



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: G-02	BOARD MEETING: March 29, 2016	PROJECT NO: 16-004	PROJECT COST: Original: \$2,709,300
FACILITY NAME: O'Fallon Dialysis		CITY: O'Fallon	
TYPE OF PROJECT: Substantive			HSA: XI

PROJECT DESCRIPTION: The applicants (DaVita HealthCare Partners, Inc. and Total Renal Care, Inc.) are proposing to establish a twelve station (12) ESRD facility located at 1941 Frank Scott Parkway E, in O'Fallon, Illinois. The anticipated cost of the project is \$2,709,300 and the anticipated completion date is September 30, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita HealthCare Partners, Inc. and Total Renal Care, Inc.) are proposing to establish a twelve station (12) ESRD facility located at 1941 Frank Scott Parkway E, in O'Fallon, Illinois. The anticipated cost of the project is \$2,709,300 and the anticipated completion date is September 30, 2017.
- Additionally Project #15-062 – Fresenius Medical Care Belleville to establish a twelve (12) station ESRD facility in Belleville, Illinois is scheduled to be heard at the March 29, 2016 State Board Meeting. The proposed two facilities will be located in the same HSA XI ESRD Planning Area.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are proposing to establish a health care facility as defined by the Illinois Health Facilities Planning Act. (20 ILCS 3960/3)

SUMMARY OF THE PROJECT

- There is a calculated need for thirteen (13) stations in the HSA XI ESRD Planning Area. There are six (6) facilities within thirty minutes of the proposed facility with an average utilization of approximately 75.11%. Based upon information reported by the facilities to the State Board this planning area (HSA XI ESRD Planning Area) has seen a compounded annual increase in the number of ESRD patients of 4.65% over the past four years. (CY 2012-CY 2015). The State of Illinois has seen a compounded annual increase of 3.42% in the number of dialysis patients over this same four (4) year period. Based upon the information provided by the applicants in the application there appears to be sufficient demand for the proposed facility and it appears the proposed facility will serve the residents of the HSA XI ESRD Planning Area. It does not appear there is a surplus of the stations in the 30 minute service area when compared to the State of Illinois stations to population ratio. Finally it does not appear that the proposed facility will have an adverse impact on other facilities because the patients identified for this project are not receiving dialysis at any other facilities in the planning area.

PUBLIC HEARING/COMMENT:

- A public hearing was offered in regard to the proposed project, but none was requested. A letter of support was received from the Mayor of O'Fallon Gary L. Graham. No opposition letters were received by the State Board Staff.

CONCLUSIONS:

- The applicants addressed a total of twenty one (21) criteria and have successfully addressed them all.

STATE BOARD STAFF REPORT
Project #16-004
DaVita O'Fallon Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	DaVita HealthCare Partners, Inc and Total Renal Care, Inc.
Facility Name	DaVita O'Fallon Dialysis
Location	1941 Frank Scott Parkway E, Suite B., O'Fallon, Illinois
Permit Holder	Total Renal Care, Inc.
Operating Entity	Total Renal Care, Inc.
Owner of Site	RLP Development Co. Inc.
Description	Establish twelve (12) station ESRD facility
Total GSF	6,911 GSF
Application Received	January 8, 2016
Application Deemed Complete	January 13, 2016
Review Period Ends	May 12, 2016
Financial Commitment Date	September 30, 2017
Project Completion Date	September 30, 2017
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 Total Renal Care, Inc.) are proposing to establish a twelve station (12) ESRD facility located at 1941 Frank Scott Parkway E, in O'Fallon, Illinois. The anticipated cost of the project is \$2,709,300 and the anticipated completion date is September 30, 2017.

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 Total Renal Care, Inc. DaVita Healthcare Partners, Inc. currently operates over 2,179 dialysis centers throughout the United States. Total Renal Care, Inc is a California Corporation licensed to conduct business in the State of Illinois and is currently in good standing with the State of Illinois. The operating entity is Total Renal Care, Inc. and the owner of the site is RLP Development Co. Inc. The proposed facility will be located at 1941 Frank Scott Parkway E, Suite B., O'Fallon, Illinois in the HSA XI ESRD Planning Area. HSA XI ESRD Planning Area consists of the Illinois Counties of Clinton, Madison, Monroe, and St. Clair. There is a calculated need for thirteen (13) ESRD stations in this planning area.

This is a substantive project subject to an 1110 and 1120 review. Obligation of the project will occur after permit issuance.

Table One below outlines the current DaVita Projects approved by the State Board and not yet completed.

