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:	BOARD MEETING:	PROJECT NO:	PROJECT COST:
H-02	October 25, 2016	16-027	Original: $4,381,822
FACILITY NAME: USRC West Chicago Dialysis		CITY: Chicago	
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The applicants (USRC Alliance, LLC, U.S. Renal Care, Inc., and USRC West Chicago, LLC) are proposing the establishment of a thirteen (13) station ESRD facility in 7,000 GSF of leased space in Chicago, Illinois. The cost of the project is $4,381,822, and the scheduled completion date is March 31, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (USRC Alliance, LLC, U.S. Renal Care, Inc., and USRC West Chicago, LLC) are proposing the establishment of a thirteen (13) station ESRD facility in 7,000 GSF of leased space in Chicago, Illinois. The cost of the project is $4,381,822, and the projected completion date is March 31, 2018.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes to establish a health care facility as defined at 20 ILCS 3960/3

PURPOSE OF THE PROJECT:

- **The applicants state***: "The purpose of this project is to keep dialysis services accessible to a growing ESRD population in the south side of Chicago (HSA-06), and to alleviate the current need for dialysis services in Health Planning Area 6C. The revised needs determinations for ESRD stations, dated May 11, 2016, shows that HSA-06 currently has an unmet need for 42 additional; stations. The applicant will help alleviate this need by making thirteen (13) ESRD stations (12 general and 1 isolation), available to ESRD patients in the planning area. The location of the proposed facility is in a Federally Designated Medically Underserved Area/Population. The market that the applicant will serve is primarily within a 5 mile radius around the facility, which includes the area within the Federally Designated Medically Underserved Area/Population."*

PUBLIC HEARING/COMMENT:

- A public hearing was requested offered for this project, but none was requested. The application file contains no letters of support or opposition.

CONCLUSIONS:

- The State Board Staff has reviewed the application for permit and supplemental information submitted by the applicants and note the following:
- There is a calculated need for an additional forty-two (42) ESRD stations in the HSA VI ESRD Planning Area.
- The ten (10) physicians that comprise Southwest Nephrology Associates, S.C. anticipate the referral of sixty-one (61) pre-ESRD patients to the proposed facility by the second year following project completion. Additionally ten (10) patients will transfer from facilities within the thirty (30) minute service area. Over the past four years (2013 thru the first quarter of 2016) the physicians of Southwest Nephrology Associates S.C. have referred seven hundred one (701) patients from the zip codes within the thirty (30) minute service area to ten (10) different facilities. Nine (9) of the ten (10) facilities are within the thirty (30) minute service area. **[See Page 8 of this report]**
- There are fifty-five (55) facilities within thirty (30) minutes of the proposed facility. Seven (7) of these facilities are in ramp-up and are not yet fully operational. Three (3) of facilities did not report second quarter utilization data. Average utilization of the forty-five (45) facilities is 75.42%. **[See Table at the end of this report]**
- The proposed facility will be located in a Medically Underserved Area/Population. Medically Underserved Areas/Populations are designated by Health Resources Services Administration (HRSA) as having too few primary care providers, high infant mortality, high poverty, or a high elderly population.
- No surplus of stations exists in the thirty (30) minute service area when the ratio of stations to population in this thirty (30) minute service area is compared to the ratio of stations to population in the State of Illinois. **[See Page 10 of this report]**
- The applicants addressed twenty one (21) criteria and have met them all.

