



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-04	BOARD MEETING: February 16, 2016	PROJECT NO: 15-048	PROJECT COST: Original: \$4,111,234
FACILITY NAME: Park Manor Dialysis		CITY: Chicago	
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The applicants (DaVita Healthcare Partners, Inc. and Pawlier Dialysis, LLC) are proposing the establishment of a sixteen (16) station ESRD facility in 7,770 GSF of space in Chicago, Illinois at a cost of approximately \$4,111,234. The anticipated project complete date is February 28, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita Healthcare Partners, Inc. and Pawlier Dialysis, LLC) are proposing the establishment of a sixteen (16) station ESRD facility in 7,770 GSF of space in Chicago, Illinois at a cost of approximately \$4,111,234. The anticipated project complete date is February 28, 2018.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project proposes to establish a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).

PURPOSE OF THE PROJECT:

- Per the applicants *“The purpose of the project is to improve access to life sustaining dialysis services to the residents of the south side of Chicago.”*

SUMMARY:

- There is a **calculated need for one hundred four (104) additional stations** in the HSA VI ESRD Planning Area. There are fifty-seven (57) ESRD facilities in the HSA VI planning area, and fifty-eight (58) facilities in the 30-minute service area.
- The proposed facility will serve the residents of HSA VI ESRD planning area and one hundred two (102) pre-ESRD patients have been identified by the applicants as residing within ten (10) minutes of the proposed facility. There appears to be sufficient demand as the applicants are projecting seventy-nine (79) pre-ESRD patients will require outpatient dialysis services within two (2) years after project completion resulting in a utilization of over 80%.

PUBLIC HEARING/COMMENT

- A public hearing was offered in regard to the proposed project, but none was requested. No letters of opposition were received by the State Board Staff. One letter of support was received from Chicago Ward 10 Alderman, Susan Sadowski-Garza, offering her support for the proposed project.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicants are financially viable as evidenced by their balance sheet and the project is economically feasible as the applicants have sufficient cash to fund the project.

CONCLUSIONS:

- The applicants addressed a total of 21 criteria and were positive in all findings.

STATE BOARD STAFF REPORT
Project #15-048
DaVita Park Manor Dialysis

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	DaVita HealthCare Partners Inc and Pawlier Dialysis, LLC
Facility Name	Park Manor Dialysis
Location	95 th Street and Colfax Avenue, Chicago, Illinois
Permit Holder	Pawlier Dialysis, LLC
Operating Entity	Pawlier Dialysis, LLC
Owner of Site	Clark Street Development LLC
Proposal	Establish a 16 station ESRD facility
GSF	7,700 GSF
Application Received	October 14, 2015
Application Deemed Complete	October 14, 2015
Financial Commitment Date	February 16, 2018
Review Period Ends	March 31, 2015
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. Project Description

The applicants (DaVita Healthcare Partners, Inc. and Pawlier Dialysis, LLC.) are proposing the establishment of a sixteen (16) station ESRD facility in 7,700 GSF of space on the corner of 95th street and Colfax Avenue, Chicago, Illinois at a cost of approximately \$4,111,234. The anticipated project complete date is February 28, 2018.

II. Summary of Findings

- A. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are DaVita Healthcare Partners, Inc. and Pawlier Dialysis, LLC. DaVita Healthcare Partners, Inc. currently operates over 2,179 dialysis centers throughout the United States. Ninety-two (92) of these facilities are in Illinois. Pawlier Dialysis, LLC is a subsidiary of DaVita HealthCare Partners, Inc. Pawlier Dialysis, LLC is a Delaware corporation licensed to do business in Illinois, and is currently in good standing with this State. Total Renal Care, Inc. owns seventy-five percent (75%) of Pawlier Dialysis, LLC and The University of Chicago Medical Center owns twenty-five percent (25%). The

operating entity is Pawlier Dialysis, LLC and the owner of the site is Clark Street Development LLC. The facility will be located at on the corner of 95th Street and Colfax Avenue, in Chicago, Illinois in the HSA VI ESRD planning area. This is a substantive project and is subject to a Part 1110 and 1120 review. Project obligation will occur after permit issuance.