TABLE ONE			
Current DaVita Projects			
Project Number	Name	Project Type	Completion Date
13-070	Belvidere Dialysis	Establishment	3/31/2016
14-020	Chicago Ridge Dialysis	Establishment	01/31/2016
14-042	Tinley Park Dialysis	Establishment	10/31/2016
15-004	Machesney Park Dialysis	Establishment	04/30/2017
15-003	Vermillion County Dialysis	Establishment	04/30/2017
15-020	Calumet City Dialysis	Establishment	07/31/2017
15-025	South Holland Dialysis	Discontinuation/Establishment	10/31/2017
15-032	Morris Dialysis	Discontinuation/Establishment	04/30/2017
15-033	Lincoln Park Dialysis	Discontinuation/Establishment	04/30/2017
15-035	Montgomery Dialysis	Establishment	04/30/2017
15-048	Park Manor Dialysis	Establishment	02/28/2018
15-049	Huntley Dialysis	Establishment	02/28/2018
15-052	Sauget Dialysis	Expansion	08/31/2017
15-054	Washington Heights Dialysis	Establishment	09/30/2017

Source: #16-004 Application for Permit

IV. Project Costs and Sources of Funds

The applicants are funding the project with cash of \$1,962,577 and the FMV of leased space of \$746,723. The operating deficit and start-up costs are \$504,772.

TABLE TWO			
Project Costs and Sources of Funds			
	Reviewable	Non Reviewable	Total
Modernization	\$995,000	\$160,000	\$1,155,000
Contingencies	\$95,000	\$15,000	\$110,000
Architectural and Engineering Fees	\$70,000	\$12,000	\$82,000
Consulting and Other Fees	\$75,000	\$15,000	\$90,000
Movable or Other Equipment	\$463,585	\$61,992	\$525,577
FMV of Leased Space	\$643,537	\$103,186	\$746,723
Total	\$2,342,122	\$367,178	\$2,709,300
Cash			\$1,962,577
Leases			\$746,723
Total			\$2,709,300

V. Purpose of the Project, Safety Net Impact Statement, and Alternatives

The information for these three criteria is informational only.

A) Criterion 1110.230(a) - Purpose of the Project

The applicants stated the following in part:

The purpose of the project is to improve access to life sustaining dialysis services to the residents of Southern Illinois. There are 6 dialysis facilities within 30 minutes of the proposed O'Fallon Dialysis; collectively these facilities were operating at 78.1 % as of September 30, 2015. Three of the existing facilities are operating below the State Board's 80% standard and cannot accommodate all of Dr. Dalal's projected referrals. Furthermore, over the past three years, patient census at existing facilities within the proposed O'Fallon Dialysis' GSA has increased nearly 13% (or 4.3% annually) from 490 patients as of September 30,2012 to 553 patients as of September 30, 2015. Due to health reform initiatives, this growth is expected to continue as more high risk individuals obtain better access to primary care and kidney screening. Accordingly, additional stations are needed to maintain access to dialysis for this new influx of patients. Dr. Rashid Dalal's practice, St. Louis Nephrology and Hypertension, is currently treating 245 pre ESRD patients that reside in and around O'Fallon and its surrounding communities. He has identified 99 patients reside within 20 minutes of the proposed O'Fallon Dialysis. Conservatively, that based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Dalal anticipates that at least 59 of these patients will initiate dialysis at the proposed facility within 12 to 24 months following project completion. Accordingly, there is insufficient capacity within the GSA to accommodate Dr. Dalal's projected referrals. The establishment of a 12-station dialysis facility will improve access to necessary dialysis treatment for those individuals in O'Fallon and the surrounding communities who suffer from ESRD. ESRD patients are typically chronically ill individuals and adequate access to dialysis services is essential to their well-being. (For a complete discussion see pages 68-70 of the application for permit.)

B) Criterion 1110.230(b) – Safety Net Statement

The applicants provided a safety net statement at page eighty-six (86) of the application for permit. The applicants stated the following:

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. According to the October 8, 2015 report issued by CMS, DaVita led the industry in quality with 202 DaVita facilities earning 5 stars which represents 34% of all 5 star facilities. 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. The utilization of existing dialysis facilities within 30 minutes of the proposed O'Fallon Dialysis is 78.1 %. There are 245 patients from Dr. Dalal's practice suffering from Stage 3, 4, or 5 CKD. 99 of the mid-to-late stage CKD patients reside within a 30 minute commute of the proposed facility. At least 59 of these patients will be referred to the proposed O'Fallon Dialysis within 12 to 24 months of project completion. As such, the proposed facility is necessary to allow existing facilities to operate at their 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. Further, the U.S. Centers for Disease Control and Prevention estimates 10% of American adults have some level of CKD and the National Kidney Fund of Illinois estimates over 1 million Illinoisans have CKD and most do not know it. As more working families obtain health insurance through the ACA and 1.5 million Medicaid beneficiaries transition from traditional fee for service Medicaid to Medicaid managed care, more individuals in high risk groups will have better access to primary care and kidney screening. As a result of these health care reform initiatives, there will likely be tens of thousands of newly diagnosed cases of CKD in the years ahead. Once diagnosed, many of these patients will be further along in the progression of CKD due to the lack of nephrologist care prior to diagnosis. It is imperative that enough stations are available to treat this new influx of ESRD patients, who will require dialysis in the next couple of years. (see Application for Permit pages 125-127)