STATE BOARD STAFF REPORT
US Renal Care West Chicago Dialysis
PROJECT #16-027

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	USRC Alliance, LLC U.S. Renal Care, Inc. USRC West Chicago, LLC
Facility Name	US Renal Care West Chicago Dialysis
Location	112 West 87th Street, Suite N, Chicago
Application Received	June 21, 2016
Application Deemed Complete	June 27 , 2016
Review Period Ends	October 25, 2016
Permit Holder	U.S. Renal Care, Inc.
Operating Entity	USRC West Chicago, LLC
Owner of the Site	IN Retail Fund Chatham Ridge, LLC
Project Financial Commitment Date	March 31, 2018
Gross Square Footage	7,000 GSF
Project Completion Date	March 31, 2018
Expedited Review	Yes
Can Applicants Request Another Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The applicants (USRC Alliance, LLC, U.S. Renal Care, Inc., USRC West Chicago, LLC) are proposing the establishment of a thirteen (13) station ESRD facility in 7,000 GSF of leased space in Chicago, Illinois. The cost of the project is $4,381,822, and the project completion date is March 31, 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 U.S. Renal Care, Inc., USRC Alliance, LLC, and USRC West Chicago, LLC. U.S. Renal Care Inc. operates more than four hundred (400) outpatient, home, and specialty dialysis programs in thirty-three (33) states, ten (10) in Illinois. USRC Alliance LLC, and USRC Hickory Hills, LLC, are subsidiaries of U.S. Renal Care, Inc. USRC West Chicago will be located at 112 West 87th Street, Suite N, Chicago, Illinois in the HSA VI ESRD planning area. HSA VI includes the City of Chicago. The State Board has projected a need for forty-two (42) additional ESRD stations by CY 2018 in the HSA VI ESRD Planning Area. This is a substantive project

subject to an 1110 and 1120 review. Financial commitment will occur after permit issuance. Table One outlines the most recent U.S. Renal Care projects approved by the State Board and their completion date.

TABLE ONE
U.S. Renal Care Projects and Status

Project Number	Name	Project Type	Completion Date
11-024	US Renal Care Oak Brook Dialysis	Establishment	9/26/2012
11-025	US Renal Care Bolingbrook Dialysis	Establishment	11/15/2012
11-026	US Renal Care Streamwood Dialysis	Establishment	7/10/2012
12-026	US Renal Care Villa Park Dialysis	Establishment	2/4/2013
12-058	US Renal Care Lemont Dialysis	Establishment	Withdrawn 1/7/2013
12-059	US Renal Care Plainfield Dialysis	Establishment	Withdrawn 12/31/2012

IV. Project Costs

The applicants are funding this project with cash and securities of $1,756,990 and the fair market value of leased space and equipment of $2,624,832. The estimated start-up costs and the operating deficit are projected to be $75,820.

TABLE TWO
Project Costs and Sources of Funds

USE OF FUNDS	**Reviewable**	**Non Reviewable**	**Total**
Modernization Contracts	$781,200	$487,800	$1,260,000
Contingencies	$4,823.60	$2,956.40	$7,780
Architectural/Engineering Fees	$37,200	$22,800	$60,000
Movable or Other Equipment (not in construction contracts)	$266,110.20	$163,099.80	$429,210
Fair Market Value of Leased Space & Equipment	$1,627,395.84	$997,436.16	$2,624,832
TOTAL USES OF FUNDS	$2,716,395.84	$1,665,092.36	$4,381,822
SOURCE OF FUNDS	**Reviewable**	**Non Reviewable**	**Total**
Cash and Securities	$1,089,333.80	$667,656.20	$1,756,832
Leases (fair market value) [(1)]	$1,627,395.84	$997,436.16	$2,624,832
TOTAL SOURCES	$2,716,729.64	$1,665,092.36	$4,381,822

Source: Page 5 of the Application for Permit.

V. Section 1110.230 - Purpose of Project, Safety Net Impact Statement and Alternatives

A) Criterion 1110.230 (a) Purpose of the Project

The applicants stated the following:

"The purpose of this project is to keep dialysis services accessible to a growing ESRD population in the south side of Chicago (HSA-06), and to alleviate the current need for dialysis services in Health Planning Area 6C. The revised needs determinations for ESRD stations, dated May 11, 2016, shows that HSA-06 currently has an unmet need for forty-two (42) additional; stations. The applicant will help alleviate this need by making thirteen (13) ESRD stations (12 general and 1 isolation), available to ESRD patients in the planning area. The location of the proposed facility is in a Federally Designated Medically Underserved Area/Population. The

market that the applicant will serve is primarily within a five (5) mile radius around the facility, which includes the area within the Federally Designated Medically Underserved Area/Population." [See Application for Permit Page 53]

