita Marshall Square	Chicago	12	3	7%
FMC Bridgeport	Chicago	27	104	64%
Lawndale Dialysis	Chicago	16	92	94%
FMC Logan Square	Chicago	16	60	67%
SAH Dialysis	Chicago	15	44	47%
DaVita Logan Square	Chicago	28	107	68%
FMS Hubbard	Chicago	24	61	43%
University of Illinois Med. Center	Chicago	26	116	73%
FMC Westside	Chicago	31	64	32%
Total Stations/Patient/Average Utilization		470	1506	53.7%

1. Information as of December 31, 2020.
2. State Standard for ESRD Utilization: 80%

CONCLUSION:

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

Criterion	**Reasons for Non-Compliance**
77 ILAC 1120.130 (c) – Financial Viability	The Applicants provided inadequate data for Days Cash on Hand and Cushion Ratio.

STATE BOARD STAFF REPORT
Project #22-043
Circle Dialysis Clinic

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Circle Medical Management Inc. SRS-Chicago Circle, LLC
Facility Name	Circle Dialysis Clinic
Location	140 South Ashland Avenue, Chicago
Permit Holder	Circle Medical Management, Inc.
Operating Entity/licensee	Circle Medical Management, Inc.
Owner of Site	Ashland South, LLC
Application Received	November 19, 2022
Application Deemed Complete	December 2, 2022
Application Modified	No
Review Period Ends	April 1, 2023
Project Completion Date	April 30, 2023

I. Project Description

The Applicants, (Circle Medical Management, Inc. and SRS-Chicago Circle, LLC) propose to establish a 24-station ESRD facility in 8,300 GSF of leased space at a cost of $5,731,509. The expected completion date is April 30, 2023.

II. Summary of Findings

A. State Board Staff finds the proposed project is in conformance with the provisions of 77 ILAC 1110 (Part 1110).

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

III. General Information

The Applicants are Circle Medical Management, Inc. and SRS-Chicago Circle, LLC. SRS-Chicago Circle, LLC is a Delaware-based limited-liability company licensed to conduct business in Illinois in August 2021. Circle Medical Management, Inc. is a domestic corporation incorporated under Illinois law in April 1986. The project proposes to relocate an existing 28- station End Stage Renal Dialysis (ESRD) facility, located at 1426 West Washington Boulevard, Chicago, discontinued operation via Certificate of Need permit #22-042, and re-establish a 24-station replacement facility at 140 South Ashland Avenue, Chicago, less than a half-mile from the existing facility. Both facilities are located in the HSA-VI planning area, where a current need for 25 additional ESRD stations exist.

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 VI ESRD Planning Area. HSA VI ESRD Planning area includes the City of Chicago. The Geographical Service Area for this project is 5-miles for a facility located in the City of Chicago. As of December 2022, there is a calculated need for 25 stations in this ESRD Planning Area

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of $1,363,509, the Fair Market Value of the Lease of $3,168,000, and Other Funds and Sources (Landlord Allowance) totaling $1,200,000.

TABLE TWO
Project Costs and Sources of Funds

Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total
New Construction Contracts	$1,814,709	$0.00	$1,814,709	31.6%
Contingencies	$160,000	$0.00	$160,000	2.9%
Architectural/Engineering Fees	$185,000	$0.00	$185,000	3.3%
Consulting and Other Fees	$150,000	$0.00	$150,000	2.7%
Movable or Other Equipment (not in construction	$253,800	$0.00	$253,800	4.5%
Fair Market Value of Leased Space or Equipment	$3,168,000	$0.00	$3,168,000	55%
Total Uses of Funds	$5,751,509	$0.00	$5,751,509	100.00%
Source of Funds				
Cash and Securities	$1,363,509	$0.00	$1,363,509	23.7%
Leases (fair market value)	$3,168,000	$0.00	$3,168,000	55%
Other Funds and Sources	$1,200,000	$0.00	$1,200,000	21.3%
Total Sources of Funds	$5,751,509	$0.00	$5,751,509	100.00%

VI. Background of the Applicants

The Applicants are Circle Medical Management, Inc. and SRS-Chicago Circle, LLC. SRS-Chicago Circle, LLC is a Delaware-based limited-liability company licensed to conduct business in Illinois in August 2021. SRS-Chicago Circle is 100% owned by Sanderling Renal Services-USA, LLC, whose ownership interest greater than 5% includes Dr. Jerome Tannenbaum, M.D. (14.55%), Deborah Tannenbaum, (14.55%), Dr. Benjamin Rudnitsky, M.D. (14.7%), and Dr. Rajeev Prasad M.D. (8.9%). Circle Medical Management, Inc. is a domestic corporation incorporated under Illinois law in April 1986, with joint ownership held by Drs. Edmund Lewis M.D. (98%), and Julie Lewis M.D. (2%). 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 defined[1] 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 Applicants state: *"The purpose of the relocation is to prevent an adverse impact on patients who are currently receiving services at the current facility, and to continue to provide the level of care that has traditionally been delivered to residents of the neighborhood in which the current facility is located, and patients who currently receive their care at Rush University. The facility has been in continuous operation since 1988. It serves a diverse group of patients. Recent studies have revealed the existence of significant social disparities in access to care. The current facility has made a point of eliminating those inequities since its inception more than 30 years ago. The owner's objective in relocation is to continue to provide care to a diverse mix of patients and continue to erode the barriers of access for patients who are challenged by the factors causing the disparity and inequity in healthcare that is finally being recognized today."* Table Three illustrates the diversity of the Applicants patient base in terms of race, age, and payor mix.