IV. Health Service Area IV

HSA VI ESRD Planning Area includes the city of Chicago, in Cook County. There are fifty-seven (57) ESRD facilities located in HSA-VI, and fifty-eight (58) located in the thirty (30) minute service area. Average utilization for all facilities is approximately sixty nine percent (69%). Excluding facilities that are not yet operational, or did not report utilization data to the State Board, or are dedicated to pediatric dialysis service only, the average utilization is seventy-six percent (76%).

Facility	Ownership	City	Minutes ⁽¹⁾	Stations	Occupancy ⁽²⁾
FMC South Deering	Fresenius	Chicago	3.7	20	39.10%
Stony Island Dialysis	DaVita	Chicago	6.2	32	70.80%
FMC South Shore	Fresenius	Chicago	6.2	16	68.70%
Grand Crossing Dialysis	DaVita	Chicago	7.5	12	84.70%
Greenwood Dialysis Center	Fresenius	Chicago	8.7	28	80.30%
Jackson Park Dialysis	Fresenius	Chicago	10	24	71.50%
FMC Chatham	Fresenius	Chicago	11.2	16	82.20%
FMC Roseland	Fresenius	Chicago	11.2	12	98.60%
FMC Garfield	Fresenius	Chicago	13.7	22	79.50%
FMC Ross Dialysis Englewood	Fresenius	Chicago	15	16	92.70%
Emerald Dialysis	DaVita	Chicago	15	24	79.10%
Woodlawn Dialysis	DaVita	Chicago	15	32	64.50%
FMC Prairie	Fresenius	Chicago	18.7	24	76.30%
South Holland Renal Center	DaVita	South Holland	18.7	20	80.50%
FMC Merrionette Park	Fresenius	Merrionette Park	18.7	24	74.30%
FMC Bridgeport	Fresenius	Chicago	18.7	27	88.80%
Kenwood Dialysis	DaVita	Chicago	18.7	32	69.20%
Loop Renal Center	DaVita	Chicago	20	28	58.90%
Mount Greenwood Dialysis	DaVita	Chicago	20	16	105%
FMC Polk Street	Fresenius	Chicago	21.2	24	49.30%
FMC Blue Island	Fresenius	Blue Island	21.2	28	76.10%
FMC Evergreen Park	Fresenius	Evergreen Park	21.2	30	91.10%
Stroger Hospital Cook County		Chicago	22.5	9	50%
FMC South Holland	Fresenius	South Holland	22.5	19	67.30%
DaVita West Side	DaVita	Chicago	23.7	12	22.20%

TABLE ONE
Facilities in the 30-Minute Service Area

Facility	Ownership	City	Minutes ⁽¹⁾	Stations	Occupancy ⁽²⁾
Little Village Dialysis	DaVita	Chicago	23.7	16	83.30%
FMC Neomedica Marquette Park	Fresenius	Chicago	23.7	16	87.50%
Circle Medical Management		Chicago	23.7	27	62.90%
Beverly Dialysis	DaVita	Chicago	23.7	16	95.80%
Country Hills Dialysis	DaVita	Markham	23.7	24	76.39%
FMC Northwestern	Fresenius	Chicago	25	42	58.70%
FMC Alsip	Fresenius	Alsip	25	20	66.60%
Community Dialysis of Harvey	DaVita	Harvey	25	18	60.10%
FMC Congress Parkway	Fresenius	Chicago	25	30	71.10%
FMC Chicago-West	Fresenius	Chicago	25	31	47.80%
University of Illinois Hospital		Chicago	25	26	92.30%
FMC West Willow	Fresenius	Chicago	26.2	12	52.70%
FMC Oak Forest	Fresenius	Oak Forest	26.2	12	59.70%
Mt. Sinai Hospital		Chicago	26.2	16	90.60%
Direct Dialysis Crestwood Care Ctr.		Crestwood	27.5	38	29.60%
FMC Chicago Dialysis Center	Fresenius	Chicago	27.5	21	48.40%
Dialysis Center of America Crestwood		Crestwood	28.7	24	69.40%
Stony Creek Dialysis	DaVita	Oak Lawn	28.7	12	98.60%
Hazel Crest Renal Center	DaVita	Hazel Crest	28.7	19	83.30%
FMC Hazel Crest	Fresenius	Hazel Crest	28.7	16	80.20%
FMC Cicero	Fresenius`	Cicero	28.7	16	64.50%
Garfield Kidney Center	DaVita	Chicago	28.7	16	94.70%
RCG Scottsdale	DaVita	Chicago	30	36	67.50%
Chicago Heights Dialysis	DaVita	Chicago Heights	30	16	83.30%
FMC Southside	Fresenius	Chicago	30	39	85%
Lawndale Dialysis	DaVita	Chicago	30	16	64.50%
FMC West Metro	Fresenius	Chicago	30	12	93.7%
Total Stations/ Average Occupancy %				1134	76%
Calumet City Dialysis*	DaVita	Calumet City	16.2	16	0.0%*
SAH Dialysis at 26 th Street		Chicago	25	15	0.0%*
FMC Summit*	Fresenius	Summit	30	12	0.0%*
FMC New City*	Fresenius	Chicago	18.7	16	0.0%*
Rush University St. Luke's Medical Ctr		Chicago	22.5	5	23.30% **
TRC Children's Dialysis	DaVita	Chicago	25	8	31.20% **
Total Stations/ Average Occupancy %				1206	68.80%