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

The applicants stated the following:

"For the three fiscal years before the date of application, US Renal Care, Inc. facilities in Illinois provided $600,503 of charity care. For the three fiscal years before the date of application, US Renal Care Inc. facilities in Illinois provided $549,962 in care to Medicaid patients. [See Additional information received June 26, 2016]

TABLE THREE [1]
SAFETY NET INFORMATION
US Renal Care Facilities in Illinois

	2013	**2014**	**2015**
Net Revenue	**$10,669,105**	**$10,770,414**	**$12,400,107**
CHARITY			
Charity (# of self-pay patients)	1,008	1,071	1,359
Charity (self-pay) Cost	$441,488	$97,869	$61,146
% of Charity Care to Net Rev.	4.14%	0.91%	0.49%
MEDICAID			
Medicaid (Patients)	504	196	141
Medicaid (Revenue)	$96,667	$184,816	$268,479
% of Medicaid to Net Revenue	.09%	.17%	2.1%

1. Source: Additional Information received June 26, 2016

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

The applicants considered the following three (3) alternatives to the proposed project.

1. Proposing a project of greater or lesser scope and cost.
2. Pursuing a joint venture or similar arrangement
3. Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project.

<u>Project of Greater or Lesser Scope</u>

During the planning phase of the project, the applicants considered projects with both more and fewer stations. The applicants determined the alternative of lesser stations would not sufficiently meet the need for additional ESRD stations in the planning area, due to the current number of pre-ESRD patients (637) currently seen by physicians at Southwest Nephrology Associates, S.C. Furthermore, the applicants felt the need for additional stations would eventually be a necessity, but not at this time. The applicants rejected these alternatives; no costs were identified with these alternatives.

Pursue a Joint Venture or Similar Arrangement

The applicants note the ownership structure of the proposed facility is in compliance with the standard model for US Renal Care facilities. The applicants rejected the pursuit of joint ownership, because they felt it may negate the current operating model or otherwise dilute the benefits to patients of USRC West Chicago, LLC. The anticipated cost for this alternative is $4,381,822.

Utilize Other Health Care Resources Available to Serve All or a Portion of the Population

The applicants note the patients in the service area are limited in their options to utilize other healthcare resources. The applicants note the high frequency and length of required treatments make it necessary to introduce additional stations. Based on these determinants, this alternative was rejected.

After considering each of the three (3) above mentioned alternatives, the applicants determined the option of establishing a thirteen (13) station ESRD facility on 112 West 87th Street, Chicago, as the most feasible and cost-effective alternative. Cost of the chosen alternative: $4,381,822.

VI. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234 (a) - Size of Project

The applicants are proposing the construction of 4,550 GSF of clinical space for thirteen stations or 350 GSF per station. The State Board standard is 450-650 GSF per station. [See Application for Permit page 44]

B) Criterion 1110.234 (b) – Projected Utilization

The referring physicians form Southwest Nephrology Associates S.C. identified six hundred thirty-seven (637) pre-ESRD patients currently under the care of the referring physicians who could ultimately require dialysis services. Of these pre-ESRD patients, sixty-one (61) patients have been identified as requiring dialysis treatment in the first two (2) years that the new West Chicago facility is in operation. Should the proposed project be approved ten (10) patients will transfer to the new facility from facilities within the thirty (30) minute service area [See Table Below]. [See Application for Permit page 167]

Facility	Stations	Patients Referred	Current Utilization	After Transfer
DaVita Beverly	16	1	106.20%	105.16%
DaVita Mt. Greenwood	28	1	66.67%	66.07%
DaVita West Lawn	12	1	95.83%	94.44%
DSI Scottsdale	36	2	63.89%	62.96%
FMC Merionette Park	24	3	80.56%	78.48%
FMC SouthSide	39	2	83.76%	82.91%
Total	139	10		

