



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-03	BOARD MEETING: January 24, 2017	PROJECT NO: 16-037	PROJECT COST: Original: \$2,473,399
FACILITY NAME: DaVita Foxpoint Dialysis		CITY: Granite City	
TYPE OF PROJECT: Substantive			HSA: XI

PROJECT DESCRIPTION: The applicants (DaVita, Inc and Total renal Care, Inc.) are proposing to establish a 12-station End Stage Renal Dialysis (ESRD) facility in Granite City, Illinois. The cost of the project is \$2,473,399, and the completion date is July 31, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita, Inc. and Total Renal Care Inc.) are proposing to establish a 12-station ESRD facility in 6,400 GSF of leased space, in Granite City. The cost of the project is \$2,473,399, and the project completion date is July 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 note: *“The purpose of the project is to improve access to life sustaining dialysis services to the residents of Granite City and the surrounding area. There are twelve dialysis facilities within 30 minutes of the proposed Foxpoint Dialysis (Foxpoint GSA). Collectively, these facilities were operating at 63.71% as of June 30, 2016. Excluding the recently approved dialysis facilities, average utilization increases to 77.45%, or just below the State Board’s utilization standard. Furthermore, patient census among the existing facilities within the Foxpoint GSA has increased approximately 7% annually over the prior three years, with each facility seeing double digit increases over that three year period except two facilities operating above the State Board standard in 2013. This growth is anticipated to continue to increase for the foreseeable future. Further, Dr. Anahit Cheema’s practice, Gateway Nephrology, is currently treating 183 Stage 3,4,and 5 CKD patients, who reside within the Foxpoint GSA, and 152 patients live within 10 minutes of the proposed site of Foxpoint Dialysis. Conservatively, based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Cheema anticipates that at least 58 of these patients will initiate dialysis within 12 to 24 months following project completion. Based upon historical utilization trends, the existing facilities will not have sufficient capacity to accommodate Dr. Cheema’s projected referrals.”*

PUBLIC HEARING/COMMENT:

- No public hearing was requested. No opposition letters were received. No support letters were received.

SUMMARY:

- The Revised Bed/Station Need Determination shows a projected excess of 19 stations in the HSA XI ESRD Planning Area by CY 2018. Dr. Anahit Cheema, M.D., Medical Director for the proposed facility and practicing physician with Gateway Nephrology, attests to caring for 152 Stage 3,4, and 5 chronic kidney disease patients living within the ten-minute service area of the proposed facility. Dr. Cheema anticipates at least 58 of these patients will require dialysis services within the 12 to 24 months following project completion. Based on these findings, it appears a need for this project does not exist.

CONCLUSIONS:

- **The applicants addressed twenty one (21) criteria and have met them all. The applicant did not meet the following criteria.**

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.1430 (c)(1), (2), (3) and(5) – Planning Area Need	There are excess stations in HSA-XI, Per the September 2016 Inventory Update (19 stations)
Criterion 1110.1430(d)(1)(2)(3) – Unnecessary Duplication of Service/Maldistribution/Impact on Other Facilities	There is an excess of 19 stations in the planning area (HSA-XI), and the proposed project will contribute to this overage.

STATE BOARD STAFF REPORT
DaVita Foxpoint Dialysis
PROJECT #16-037

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	DaVita, Inc. Total Renal Care, Inc.
Facility Name	Foxpoint Dialysis
Location	1300 Schaefer Road, Granite City
Application Received	September 6, 2016
Application Deemed Complete	September 7, 2016
Review Period Ends	January 5, 2017
Permit Holder	Total Renal Care Inc.
Operating Entity	Total Renal Care, Inc.
Owner of the Site	Granite Sand Realty, LLC
Project Financial Commitment Date	January 24, 2018
Gross Square Footage	6,400 GSF
Project Completion Date	July 31, 2018
Expedited Review	No
Can Applicants Request a Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The applicants (DaVita, Inc., and Total Renal Care, Inc.) are proposing to establish a 12-station ESRD facility in 6,400 GSF of leased space. The cost of the project is \$2,473,399, and the completion date is July 31, 2018.

II. Summary of Findings

- A. The State Board Staff finds the proposed project **does not** appear 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, Inc. and Total Renal Care, Inc. As of December 31, 2015, DaVita, Inc. operated or provided administrative services to a total of 2,251 U.S. outpatient dialysis centers. 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. Total Renal Care, Inc. is also the operating entity, and the owner of the site is Granite Sand Realty, LLC. The proposed facility will be located at 1300 Schaefer Road, Granite City, Illinois in the HSA XI ESRD Planning Area.