TABLE THREE			
DaVita Healthcare Partners, Inc. Illinois Facilities			
Safety Net Impact			
	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 (# of patients)	651	679	708

TABLE THREE			
DaVita Healthcare Partners, Inc. Illinois Facilities			
Safety Net Impact			
	2012	2013	2014
Medicaid (revenue)	\$11,387,229	\$10,371,416	\$8,603,971
% Medicaid to Net Revenue	0.40%	0.40%	0.30%
<i>Source: Page 126-1276 Application for Permit</i>			

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

The applicants looked at one other option to the proposed project which was utilizing existing facilities within the HSA XI ESRD planning area. The applicants stated the following:

There are 6 dialysis facilities within 30 minutes of the proposed O'Fallon Dialysis; collectively these facilities were operating at 78.1% as of September 30, 2015. Three of the existing facilities are operating below the State Board's 80% standard and cannot accommodate all of Dr. Dalal's projected referrals. Furthermore, over the past three years, patient census at existing facilities within the proposed O'Fallon Dialysis' GSA has increased nearly 13% (or 4.3% annually) from 490 patients as of September 30, 2012 to 553 patients as of September 30, 2015. Due to health reform initiatives, this growth is expected to continue as more high risk individuals obtain better access to primary care and kidney screening. Accordingly, additional stations are needed to maintain access to dialysis for this new influx of patients. Further, the U.S. Centers for Disease Control and Prevention estimates 10% of American adults have some level of CKD, 10 and the National Kidney Fund of Illinois estimates over 1 million Illinoisans have CKD and most do not know it. As more working families obtain health insurance through the Affordable Care Act and 1.5 million Medicaid beneficiaries transition from traditional fee for service Medicaid to Medicaid managed care more individuals in high risk groups will have better access to primary care and kidney screening. As a result of these health care reform initiatives, there will likely be tens of thousands of newly diagnosed cases of CKD in the years ahead. Once diagnosed, many of these patients will be further along in the progression of CKD due to the lack of nephrologist care prior to diagnosis. It is imperative that enough stations are available to treat this new influx of ESRD patients, who will require dialysis in the next couple of years. Dr. Rashid Dalal's practice, St. Louis Nephrology and Hypertension, is currently treating 245 pre-ESRD patients that reside in and around O'Fallon and its surrounding communities. He has identified 99 patients that reside within 20 minutes of the proposed O'Fallon Dialysis. Conservatively, based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Dalal anticipates that at least 59 of these patients will initiate dialysis at the proposed facility within 12 to 24 months following project completion. Given the high utilization of the existing facilities coupled with projected growth of ESRD patients due to health care reform initiatives, the existing facilities within the GSA will not have sufficient capacity to accommodate Dr. Dalal's projected referrals. As a result, DaVita rejected this option.(see Application for Permit pages 71-72)

VI. Project Size, Projected Utilization, Assurances

A) Criterion 1110.234 (a) – Size of the Project

The applicants are proposing 5,956 GSF of space to house twelve (12) stations or 497 GSF per station. This appears reasonable when compared to the State Board Standard of 360-520 GSF per station. *(See page 73 of the application for permit).*

B) Criterion 1110.234 (b) – Projected Utilization

The applicants are estimating providing dialysis to fifty nine (59) patients in twelve (12) stations or 9,204 treatments per year or a utilization rate of 81.9% by the second year after project completion. *(See page 74 of the Application for Permit)*

12 stations x 936 treatments per station per year = 11,232 total capacity/ 3 shifts per day
59 estimated patients x 156 treatment per year = 9,204 treatments
 $9,204/11,232 = 81.9\%$ utilization by second year after project completion

C) Criterion 1110.234 (e) - Assurances

The applicants provided the necessary assurance that the proposed twelve (12) station facility will be at the target occupancy of eighty percent (80 %) by the second year after project completion. *See page 109 of the Application for Permit*