71 patients x 156 treatment per year = 11,076 treatments
13 stations x 936 treatments per stations per year = 12,168 treatments
9,561 treatments/12,168 treatments = 91.02% utilization

C) Criterion 1110.234 (e) – Assurances

The applicants have provided the necessary assurance that they will be at target occupancy within two (2) years after project completion. [See Application for Permit page 119]

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

VII. Section 1110.1430 -In-Center Hemo-dialysis Projects

A) Criterion 1110.1430 (b) (1) (3) - Background of Applicant
To address this criterion the applicants must provide a list of all facilities currently owned in the State of Illinois and an attestation documenting that no adverse actions have been taken against the applicants by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities and Services Review Board; and authorization to the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of the application for permit.

The applicants have provided sufficient background information, to include a list of facilities and the necessary attestations as required by the State Board at *pages 45-52 of the application for permit.* Additionally the ten (10) physicians that will refer patients to the proposed facility are in good standing with the Department of Professional Regulation. The State Board Staff concludes the applicants have met this criterion.

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

B) Criterion 1110.1430 (c) - Planning Area Need
The applicant shall document 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

1. Planning Area Calculated Need

The proposed facility will be located in the HSA VI ESRD Planning Area. There is calculated need for an additional forty-two (42) ESRD stations in this planning area by CY 2018.

HSA 6 ESRD Planning Area Need	
State of Illinois Use Rate	1.236
HSA VI ESRD Planning Area Patients 2013	4,820
HSA VI ESRD Planning Area Population Est. 2013	2,713,600
Area Use Rate (4,820 Patients/[2,713,600/1,000] Pop.)	1.776
HSA VI ESRD Planning Area Projected Pop. 2018	2,582,908
Projected Patients	4,587.80
Adjustment Factor	1.33
Number of ESRD Patients Projected by 2018	6,102
Projected Treatments	951,886
Stations Needed	1,271
Existing Stations	1,229
Station Need	**42**

2. Service to Planning Area Residents

The applicants have attested, through the zip code origin chart (application, p. 164), that approximately 93% of the patients identified in the referral letter are residents of the HSA 6 Planning Area.

3. Service Demand

Southwest Nephrology Associates, S.C. is comprised of the following ten physicians:

Dr. Obasi	Dr. Patel
Dr. Guglielmi	Dr. Selk
Dr. Thomas	Dr. Desai
Dr. Ahuja	Dr. Raju
Dr. McLaughlin	Dr. Onyenwenyi

The ten (10) physicians that comprise Southwest Nephrology Associates, S.C. anticipate the referral of sixty-one (61) pre-ESRD patients to the proposed facility by the second year following project completion. Should the proposed project be approved the applicants will transfer fifteen (15) patients to the new facility.

Over the past four (4) years (2013 thru the first quarter of 2016) the physicians of Southwest Nephrology Associates S.C. have referred seven hundred ten (710) patients from the zip codes within the thirty (30) minute service area to the ten

(10) facilities listed below. The physicians anticipate approximately 10% of the existing hemodialysis patients will not require in-center hemodialysis service within one (1) year due to a change in health status.

Facility	Historic Physician Referrals	Facility Utilization	Transfer Proposed Facility
DaVita Beverly	44	106.25%	1
DaVita Greenwood	33	66.07%	1
DaVita West Lawn	5	95.83%	1
DSI-Scottsdale	272	63.89%	2
FMC-Alsip	1	63.33%	
FMC-Crestwood	40	67.36%	
FMC- Merrionette	234	80.56%	3
FMC-Mokena	8	72.22%	
FMC-Oak Forest*	5	65.28%	
FMC –Southside	68	83.76%	2
Total/Utilization	710	76.46%	15

*****FMC Oak Forest is outside the thirty (30) minute service area.

The sixty-one (61) patients to be referred to the proposed facility will come from the zip codes and cities listed below.