HSA XI ESRD Planning Area consists of the following Illinois counties: Madison, Clinton, St. Clair, and Monroe. There is a current calculated excess of nineteen (19) ESRD stations in this planning area, per the September 2016 Revised Bed/Station Need Determination. 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
14-042	Tinley Park Dialysis	Establishment	4/30/2017
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
16-004	O'Fallon Dialysis	Establishment	9/30/2017
16-015	Forest City Dialysis	Establishment	6/30/2018
16-016	Jerseyville Dialysis	Add One Station	6/30/2017
16-020	Collinsville Dialysis	Establishment	11/30/2017
16-023	Irving Park Dialysis	Establishment	8/31/2018
16-033	Brighton Park Dialysis	Establishment	10/31/2018

IV. Project Costs

The applicants are funding this project with cash and securities in the amount of \$1,975,767 and the fair market value of leased space and equipment of \$497,632. The estimated start-up cost and operating deficit is 388,328.

TABLE TWO			
Project Costs and Sources of Funds			
USE OF FUNDS	Reviewable	Non Reviewable	Total
Modernization Contracts	\$919,473	\$199,217	\$1,118,690
Contingencies	\$90,000	\$20,000	\$110,000
Architectural/Engineering Fees	\$100,000	\$20,000	\$120,000
Consulting & Other Fees	\$80,000	\$16,000	\$96,000
Movable or Other Equipment (not in construction contracts)	\$451,200	\$79,877	\$531,077
Fair Market Value of Leased Space & Equipment	\$415,523	\$82,109	\$497,632
TOTAL USES OF FUNDS	\$2,056,196	\$417,203	\$2,473,399
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total
Cash and Securities	\$1,640,673	\$335,094	\$1,975,632
Leases (fair market value)	\$415,523	\$82,109	\$497,632
TOTAL SOURCES	\$2,056,196	\$417,203	\$2,473,399
<i>Source: Page 6 of the Application for Permit.</i>			

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

A) Criterion 1110.230(a) Purpose of the Project

- The applicants state the purpose of the project is to improve access to life sustaining dialysis services to the residents of Granite City and the surrounding area. The applicants identified twelve dialysis facilities within 30 minutes of the proposed Foxpoint Dialysis and note that these facilities were operating at 63.71% as of June 30, 2016. Excluding the recently approved dialysis facilities, average utilization increases to 77.45%, or just below the State Board’s utilization standard. The applicants also note that patient census among the existing facilities within the Foxpoint GSA has increased approximately 7% annually over the prior three years, with each facility seeing double digit increases over that three-year period. This growth is anticipated to continue to increase for the foreseeable future. Dr. Anahit Cheema’s practice, Gateway Nephrology, is currently treating 152 Stage 3,4,and 5 CKD patients living within 10 minutes of the proposed site of Foxpoint Dialysis, and based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Cheema anticipates that at least 58 of these patients will initiate dialysis within 12 to 24 months following project completion.

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

The applicants stated the following:

This criterion is required for all substantive and discontinuation projects. DaVita 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 2015 Community Care report, which details DaVita's commitment to quality, patient centric focus and community outreach, is included as part of Applicant's application for Project #16-023. As referenced in the report, DaVita led the industry in quality, with twice as many Four-and-Five-Star centers than other major dialysis providers. The proposed facility will not impact the ability of other healthcare providers or healthcare systems to cross subsidize safety net services. Further, patient census among the existing facilities within the Foxpoint GSA has increased approximately 7% annually over the prior three years, with each facility seeing double digit increases over that three year period, except two facilities operating above the State Board standard in 2013. This growth is anticipated to continue to increase for the foreseeable future."

TABLE THREE ⁽¹⁾			
SAFETY NET INFORMATION			
DaVita Facilities in Illinois			
	2013	2014	2015
Net Revenue	\$228,115,132	\$266,319,949	\$311,351,089
CHARITY			
Charity (# of self-pay patients)	187	146	109
Charity (self-pay) Cost	\$2,175,940	\$2,477,363	\$2,791,566
% of Charity Care to Net Rev.	0.9%	0.9%	0.8%
MEDICAID			
Medicaid (Patients)	679	708	422
Medicaid (Revenue)	\$10,371,416	\$8,603,971	\$7,381,390
% of Medicaid to Net Revenue	4.5%	3.2%	2.3%
<i>1. Source: Pages 126-127 of the Application for Permit.</i>			