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

VII. In Center Dialysis Center

A) Criterion 1110.1430 (b) (1) (3) - Background of Applicant

Assistant Arturo Sida, Corporate Secretary DaVita Healthcare Partners, Inc. attested: *“I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that no adverse action as defined in 77 IAC 1130.140 has been taken against any in-center dialysis facility owned or operated by DaVita HealthCare Partners Inc. or Total Renal Care, Inc. in the State of Illinois during the three year period prior to filing this application.*

Additionally, pursuant to 77 Ill. Admin. Code § 1110.230(a)(3)(C), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for permit. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for permit.” (See pages 55-67 of the application for permit)

The site of the proposed dialysis facility complies with the requirements of Illinois Executive Order #2006-5 (See Application for Permit 37-38) and the proposed site is compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION BACKGROUND OF APPLICANTS (77 IAC 1110.1430 (b) (1) (3))

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

There is a calculated need for thirteen (13) ESRD stations in the HSA XI ESRD Planning area by CY 2018. The referring physician Dr. Rashid Dalal's practice, Midwest Nephrology & Hypertension Associates, is currently treating 245 Stage 3, 4, and 5 CKD patients. Ninety nine (99) patients reside within twenty (20) minutes of the proposed O'Fallon Dialysis. Conservatively based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Dalal anticipates that at least fifty nine (59) of these patients will initiate dialysis at the proposed facility within 12 to 24 months following project completion. The table below documents the zip code and city of the projected referrals to the proposed facility.

Zip Code	City	Referrals
62226	Belleville	22
62208	Fairview Heights	5
62232	Caseyville	6
62220	Belleville	11

Zip Code	City	Referrals
62243	Freeburg	5
62269	O'Fallon	14
62221	Belleville	18
62225	Scott Air Force Base	2
62258	Mascoutah	6
62254	Lebanon	3
62234	Collinsville	7
Total		99

Source: Application for Permit page 78

There are six (6) dialysis facilities within thirty (30) minutes of the proposed O'Fallon Dialysis; collectively these facilities were operating at 75.11% as of December 31, 2015 (see Table Five below). The State Board Staff as reported by the eleven (11) existing facilities in the HSA XI has seen an increase in the number of ESRD patients from six hundred thirty six (636) to seven hundred sixty five (765) patients for the period January 2012 to December 2015. This is a compounded annual increase of 4.65% in the number of dialysis patients in this HSA XI ESRD Planning Area over this four year period.

Facility	Ownership	City	Stations	Minutes (1)	Utilization (2)
Shiloh Dialysis	Davita	Shiloh	12	1	80.56%
Fresenius Medical Care Regency Park	Fresenius	O'Fallon	20	4	85.83%
Sauget Dialysis ⁽³⁾	Davita	Sauget	24	18	60.42%
Maryville Dialysis- Renal Treatment Ctrs.	Davita	Maryville	14	22	72.62%
Renal Care Of Illinois	Davita	Belleville	36	28	78.70%
Granite City Dialysis	Davita	Granite City	20	28	72.50%
Total Stations/Average			126		75.11%

Source: Application for Permit page 79
1. Time determined by MapQuest
2. Utilization as of December 31, 2015
3. Approved to add eight (8) stations at the February 2016 Meeting

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) (1) (2) (3) – Unnecessary Duplication of Service/Mad-Distribution of Service/Impact on Other Facilities

It does not appear there will be an unnecessary duplication of service with the proposed establishment of this facility because of the average utilization of the existing facilities (75.11%) within the thirty (30) minute service area and the compounded average annual increase in the number of patients in the HSA XI ESRD Planning Area of 4.65% for the prior four calendar quarters.

A Mal-distribution of Service or a surplus of stations is determined by the comparison of the ratio of stations to population within the proposed geographic service area (GSA) to the State of Illinois ratio of stations to population in the State of Illinois. The ratio of stations to population within the proposed GSA is one (1) station per three thousand five hundred forty one (3,541) individuals as compared to the State of Illinois ratio of one (1) station per every three thousand twenty seven (3,027) individuals. There is no surplus of stations in the proposed GSA. The applicants believe the proposed facility will not impact other facilities in the proposed GSA as no patients are expected to transfer from the existing dialysis facilities to the proposed O'Fallon Dialysis.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE/MALDISTRIBUTION OF SERVICE/IMPACT ON OTHER FACILITIES (77 IAC 1110.1430 (d) (1) (2) (3))

D) Criterion 1110.1430 (f) - Staffing

The facility will be Medicare certified and will be appropriately staffed in accordance with Medicare and State requirements. The facility will be an open medical staff facility. Curriculum Vitae was provided for the medical director as required. *See pages 85-93 of the Application for Permit*