TABLE THREE
Diversity of Patients Served by Circle Dialysis Clinic

Race	%	Age	%	Payor Mix	%
Black	63%	21-44	13%	Medicare/Medicaid	48%
Caucasian	26%	45-64	32.5%	Medicare/Comm.	32%
Hispanic	9%	65-74	23%	Commercial	8%
Asian	2%	75 +	31.5%	Medicaid	12%
Total	**100%**		**100%**		**100%**

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

The Applicants considered three alternatives to the proposed project. They are:

1) **Do Nothing/Cost $0.** The Applicants rejected this alternative based on the resulting inability to continue serving its patient population within the service area. The Applicants note the current lease for the Washington Boulevard building is set

[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]

to expire within the next year, and it's the owner/landlord's intent to terminate the lease and sell the property.

2) **Pursue Joint Venture or Similar Arrangement/Cost: $5,731,509**
The Applicants note the facility is not a joint venture at this time, with no parties expressing interest in joint ownership ventures at this time. The Applicants rejected this alternative.

3) Utilize Area Providers/Cost $0
The Applicants note an existing need for additional ESRD stations in the service area, and the potential of creating access issues if the discontinued stations are not re-established. The Applicants note that 90% of its patient base resides within the service area, and the discontinuation of the existing 28-station facility would increase the station need in the service area from 25 to 53. The Applicants rejected this alternative.

4) Discontinue/Relocate Existing Facility within the Service Area/Cost: $5,731,509
The Applicants chose this alternative as most feasible in light of the impending termination of the lease of the existing building with no renewal options, and the need to preserve medical care/dialysis services to a diverse population with an imminent need for continued access to said services. The Applicants also note the proposed site of relocation addresses their need to continue in their provision of dialysis services at a location that will not affect the continued accessibility of its existing patient base, and the future patient base referring from Rush University Medical Center.

VIII. Size of the Proposed Project, Projected Utilization

A) Criterion 1110.120 – Size of the Proposed Project

The Applicants are proposing 8,307 GSF of space, resulting in approximately 347 GSF per station for the 24 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 maintain serving its current in-center population of 95 patients, with a projected annual 3% increase of this population. Factoring in the projected recidivism of 40% of its home dialysis patient population, this results in a patient population of 103 patients in the first year and 109 patients in the second year after project completion. These projections resulting in projected utilization of 76% by the first year and 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 current need for 25 additional stations in the HSA VI ESRD Planning Area. The Applicants are proposing to discontinue an existing 28-station ESRD facility and relocate 24 of those stations to a facility in the same service area, less than one half mile away from the existing site. The proposed project is expected to increase the station need in the service area from 25 to 29 stations.

2. The Applicants state that approximately 90% of the existing patient base resides within the HSA VI – ESRD Planning Area. The Applicants provided a list containing referral source data including the percentage of patients referred from zip codes within the service area. The Applicants have also provided referral letters from Dr. Stephen Korbet, M.D., and four physician colleagues from Rush University Medical Center, describing the practice's 395 current CKD patients, the provision of dialysis services to 92 existing patients, and an annual expected patient growth resulting in operational capacity in excess of the State Board standard (80%), by the second year of operation.

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. Stephen M. Korbet, M.D. the facility's proposed medical director and representing four other physicians from Rush University Medical Center. The referral letter [application, p. 102] provides historical patient information for 395 patients who are CKD[2] level 4 through CKD level 5 patients from the planning area. The Applicants believe that the facility will be providing dialysis to 109 patients by the second year after project completion. 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.
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.

While there is no absence of dialysis service in the planning area, there is potential access limitation due to payor race and socioeconomic status. No restrictive admission policies of existing providers have been identified. The location [60069] of the proposed facility is in a federally-designated medically underserved area where a higher prevalence of CKD and renal failure exists.

[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)

Source: DaVita Inc.

There are 21 facilities within the 5-mile GSA[3] with 470 stations providing ESRD services to 1,506 patients (See Table One). The average operational capacity at the Applicant facility is 53.7%, but is expected to surpass the State standard of 80% by the second year after project completion.

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 in Table One, there are 21 facilities in the 5-mile GSA, with 470 stations, a current patient census of 1,506 patients, and an average operational capacity of 53.7%. The Applicants note that historical increases in operational capacity, and projected patient return from home dialysis to in-center dialysis will increase utilization of the 24 relocated stations to a target occupancy of 80%.

There is one station per every 1,971 residents in HSA-VI. 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 Health Service Area-06.