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

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

1. Do Nothing/Maintain Status Quo
2. Utilizing Existing Facility
3. Establish a New Facility

Do Nothing/Maintain Status Quo/Utilize Existing Facility

The applicants rejected the above-mentioned option. Dr. Cheema currently refers patients to three dialysis facilities within the Foxpoint GSA, (Granite City Dialysis, Maryville Dialysis, and FMC Southwestern Illinois), and notes these facilities are highly utilized, operating above or immediately below the State Board standard (80%). Dr. Cheema estimates that his projected patient referrals

(58 patients), cannot be accommodated by the existing facilities within the GSA. No capital cost was identified with this alternative. (*Application, p. 71*).

Utilize Existing Facility

The applicants identified 12 existing dialysis facilities within the prescribed GSA for Foxpoint Dialysis, and determined that collectively, these facilities were operating at 77.45%, which is just below the State standard (80%). Taking into account the historical increase in utilization at area facilities (5% over the last 2 years), and the number of anticipated patient referrals from Dr. Cheema’s practice (58 by the second year after project completion), the applicants rejected this alternative. No capital cost was identified with this alternative. (*Application, p. 71*).

Establish New Facility

Taking into account the high utilization at existing facilities, the projected growth in utilization at dialysis facilities in the service area, and the number of Dr. Cheema’s referral patients (58), the applicants concluded the most viable alternative would be to establish a 12-station facility in leased space, in Granite City. Capital cost identified for this option: \$2,473,399.

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 to construct 6,400 GSF of space (5,346 GSF/clinical, 1,054 non-clinical), for twelve (12) stations or 446 GSF per station. The State Board standard is 450-650 BGSF per station. (*See Application for Permit page 74*)

B) Criterion 1110.234(b) – Projected Utilization

The Medical Director and referring physician for Foxpoint Dialysis (Dr. Anahit Cheema), has identified 152 pre-ESRD patients from his practice who live within a 10-minute commute of the proposed facility. Of these patients, Dr. Cheema conservatively estimates 58 will require dialysis services within the next 12 to 24 months. (*See Application for Permit page 75*)

58 patients x 156 treatment per year = 9,048 treatments
12 stations x 936 treatments per stations per year = 11,232 treatments
9,048 treatments/11,232 treatments = 80.5% utilization

C) Criterion 1110.234(e) – Assurances

The applicants have provided the necessary assurance that they will be at target occupancy within two years after project completion. (*See Application for Permit page 105*)

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

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 to access 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 51-67 of the application for permit*. 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/Service Restrictions
-
- 1) The proposed facility will be located in the HSA XI ESRD Planning Area. There is calculated excess of 19 ESRD stations in this planning area by CY 2018, per the September 2016 ESRD Inventory Update.
 - 2) The primary purpose of the project is to provide life-sustaining dialysis services to the residents of Granite City, and the Metro East St. Louis area. The Medical Director for the proposed facility and referring physician has identified 152 pre-ESRD patients suffering from Stage 3, 4, and 5 CKD, and conservatively estimates that 58 of these patients will require dialysis from the proposed facility within two years of project completion.
 - 3) Dr. Anahit Cheema, M.D., the referring physician, has identified and 152 Stage 3,4, and 5 CKD patients currently under his care, and conservatively estimates that 58 of these patients will require dialysis by the facilities second year of operation. Page 79 of the application contains zip code origins of projected patient referrals from the Granite City area. No historical referral data from Dr. Cheema's practice was supplied.

- 5) The applicants state the proposed facility is necessary to maintain the provision of dialysis services to the residents of Granite City and the Metro-East St. Louis area. The applicants identified 12 facilities within an established service area (GSA) that are operating near the State Board standard (80%). The applicants cite a steady 7% growth in utilization of said facility annually over the last three years, and predict this trend to continue. The applicants also note that the current complement of dialysis stations/facilities in the service area is unable to accommodate the number of referral patients from Dr. Cheema's practice.

There appears to be an existing excess of stations in HSA-XI, suggesting the proposed project will only contribute to this overage.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1110.1430 (c) (1) (2) (3) (5))

C) Criterion 1110.1430(d)(1), (2) and (3) - Unnecessary Duplication/Maldistribution/ Impact on Other Facilities

- 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) 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.

The ratio of ESRD stations to population in the geographical service area (GSA) of Foxpoint Dialysis is 1 station per 5,412 residents according to the 2010 census. The State ratio is 1 station per 2,900 residents (based on US Census projections for 2015 and the September 2016 Board Station Inventory). This is in excess of one and one half times the State ratio, which suggests a need for additional stations in the service area.