E) Criterion 1110.1430 (g) - Support Services

DaVita utilizes an electronic dialysis data system. The proposed facility will have available all needed support services required by CMS which may consist of clinical laboratory services, blood bank, nutrition, rehabilitation, psychiatric services, and social services; and patients, either directly or through other area DaVita facilities, will have access to training for self-care dialysis, self-care instruction, and home hemodialysis and peritoneal dialysis. *(See page 94-95 of the Application for Permit).*

F) Criterion 1110.1430 (h) - Minimum Number of Stations

The proposed dialysis facility will be located in the St Louis - St. Charles - Farmington metropolitan statistical area. A dialysis facility located within an MSA must have a minimum of eight dialysis stations. The applicants propose to establish a 12-station dialysis facility.

G) Criterion 1110.1430 (i) – Continuity of Care

DaVita HealthCare Partners Inc. has an agreement with the Protestant Memorial Medical Center, Inc. d/b/a Memorial Hospital to provide inpatient care and other hospital services. *(See page 98-106 of the Application for Permit).*

H) Criterion 1110.1430 (k) - Assurances

The applicants have provided the necessary assurance that the facility will be at target occupancy within 2 years of project completion and meet the quality standards of the State Board. (*See pages 108-110 of the Application for Permit*).

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

VIII. FINANCIAL VIABILITY

A) Criterion 1120.120 - Availability of Funds

The applicants are funding this project with cash and securities totaling \$1,962,577, the fair market value of leased space of \$746,723. A review of the applicants' 2014 10-K statement (submitted with application #15-020) indicates sufficient resources are available to fund the project.

TABLE SIX DaVita Healthcare Partners, Inc. (Dollars in thousands) 31-Dec-14		
	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
<i>Source: DaVita Healthcare Partners, Inc. 2014 10K</i>		

TABLE SEVEN DaVita Healthcare Partners, Inc. Credit Rating			
	Standard & Poor's	Moody's	Fitch ⁽¹⁾
Corporate credit rating	BB	Ba3	
Outlook	stable	stable	
Secured debt	BB	Ba1	
Unsecured debt	B+	B1	
<i>Source: The Applicant</i>			
<i>1. Davita is not followed by Fitch</i>			

B) Criterion 1120.130 – Financial Viability

The applicants qualify for the financial waiver because all funding will be coming from internal resources; therefore no financial ratios needed to be provided.

XI. ECONOMIC FEASIBILITY

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

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

The applicants provided a Letter of Intent to lease the property located at 1941 Frank Scott Parkway, Shiloh, Illinois. The landlord is RLP Development Co. Inc and the tenant is Total Renal Care. The lease is for approximately, 6,911 of Usable Square Feet (USF) and 7,800 Rentable Square Feet (RSF) which includes 889 SF of common area. The primary term of the lease is ten (10) years. The base rent for one year is \$14.88/SF and with an increase 2% annually. The tenant will be responsible for paying standard NNN expenses including Taxes, Insurance and CAM (Common Area Maintenance Charges). *(See Application for Permit pages 29-32 and additional information provided by the applicants March 2, 2016)*

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

Only clinical costs are reviewed.

Modernization and Contingencies Costs are \$1,090,000 or \$183.00 per GSF for 5,956 GSF. This appears reasonable when compared to the State Board Standard of \$201.00 per GSF.

Contingencies Costs are \$95,000 and are 9.5% of the modernization costs of \$995,000. This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural Fees are \$70,000 and are 5.5% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 6.77-10.17%.

Consulting and Other Fees are \$75,000. The State Board does not have a standard for this cost.

Movable of Other Equipment is \$463,585 or \$38,632 per station (12 stations). This appears reasonable when compared to the State Standard of \$55,293 per station.

TABLE EIGHT	
Itemization of Moveable or Other Equipment	
Communications	\$80,350
Water Treatment	\$139,175
Bio-Medical Treatment	\$8,885
Clinical Equipment	\$206,145

TABLE EIGHT	
Itemization of Moveable or Other Equipment	
Clinical Furniture/Fixtures	\$18,030
Signage	\$11,000
Total	\$463,585
<i>Source: Page 51 Application for Permit</i>	

Fair Market Value is \$643,537. The State Board does not have a standard for this cost.

D) Criterion 1120.140 (d) - Direct Operating Costs

Direct operating costs per treatment is \$212.15. This appears reasonable when compared to previously approved projects. *(See page 123 of the application for permit.)*

E) Criterion 1120.140 (e) – Projected Capital Costs

Capital Costs per treatment are expected to be \$21.98 per treatment. This appears reasonable when compared to previously approved projects. *(See page 124 of the application for permit.)*