Zip Code	City	Patient Referral
60805	Evergreen Park	4
60619	Chicago	4
60620	Chicago	17
60621	Chicago	1
60628	Chicago	10
60629	Chicago	1
60636	Chicago	4
60637	Chicago	2
60643	Chicago	10
60649	Chicago	1
60652	Chicago	7
Total		61

5. Service Accessibility

The applicants must document that the proposed facility will improve service access for planning area residents. To document improvement in the service access for planning area residents the applicants must document one of four service restrictions within this thirty (30) minute service area.

- There is no absence of ESRD services in this thirty (30) minute service area. There are fifty-five (55) facilities within thirty (30) minutes of the proposed facility. Seven (7) of these facilities are in ramp-up and are not yet fully operational. Three (3) of facilities did not report second quarter

utilization data. Average utilization of the forty-two (45) facilities is 75.42%. [See Table at the end of this report]

- No 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 have been identified by the applicants.
- No restrictive admission policies have been identified by the applicants at other ESRD facilities in this thirty (30) minute service area.
- The proposed facility will be located in Medically Underserved Area with a Medically Underserved Population - Governor's Exception. http://datawarehouse.hrsa.gov/tools/analyzers/geo/ShortageArea.aspx

State Board Staff notes that Medically Underserved Areas ("MUAs") and Medically Underserved Population ("MUPs") are federally designated. MUAs and MUPs are areas or populations that have too few primary care providers, high infant mortality, high poverty, and/or high older adult population. In MUAs—including a whole county, a group of contiguous counties, a group of county or civil divisions, or a group of urban census tracts—residents have a shortage of personal health services. MUPs may include groups of persons within an area of residence who face economic, cultural, or linguistic barriers to health care. A governor exception allows the governor and local officials to request designation of the population as medically underserved and provide material explaining special local circumstances that are barriers to healthcare for the identified population.

The applicants note that the service area encompasses a portion of HSA-7, where a need for fifty-eight (58) additional ESRD stations exists.

Based upon the information reviewed by the State Board Staff, there is a need for forty-two (42) additional stations in the planning area. It appears that service access will be improved should the State Board approve the proposed project as the population has been designated as medically underserved. Finally, there appears to be sufficient demand for the proposed facility and the proposed facility will serve the residents of the planning area.

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

D) Criterion 1110.1430 (d) (1) (2) (3) - Unnecessary Duplication/Mal-distribution/ Impact on Other Facilities

To demonstrate compliance with this criterion the applicants must document that

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 mal-distribution of services.

3) The applicant shall document that, within 24 months after project completion, the proposed project will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100 and will not lower, to a further extent, the utilization of

other area providers that are currently (during the latest 12-month period) operating below the occupancy standards.

1. Unnecessary Duplication of Service

There are fifty-five (55) facilities within thirty (30) minutes of the proposed facility. Seven (7) of these facilities are in ramp-up and all of the stations of these facilities are not yet fully operational. Three (3) of the facilities did not provide utilization data for the second quarter of 2016. Of the remaining forty-five (45) facilities average utilization was 75.42%. [See Table at the end of this report]

2. Mal-distribution of Service

The ratio of ESRD stations to population in the zip codes within a thirty (30) minute radius of US Renal Care West Chicago is 1 station per 2,006 residents according to the 2010 census, and does not exceed the one and one half time the State average. The State ratio is 1 station per 2,918 residents (based on US Census projections for 2015 and the September 2016 Board Station Inventory), and it does not appear a surplus of stations in the thirty (30) minute service area exists.

3. Impact on Other Facilities

The applicants stated "*The addition of 13 ESRD stations' at the Facility Dialysis Facility would account for only 1.07% of the total shift capacity in the unadjusted 30-minute drive time area and 1% of the total shift capacity in HSA 6. Assuming the Facility achieved immediately 80% utilization (9,734 treatments per year); the facility would make only a 0.85% difference in the 30-minute drive time occupancy levels and less than a 0.95% difference in the total shift capacity of HSA 6. This increase in stations is fractional compared to the number of licensed stations in the area, thus it is unlikely that the addition of these stations will lower the utilization of other area providers, both those who are operating above 80% and those operating below 80%.*" [See Supplemental Information submitted June 26, 2016]

The impact on other facilities that patients will be transferred from as it will reduce overall utilization at these facilities by approximately 1.15%.