1. Minutes determined by MapQuest and adjusted per 77 IAC 1110.560 (d)
2. Utilization as of September 30, 2015
3. *Facilities still under development, no utilization data to report
4. ** Limited to pediatric dialysis

Source: Application for Permit pages 89-90

V. Project Description

The applicants (DaVita Healthcare Partners, Inc. and Pawlier Dialysis, LLC) are proposing the establishment of a sixteen (16) station ESRD facility in 7,770 GSF of leased space in Chicago, Illinois at a cost of approximately \$4,111,234. The anticipated project completion date is February 28, 2018.

The applicants are funding this project with cash of \$2,308,040, and the fair market value of the lease totaling \$1,803,194. The applicants provided a letter of intent between Clark Street Development LLC and Total Renal Care Inc. to lease the facility located at the Southeast Corner of 95th Street and Colfax Avenue, Chicago, Illinois. The lease is for 15 years with three five year renewals.

- \$25.17psf NNN for years 1-5;
- \$27.69psf NNN for years 6-10;
- \$30.46psf NNN for years 11-15

(See Application for permit pages for the complete lease agreement 28-41)

The applicants currently have the following outstanding projects.

TABLE TWO			
Applicants outstanding projects			
Facility	Project #	City	Completion Date
Belvidere Dialysis	13-070	Belvidere	March 31, 2016
Chicago Ridge Dialysis	14-020	Chicago	January 31, 2016
Tinley Park Dialysis	14-042	Tinley Park	October 31, 2016
Alton Dialysis	14-058	Alton	July 31, 2016
Stony Creek Dialysis	14-069	Oak Lawn	June 30, 2016
Vermilion County Dialysis	15-003	Danville	April 30, 2017
Machesney Park Dialysis	15-004	Machesney Park	April 30, 2017
Calumet City Dialysis	15-020	Calumet City	July 31, 2017
South Holland Renal Center	15-025	South Holland	October 31, 2017
Morris Dialysis	15-032	Morris	April 30, 2017
Lincoln Park Dialysis	15-033	Chicago	April 30, 2017
Montgomery County Dialysis	15-035	Hillsboro	April 30, 2017
Source: Application for Permit page 52.			

VI. Project Costs

The applicants (DaVita Healthcare Partners, Inc. and Pawlier Dialysis, LLC) are proposing the establishment of a 16 station ESRD facility in 7,770 GSF of leased space in

Chicago, Illinois at a cost of approximately \$4,111,234. Table Three lists the project costs and source of funds, Board staff notes all project costs are classified as clinical. The start-up costs and operating deficit is \$2,128,924 for this project.