TABLE FOUR
Maldistribution of Service Comparison

	Population	Stations	Residents per Station
State of Illinois	12,672,900	4,974	2,546
HSA-VI	2,692,100	1,365	1,972

According to the Applicants the proposed dialysis facility will not lower utilization of other area providers that are operating below the target utilization standard, due to the patient base transferrin from an existing 28-station ESRD facility that will be relocated and replaced by a 24-station facility. The Applicants do not anticipate any patient transfers from existing facilities in the service area and attributes its projected growth to annual increases in patients requiring dialysis, and the return of peritoneal/home dialysis patient to in-center dialysis.

[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.

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.

The Applicants note the replacement facility will be staffed in accordance with all State Medicare staffing requirements. Dr. Stephen Korbet, M.D., will serve as Medical Director of the replacement facility, and his Curriculum Vitae (CV), is included in the project file.

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 99 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 24 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) Criterion1110.230 (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 Rush University Medical Center to provide inpatient care, if needed, and other hospital-based services.

G) Criterion 1110.1430(b) – Relocation of Facilities

The Applicants propose to discontinue an existing 28-station ESRD facility that is facing the expiration of its lease with no renewal options. The Applicants propose to relocate 24 of these stations to a modernized replacement facility located approximately one-half mile away, in the same 5-mile service area. It is proposed that the reduction in stations, the transfer of the existing patient base and annual growth in patient need will result in an operational capacity in excess of the State standard (80%), by the second year after project completion.

H) 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 the signature pages 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 $1,363,509, the FMV of the lease in the amount of $3,168,000, and a Landlord allowance (Other funds and sources), totaling $1,200,000. The Applicants provided financial statements (Table Five) and tax returns for Circle Medical Management which they deem confidential. Based upon the provided verifications and statements the Applicants have sufficient cash to fund this project.

TABLE FIVE
Financial Statement
Circle Medical Management, Inc.

	2019	2020	2021	2023 est.
Net Revenue	$9,219,912	$6,955,373	$5,671,202	$5,421,156
Net Income	$819,500	$1,042,804	$250,186	$425,005
Year End Current Assets	$1,054,696	$956,496	$932,128	$1,422,188
Year End Cash in Bank	$145,429	$177,601	$92,004	$636,491
Current Liabilities	$554,961	$334,749	$568,782	$518,848
Total Bank Debt	$397,472	$200,000	$240,000	
Current Ratio	1.9	2.86	1.64	2.74
Interest (6%)	$23,848.32	$12,000.00	$14,400.00	
Cash/Day	$25,260	$19,056	$15,538	$14,852
Days Cash	5.76	9.32	5.92	42.85
Profit Margin	8.9%	15%	4.4%	7.8%

B) Criterion 1120.130 – Financial Viability

The Applicants, (Circle Medical Management Inc.), provided historical and projected viability ratios to meet the requirements of this criterion. The Applicants provided data for Days Cash on Hand that do not meet State standards and failed to provide Cushion Ratio Data. A negative finding results for this criterion.

TABLE SIX
Circle Medical Management, Inc.
Historical and Projected Financial Viability Ratios

	Standard	2019	2020	2021	2023
Current Ratio	>1.5	1.9	2.86	1.64	2.81
Net Margin Percentage	>3.5%	8.9%	15%	4.4%	7.8%
Long -Term Debt to Capitalization	<80%	37%	17.8%	39%	75%
Projected Debt Service Coverage	>1.75	34	86	17	2.46
Days-Cash-On-Hand	>45 Days	5.76	9.32	5.92	38
Cushion Ratio	3				

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 Ashland South, LLC, and SRS-Chicago Circle, LLC (application, p. 51). The terms of the lease are documented below. The lease appears reasonable when compared to previously approved projects by the State Board.

Leaseholder	Ashland South, LLC
Lessee	SRS-Chicago Circle, LLC
Terms	20 yrs// $24.830.83/mo.
Term Per GSF	$35.90 per GSF
Annual Increase	2.5%
Length	20 Years w/ 2 5-year renewal options

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

Only the reviewable costs are reviewed. The total clinical GSF for this project is 8,300 GSF.

New Construction Costs total $1,814,709 or $218.64per GSF. This appears reasonable when compared to the State Board Standard of $303.98 per GSF.

Contingencies total $160,000 and is 8.8% of new construction. This appears reasonable when compared to the State Board Standard of 10%.

Architectural/Engineering Fees total $185,000 or 9.4% of new construction and contingencies. This appears reasonable when compared to the State Board Standard of 10.17%.

Movable or Other Equipment totals $253,8000 or $10,575 per station. This appears reasonable when compared to the State Board Standard of $58,661.

Consulting and Other Fees total $150,000. The State Board does not have a standard for this cost.

Fair Market Value of Leased Space totals $3,168,000. 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 $26.76 per treatment in 2023. 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 $23.57 per treatment in 2024. 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).

TABLE SEVEN

	2019	2020	2021
Number of Charity Care Patients	0	0	0
Cost of Charity Care (dollars)	$294,744	$299,163	$155,748
Number of Medicaid Patients	19	20	23
Medicaid Revenue	$408,247	$671,569	$463,725

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