Facility	Stations	Patients Referred	Current Utilization	After Transfer
DaVita Beverly	16	1	106.20%	105.16%
DaVita Mt. Greenwood	28	1	66.67%	66.07%
DaVita West Lawn	12	1	95.83%	94.44%
DSI Scottsdale	36	2	63.89%	62.96%
FMC Merrionette Park	24	3	80.56%	78.48%
FMC South Side	39	2	83.76%	82.91%
Total	139	10	82.82% (1)	81.67% (1)

1. Average utilization

Based upon the information reviewed by the State Board Staff it does not appear an unnecessary duplication of service will result should the proposed facility be approved, because there is a calculated need in the planning area and the proposed facility will be located in MUA/P. There is no surplus of stations in the thirty (30) minute service area as evidenced by the ratio of stations to population in this thirty (30) minute service area compared to the State of Illinois ratio. Finally, the impact on other facilities will be minimal as the existing facilities are operating at approximately 76% average utilization.

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

E) Criterion 1110.1430 (f) - Staffing
F) Criterion 1110.1430 (g) - Support Services
G) Criterion 1110.1430 (h) - Minimum Number of Stations
H) Criterion 1110.1430 (i) - Continuity of Care
I) Criterion 1110.1430 (k) – Assurances

US Renal Care recruits qualified personnel using job posting websites, and their own corporate page. All staffing plans will be in compliance with State requirements, and Federal staffing guidelines. Support services including nutritional counseling, psychiatric/social services, home/self training, and clinical laboratory services - provided by Health Informatics International will be provided at the proposed facility. The following services will be provided via referral to Advocate Christ Medical Center, Oak Lawn: blood bank services, rehabilitation services and psychiatric services. The applicants are proposing twelve (12) stations and the minimum number of stations in an MSA is eight (8) stations. Continuity of care will be provided at Advocate Christ Medical Center as stipulated in the agreement provided in the application for permit. Additionally, the appropriate assurances have been provided by the applicants asserting the proposed facility will be at the target occupancy of eighty percent (80%) two years after project completion and that the proposed facility will meet the adequacy outcomes stipulated by the State Board. (*See Application for Permit Pages 72-119)*

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

VIII. FINANCIAL VIABILITY

A) Criterion 1120.120 – Availability of Funds
B) Criterion 1120.130 – Financial Viability

The applicants are funding this project with cash and securities of $1,756,990 and the fair market value of leased space and equipment of $2,624,832. A review of the 2014/2015 audited financial statements indicates there is sufficient cash to fund the project. Because the project will be funded with cash no viability ratios need to be provided.

TABLE FOUR
US Renal Care, Inc.
Years ended December 31, 2015 and 2014
(Dollars in Thousands)

	2015	2014
Cash	$159,023	$60,289
Current Assets	$397,213	$219,711
Total Assets	$3,023,394	$1,675,139
Current Liabilities	$99,364	$78,411
LTD	$1,935,212	$1,203,787
Total Liabilities	$2,130,397	$1,302,321
Net Operating Rev.	$735,294	$696,463
Operating Expenses	$524,166	$478,786
Operating Income	$185,330	$193,887
Net Income	$63,434	$94,000

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IX. ECONOMIC FEASIBLITY

A) Criterion 1120.140 (a) – Reasonableness of Financing Arrangements
B) Criterion 1120.140 (b) – Terms of Debt Financing

The applicants provided a copy of a lease of 12,096 rentable contiguous square feet with an initial lease term of ten (10) years with two (2) five (5) year renewal options. The lease rate per gross square foot is $24.00, with 5 year incremental increases. The applicants have attested that the entering into of a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic. Further, should the applicant be required to pay off the lease in full, its existing investments and capital retained could be converted to cash or used to retire the outstanding lease obligations within a sixty (60) day period. The expenses incurred with leasing the proposed facility and cost of leasing the equipment is less costly than constructing a new facility or purchasing new equipment. [See Application for Permit p. 157]

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

Only Clinical Costs are reviewed in this criterion.