TABLE THREE		
Project Costs and Sources of Funds		
USE OF FUNDS	Clinical	Total
New Construction Contracts	\$1,405,263	\$1,405,263
Contingencies	\$110,000	\$110,000
Architectural/Engineering Fees	\$107,700	\$107,700
Consulting and Other Fees	\$88,000	\$88,000
Movable or Other Equipment (not in construction contracts)	\$597,077	\$597,077
Fair Market Value of Leased Space/Equipment	\$1,803,194	\$1,803,194
TOTAL USES OF FUNDS	\$4,111,234	\$4,111,234
SOURCE OF FUNDS	Clinical	Total
Cash and Securities	\$2,308,040	\$2,308,040
Leases (Fair Market Value)	\$1,803,194	\$1,803,194
TOTAL SOURCES OF FUNDS	\$4,111,234	\$4,111,234
Source: Application for Permit page 6		

VII. Purpose of Project, Safety Net Impact Statement and Alternatives

A) Criterion 1110.2130 (a) - Purpose of the Project

The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served.

The applicants stated the following:

“The purpose of the project is to improve access to life sustaining dialysis services to the residents of the south side of Chicago. There are 50 dialysis facilities within 30 minutes of the proposed Park Manor Dialysis that both treat the adult population, and have been operational for at least two years. Collectively, the 50 facilities were operating at 75.4% as of June 30, 2015, and lack sufficient capacity to accommodate all of the projected referrals to the proposed Park Manor Dialysis facility.”

The applicants note there were approximately 5,356 ESRD patients residing within 30 minutes of the proposed Park Manor Dialysis, and that number is projected to increase. It is noted that this facility will improve access for chronically ill ESRD patients residing on the south side of Chicago, who lack adequate access to said services. (See Application for Permit pages 78-80)

B) Criterion 1110.230 (b) - Safety Net Impact Statement

Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]

The applicants provided the following statement:

1. *“This criterion is required for all substantive and discontinuation projects. DaVita HealthCare Partners Inc. and its affiliates are safety net providers of dialysis services to residents of the State of Illinois. DaVita is a leading provider of dialysis services in the United States and is committed to innovation, improving clinical outcomes, compassionate care, education and Kidney Smarting patients, and community outreach. A copy of DaVita’s 2014 Community Care report, which details DaVita’s commitment to quality, patient centric focus and community outreach, was previously included as part of Applicants’ application for Proj. No. 15-025. As referenced in the report, DaVita led the industry in quality, with 50 percent of its dialysis centers earning four or five stars in the federal Five-Star Ratings, compared to the 21 percent industry average. DaVita also led the industry in Medicare’s Quality Incentive Program, ranking No. 1 in three out of four clinical measures and receiving the fewest penalties. DaVita has taken on many initiatives to improve the lives of patients suffering from CKD and ESRD. These programs include the Kidney Smart, IMPACT, Cathaway, and transplant assistance programs. Furthermore, DaVita is an industry leader in the rate of fistula use and has the lowest day-90 catheter rates among large dialysis providers. During 2000 - 2014, DaVita improved its fistula adoption rate by 103 percent. Its commitment to improving clinical outcomes directly translated into 7% reduction in hospitalizations among DaVita patients. DaVita has improved clinical outcomes each year since 2000, generating an estimated \$204 million in net savings to the American healthcare system in 2013. The proposed project will not impact the ability of other health care providers or health care systems to cross-subsidize safety net services. As shown in Table 1110.1430(b), the utilization of adult dialysis facilities operating for over two years and within 30 minutes of the proposed Park Manor Dialysis facility is 75.4%. There are 2,386 patients from Dr. Cunningham’s (Medical Director, Park Manor Dialysis), practice suffering from Stage 3, 4, or 5 CKD. 122 of the Stage 4 and Stage 5 patients reside within an approximate 10-minute commute of the proposed facility. At least 79 of these patients will be referred to the proposed Park Manor facility within 12 to 24 months of project completion. As such, the proposed facility is necessary to allow existing facilities to operate at optimum capacity while at the same time accommodating the growing demand for dialysis services. Accordingly, the proposed dialysis facility will not impact other general health care providers' ability to cross-subsidize safety net services.” (See Application for Permit pages 153-154)*

TABLE FOUR Safety Net Impact State of Illinois Facilities			
	2012	2013	2014
Net Patient Revenue	\$228,403,979	\$244,115,132	\$266,319,949
CHARITY CARE			
Charity (# of patients)	152	187	146
Charity (cost In dollars)	\$1,199,657	\$2,175,940	\$2,477,363
% Charity Care to Net Revenue	0.05%	0.08%	0.09%
MEDICAID			
Medicaid J# of patients)	651	679	708
Medicaid (revenue)	\$11,387,229	\$10,371,416	\$8,603,971
% Medicaid to Net Revenue	4.98%	4.24%	3.23%
Source Application for Permit page 153			

C) Criterion 1110.230 (c) - Alternatives to the Proposed Project

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The applicants considered two alternatives to the proposed project. The applicants stated the following.

Utilize Existing Facilities.

The applicants considered the alternative of utilizing existing facilities, but ultimately rejected this, due to the existing lack of access at area facilities, and the lack of sufficient capacity to accommodate the projected patient referrals (79 patients), from the Dr. Cunningham’s patient base. The applicants also point out an existing need for 104 additional ESRD stations in the planning area, and a projected increase in the number of ESRD patients in the planning area in need of dialysis services in the near future. The applicants did not identify any project costs with this alternative.

Establish a New Facility

The applicants determined this to be the viable alternative, based on the need for additional stations in the planning area, the high average utilization at existing facilities, and the need to accommodate Dr. Cunningham’s projected referrals. The applicants felt this alternative best addressed the need for increased access, and the need for additional ESRD stations in HSA-06. **The cost of this alternative: \$4,111,234.** (See Application for Permit pages 81-82)

VIII. Project Scope and Size, Utilization and Assurances

A) Criterion 1110.234 (a) - Size of Project

The applicant shall document that the physical space proposed for the project is necessary and appropriate.

The applicants are proposing to establish a 16-station dialysis facility. Pursuant to Section 1110, Appendix B of the HFSRB's rules, the State standard is 450-650 gross square feet per dialysis station for a total of 7,200 – 10,400 gross square feet for 16 dialysis stations. The total gross square footage of the proposed dialysis facility is 7,700 gross square feet or 481.25 GSF per station. *(See Application for Permit page 83)*

B) Criterion 1110.234 (b) - Project Services Utilization

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B.

By the second year of operation, annual utilization at the proposed facility shall exceed HFSRB's utilization standard of 80%. Pursuant to Section 1100.1430 of the HFSRB's rules, facilities providing in center hemodialysis should operate their dialysis stations at or above an annual utilization rate of 80%, assuming three patient shifts per day per dialysis station, operating six days per week. Dr. Cunningham is currently treating 122 CKD patients that reside within approximately 10 minutes of the proposed facility, and whose condition is advancing to ESRD. Based upon attrition due patient death, transplant, return of function, or relocation, it is estimated that 79 of these patients will initiate dialysis within 12 to 24 months following project completion. *(See Application for Permit page 84)*

79 patients x 3 times a week x 52 weeks/year= 12,324 treatments
16 stations x3 shifts a day x 6 days a week x 52 weeks per year =14,976 treatments or
12,324 treatments/14,976 treatments = 82.3%

C) Criterion 1110.234 (e) - Assurances

The applicants must attest that the proposed project will be at 80% utilization within two years after project completion and maintain the 80% utilization for the life of the facility.

The applicants have provided the necessary attestation that the proposed project will be at 80% utilization two years after project completion. *(See Application for Permit page 128))*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA SIZE OF THE PROEJCT, PROJECTED UTILIZATION, ASSURANCES (77 IAC 1110.234 (a) (b) (e))

IX. In-Center Hemodialysis Projects

A) Criterion 1110.1430 (b) - Background of Applicant

An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. [20 ILCS 3960/6] "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. (77 IAC 1130.140)

The applicants have provided the necessary attestation that no adverse actions have occurred within the past 3 years and that the applicants have given the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health access to any and all information required to verify information contained in the application for permit (Application, p. 76). The applicants are in good standing with the State of Illinois and the site chosen for this project meets the requirements of Executive Order #2005-5 and the requirements of the Illinois State Agency Historic Resources Preservation (20 ILCS 3420, as amended, 17 IAC 4180) (*See Application for Permit pages 54-77*)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION BACKGROUND OF APPLICANT (77 IAC 1110.1430 (b))

B) Criterion 1110.1430 (c) (1) (2) (3) (5) - Planning Area Need

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:

- 1) 77 Ill. Adm. Code 1100 (Formula Calculation)**
- 2) Service to Planning Area Residents**
- 3) Service Demand – Establishment of In-Center Hemodialysis Service**
- 5) Service Accessibility**

There is a calculated need for 104 additional ESRD stations in the HSA VI ESRD Planning Area. It appears that the applicants will provide dialysis services to patients of the HSA VI ESRD Planning Area as the applicants have identified one hundred twenty-two (122) individuals in Stage 4 and 5 who reside within approximately 10 minutes of the proposed facility that will likely need ESRD services. There appears to be sufficient demand as the applicants have attested that of these one hundred twenty-two (122) patients seventy-nine (79) patients are projected to need dialysis service within the next 24 months. See the referral letter provided by Dr. Cunningham Medical Director of the proposed facility at pages 156-157 of the Application for Permit. According to the applicants "*the proposed facility is needed to maintain access to life-sustaining dialysis for residents of the south side of Chicago. Currently, there are 50 dialysis facilities that treat both the adult population and have been in operation for at least two years, within 30 minutes of the proposed Park Manor Dialysis*".

TABLE FIVE	
Patients within 10 minutes of proposed facility	
Zip Code/City	Patients
60617-Chicago	64
60649-Chicago	58
Total	122
Source: Application for Permit page 88	

The combination of over-utilized facilities and the need for 104 ESRD stations support the need for the proposed project, and a positive finding has been made for this criterion. (See Application for Permit pages 87-88)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1110.1430 (c) (1) (2) (3) (5))

C) Criterion 1110.1430 (d) - 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.**
- 3) Impact on Other Providers**

There are 58 facilities within 30 minutes of the proposed facility (see Table One) - and average utilization at these facilities is 68.8%. The November 2015 Bed/Station Update shows a need for 104 additional ESRD stations in HSA-VI ESRD Planning Area. The applicants supplied a list of all zip codes served within the 30-minute drive radius. This list (application pg 91-92), identifies 55 townships/zip codes, and a population of 1,881,372 residents. Dr Patrick Cunningham, Medical Director, DaVita Park Manor Dialysis, supplied a referral letter attesting to the referral of 79 ESRD patients to the proposed facility within the first 12-24 months of operation. Although there appears to be underutilized facilities in the service area, there is sufficient need for additional stations in the service area. (See Application for Permit pages 91-94)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (77 IAC 1110.1430 (d))

D) Criterion 1110.1430 (f) - Staffing

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and Joint Commission staffing requirements can be met.

The State Board relies upon Medicare Conditions of Participation to assure that relevant clinical and professional staffing needs are met. The applicants will seek Medicare certification for this facility if approved. *(See Application for Permit pages 95-109)*

E) Criterion 1110.1430 (g) - 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 that the proposed facility will participate in a dialysis data system, will make support services available to patients, and will provide training for selfcare dialysis, self-care instruction, home and home-assisted dialysis, and home training. *(See Application for Permit pages 110-112)*

F) Criterion 1110.1430 (h) - 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 dialysis facility will be located in the Chicago-Naperville-Joliet metropolitan statistical area ("MSA"). A dialysis facility located within an MSA must have a minimum of eight dialysis stations. The applicants propose to establish a 16-station dialysis facility. The applicants have met the requirements of this criterion. *(See Application for Permit page 113)*

G) Criterion 1110.1430 (i) - 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.

DaVita HealthCare Partners Inc. has an agreement with The University of Chicago Medical Center to provide inpatient care and other hospital services. *(See Application for Permit pages 114-125)*

H) Criterion 1110.1430 (k) - Assurances

The applicants have attested that by the second year after project completion, Park Manor Dialysis expects to achieve and maintain 80% target utilization; and Park Manor Dialysis also expects hemodialysis outcome measures will be achieved and maintained at the following minimums:

- Greater than or equal to 85% of hemodialysis patient population achieves urea reduction ratio (URR) greater than 65%; and,
- Greater than or equal to 85% of hemodialysis patient population achieves Kt/V Daugirdas II .1.2 *(See Application for Permit pages 127-129)*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA STAFFING, SUPPORT SERVICES, MINIMUM NUMBER OF STATIONS, CONTINUITY OF CARE, ASSURANCES (77 IAC 1110.1430 (f) (g) (h) (i) (k))

X. FINANCIAL

A) Criterion 1120.140 (a) - Availability of Funds

The applicants are funding this project with \$2,308,040 in cash and securities, and the fair market value of the lease, totaling \$1,803,234. A review of the applicants' audited financial statements indicates sufficient resources are available to fund the project.