Modernization and Contingencies Costs are $786,023.60 or $172.75 per GSF for 4,550 GSF of clinical space. This appears reasonable when compared to the State Board Standard of $189.19 per GSF.

Contingencies – These costs total $4,823.60, and are .6% of the modernization costs identified for this project. This is in compliance with the State standard of 10-15%.

Architectural Fees are $37,200 and are 4.7% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 7.18% to 10.78%.

Movable or Other Equipment – These costs are $266,110.20 or $22,175.85 per station (12 stations). This appears reasonable when compared to the State Board Standard of $52,119 per station.

Fair Market Value of Leased Space and Equipment – These costs are $1,627,385.84. The State Board does not have a standard for these costs.

D) Criterion 1120.140 (d) - Direct Operating Costs

The applicants are estimating $267.91 per treatment in direct operating costs. This appears reasonable when compared to previously approved projects of this type.

Personnel	$736,110		
Medical Supplies	$260,958		
Other Supplies	$260,957		
Medical Director Fees	$55,000		
Rent	$290,304		
Management Fee	$258,738		
Other	$577,738		
Total Projected		**Treatments**	**Cost/Treatment**
Operating Costs:	**$2,439,805**	**9,107**	**267.91**

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

The applicants are estimating $60.29 in capital costs. This appears reasonable when compared to previously approved projects of this type.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS, FINANCIAL VIABILITY, REASONABLENESS OF FINANCING ARRANGEMENTS TERMS OF DEBT FINANCING, REASONABLENESS OF PROJECT COSTS, DIRECT OPERATING COSTS, TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.120, 130, 140 (a) (b) (c) (d) (e))

State Board Staff Note:

For Table Five below the Board Staff reviewed information on the Center for Medicare & Medicaid Services (CMS) website related to dialysis facilities star ratings for facilities within thirty (30) minutes. CMS assigns a one (1) to five (5) star rating in two separate categories: best treatment practices, hospitalizations, and deaths. The more stars, the better the rating.

Below is a summary of the data within the two categories.

- Best Treatment Practices
  This is a measure of the facility's treatment practices in the areas of anemia management; dialysis adequacy, vascular access, and mineral & bone disorder. This category reviews both adult and child dialysis patients.

- Hospitalization and Deaths
  This measure takes a facility's expected total number of hospital admissions and compares it to the actual total number of hospital admissions among its Medicare dialysis patients. It also takes a facility's expected patient death ratio and compares it to the actual patient death ratio taking into consideration the patient's age, race, sex, diabetes, years on dialysis, and any co morbidity.

Based on the star rating in each of the two categories, CMS then compiles an overall rating for the facility. The more stars, the better the rating. The data is as of June 2016.

TABLE FIVE

Facilities within thirty (30) minutes of the proposed facility

Facility	City	Time (1)	Stations	Utilization (2)	Met Standard?	Medicare Star Rating
FMC Chatham	Chicago	1.25	16	84.30%	Yes	1
FMC Garfield	Chicago	8.75	22	76.50%	No	2
FMC Greenwood	Chicago	8.75	28	66.00%	No	1
Grand Crossing Dialysis	Chicago	8.75	12	91.60%	Yes	2
FMC Jackson Park	Chicago	10	24	70.10%	No	1
FMC Roseland	Chicago	12.5	12	95.80%	Yes	2
DaVita Stony Island	Chicago	12.5	32	86.90%	Yes	4
FMC Blue Island	Blue Island	13.7	28	75.60%	No	2
FMC Bridgeport	Chicago	13.7	27	82.10%	Yes	2
DaVita Emerald Dialysis	Chicago	13.7	24	81.20%	Yes	5
DaVita Beverly Dialysis	Chicago	13.7	16	106%	Yes	3
FMC South Side	Chicago	15	39	83.70%	Yes	1
Lake Park Dialysis	Chicago	16.2	32	66.60%	No	5
FMC Ross Englewood Dlys.	Chicago	16.2	16	91.60%	Yes	1
FMC Merrionette Park	Merrionette Park	16.2	24	80.50%	Yes	2
FMC Evergreen Park	Evergreen Park	16.2	30	91.10%	Yes	1
FMC Prairie	Chicago	16.2	24	72.90%	No	3
FMC Marquette Park	Chicago	18.7	16	91.60%	Yes	3
FMC South Deering	Chicago	18.7	20	69.10%	No	2
FMC South Chicago	Chicago	18.7	36	87.90%	Yes	2
Woodlawn Dialysis	Chicago	18.7	32	61.90%	No	4
DaVita Mt. Greenwood	Chicago	18.7	16	105%	Yes	3
Kenwood Dialysis	Markham	20	24	78.47%	No	5
Country Club Hills Dialysis	Cry Club Hills	20	24	78.40%	No	2
DSI Loop Renal Ctr.	Chicago	20	28	60.70%	No	3
FMC Alsip	Alsip	22.5	20	63.30%	No	1
FMC South Holland	South Holland	22.5	24	68.70%	No	2
FMC Crestwood	Crestwood	23.7	24	67.30%	No	2
FMC East Delaware	Chicago	23.7	24	44.40%	No	2
DSI Renal Svcs. Scottsdale	Chicago	23.7	36	63.80%	No	3
DaVita Harvey Dialysis	Harvey	23.7	16	65.70%	No	2
West Lawn Dialysis	Chicago	25	12	95.80%	Yes	3
DaVita West Side Dialysis	Chicago	25	12	33.30%	No	NA
FMC Hazel Crest	Hazel Crest	26.2	16	89.50%	Yes	3
SAH Dialysis at 26th Street	Chicago	26.2	15	35.50%	No	NA
DaVita Little Village	Chicago	26.2	31	93.70%	Yes	5
FMC West Side	Chicago	26.2	31	43.50%	No	
DSI Hazel Crest	Hazel Crest	27.5	19	91.20%	Yes	3
FMC Dialysis Svcs. Burbank	Burbank	27.5	26	90.30%	Yes	1
DaVita Olympia Fields	Matteson	27.5	24	72.20%	No	2
DaVita Stony Creek	Oak Lawn	28.7	12	97.20%	Yes	3
FMC Mokena	Mokena	28.7	12	72.20%	No	2
FMC West Willow	Chicago	28.7	12	51.30%	No	2
FMC Chicago Dialysis Ctr.	Chicago	30	21	51.50%	No	1
DaVita Lincoln Park Dialysis	Chicago	30	22	68.10%	No	3
Total Stations/Ave. Utilization			**1,011**	**75.42%**		

TABLE FIVE

Facilities within thirty (30) minutes of the proposed facility

Facility	City	Time (1)	Stations	Utilization (2)	Met Standard?	Medicare Star Rating
FMC Beverly Ridge*	Chicago	10	16	0%	No	NA
DaVita Washington Heights*	Chicago	12.5	16	0%	No	NA
DaVita Park Manor*	Chicago	15	16	0%	No	NA
FMC South Shore*	Chicago	15	16	0%	No	NA
FMC New City*	Chicago	18.7	16	0%	No	NA
Calumet Dialysis Center	Calumet City	21.2	16	0%	No	NA
FMC Summit*	Summit	28.7	12	0%	No	NA
Rush University Dialysis >	Chicago	27.5	5	0%	No	NA
Concerto Dialysis>	Crestwood	22.5	9	0%	No	NA
Circle Medical Management>	Chicago	28.7	27	0%	No	NA
Total Stations/Ave. Utilization			**1,160**	**61.71%**		

1. Time determined in compliance with 1100.510 (d)
2. Utilization as of June 2016
3. Medicare Star Rating https://www.medicare.gov/dialysisfacilitycompare/
4. NA – Not enough quality measure data to determine a star rating

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