TABLE SIX		
DaVita Healthcare Partners, Inc (Dollars in thousands)		
	2014	2013
Cash	\$965,241	\$946,249
Current Assets	\$3,876,797	\$2,472,278
Current Liabilities	\$2,088,652	\$2,462,049
LTD	\$8,383,280	\$8,141,231
Net Patient Service Revenue	\$8,501,454	\$8,013,649
Total Revenue	\$12,795,106	\$11,764,050
Operating Expenses	\$10,979,965	\$10,213,916
Net Income	\$723,114	\$633,446
Average revenue/treatment	\$342	\$340
Average expense/treatment	\$273.60	\$285.60
Source: 2014 DaVita 10-K		

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

B) Criterion 1110.130 (b) - Financial Viability

The applicants have qualified for the financial waiver which allows an applicant that is funding the project from internal sources to forgo providing historical financial ratios for the past three years and the first year after project completion. The applicants are funding this project from internal sources.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130)

XI. ECONOMIC FEASIBILITY

A) Criterion 1110.140 (a) - Reasonableness of Financing Arrangements

B) Criterion 1110.140 (b) - Terms of Debt Financing

The applicants are funding this project with cash of \$2,308,040, and the fair market value of the lease totaling \$1,803,234. The State Board considers lease financing as debt financing. The applicants provided a letter of intent between Clark Street Development LLC and Total Renal Care Inc. to lease the facility located at the Southeast Corner of 95th Street and Colfax Avenue, Chicago, Illinois. The lease is for 15 years with three five year renewals.

- \$25.17psf NNN for years 1-5;
- \$27.69psf NNN for years 6-10;
- \$30.46psf NNN for years 11-15

(See Application for permit pages for the complete lease agreement 28-41)

C) Criterion 1110.140 (c) - Reasonableness of Project Costs

New construction and contingency costs are \$1,515,263 or \$195.01 per GSF. This appears reasonable when compared to the State Board Standard of \$262.22 per GSF.

Contingency costs are \$110,000 and are 7.8% of new construction contracts. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees are \$107,700 and are 7.1% of new construction and contingency contracts. This appears reasonable when compared to the State Board Standard of 6.65-9.99%

Consulting and Other Fees total \$88,000. The State Board does not have a standard for these costs.

Movable or Other Equipment (Not in Construction Contracts) costs total \$597,077 or \$37,317 per station and include the following costs. The State Board standard is \$50,601.13 per station.

TABLE SEVEN	
Movable and Other Equipment	
Communications	\$92,650
Water Treatment	\$141,675
Bio-Medical Equipment	\$10,885
Clinical Equipment	\$247,755
Clinical Furniture/Fixtures	\$22,745
Lounge Furniture/Fixtures	\$3,265
Storage Furniture/Fixtures	\$7,837
Business Office Fixtures	\$29,865

TABLE SEVEN	
Movable and Other Equipment	
General Furniture/Fixtures	\$30,200
Signage	\$10,200
Total	\$597,077

Fair Market Value of Leased Space/Equipment These costs total \$1,803,194. The State Board does not have a standard for these costs.

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

D) Criterion 1110.140 (d) - Projected Operating Costs

The projected operating cost per treatment is \$258.03. This appears reasonable when compared to previously approved projects.

E) Criterion 1110.140 (e) - Projected Capital Costs

The projected capital cost per treatment is \$18.21. This appears reasonable when compared to previously approved projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERIA REASONABLENESS FOR FINANCING ARRANGEMENT, TERMS OF DEBT FINANCING, REASONABLENESS OF PROJECT COSTS, DIRECT OPERATING COSTS, PROJECTED CAPITAL COSTS (77 IAC 1120.140 (a) (b) (c) (d) (e))

15-048 DaVita Park Manor Dialysis - Chicago



DaVita Park Manor Dialysis
95th st & Colfax Avenue
Chicago, IL

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