Table Four shows that there are underutilized facilities in the service area, with four of the twelve (33%) identified facilities operating at or in excess of the 80th percentile. Despite the underutilized facilities in the planning area, it does not appear that the proposed facility will have an impact the underperforming facilities, because the 58 pre-ESRD patients under the care of Dr. Cheema will be new patients and will not transfer from any of the existing facilities. The proposed project will however, contribute to an existing excess of stations in the planning area, which ultimately contributes to the existence of underperforming facilities in the planning area.

TABLE FOUR						
Facilities within thirty (30) minutes of the proposed facility and utilization						
Facility	City	Time	Stations	Medicare Star Rating	Utilization	Met Standard?
DaVita Granite City Dialysis	Granite City	8	20	2	78.3%	No
Fresenius Southern IL Dialysis	Alton	19	19	3	71%	No
DaVita Maryville Dialysis	Maryville	19	14	4	88.3%	Yes
DaVita Collinsville Dialysis*	Collinsville	19	8	N/A	0.0%	No
DaVita Edwardsville Dialysis	Edwardsville	21	8	3	77%	No
DaVita Sauget Dialysis	Sauget	24	24	3	58.3%	No
DaVita Alton Dialysis	Alton	26	14	3	73.8%	No
Fresenius Regency Park	O'Fallon	27		3	93.3%	Yes
DaVita O'Fallon Dialysis*	O'Fallon	29	12	N/A	0.0%	No
DaVita Shiloh Dialysis	Shiloh	29	12	2	97.2%	Yes
DaVita Renal Care of Illinois	Belleville	30	36	2	80%	Yes
Fresenius Belleville*	Belleville	30	12	N/A	0.0%	No
Total Stations/Average Utilization			72		79.6%>	
*Recently approved, in 2-year ramp-up >Average Utilization Minus 3 Facilities in Ramp-Up						

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE/MADISTRIBUTION/IMPACT ON OTHER FACILITIES (77 IAC 1110.1430 (d)(1), (2) and (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 (h) - Continuity of Care**
- I) Criterion 1110.1430 (i) – Relocation of Facilities**
- J) Criterion 1110.1430 (j) – Assurances**

The proposed facility will be certified by Medicare if approved therefore appropriate staffing is required for certification. Support services including nutritional counseling, psychiatric/social services, home/self training, and clinical laboratory services will be provided at the proposed facility. The following services will be provided via referral to St. Elizabeth Medical Center, Belleville: 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 St. Elizabeth Medical Center, Belleville as stipulated in the agreement provided in the application for permit. Additionally, the proposed 12-station ESRD facility

will serve 58 new referral patients currently under the care of Dr. Anahit Cheema, after project completion. Lastly, 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 85-106)

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 110.1430(f), (g), (h), (i) and (k))

VII. 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 in the amount of \$1,975,767 and the fair market value of leased space and equipment of \$497,632. A review of the 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 Six below outlines DaVita Inc.'s credit Rating.

TABLE FIVE
DaVita, Inc.
(Dollars in thousands)
31-Dec-15

	2015	2014	2013
Cash	\$1,499,116	\$965,241	\$946,249
Current Assets	\$4,503,280	\$3,876,797	\$2,472,278
Current Liabilities	\$2,399,138	\$2,088,652	\$2,462,049
LTD	\$9,001,308	\$8,383,280	\$8,141,231
Net Patient Service Revenue	\$9,052,419	\$8,501,454	\$8,013,649
Total Revenue	\$13,781,837	\$12,795,106	\$11,764,050
Operating Expenses	\$12,611,142	\$10,979,965	\$10,213,916
Net Income	\$427,410	\$723,114	\$633,446

Source: DaVita, Inc. 2015 10K

TABLE SIX
DaVita, 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

Source: The Applicant

1. *Davita is not followed by Fitch*

IX. ECONOMIC FEASIBILITY

- 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 6,400 GSF rentable contiguous square feet with an initial lease term of ten (10) years with three (3) five (5) year renewal options. The lease rate per gross square foot is \$11.00/psf for years 1–5, and \$12.00/psf for years 6-10. The applicants have attested that entering into a lease (borrowing) is less costly than liquidating existing investments, which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic. (*See Application for Permit pages 108-115*)

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

Only Clinical Costs are reviewed in this criterion.

Modernization and Contingencies Costs are \$1,009,473 or \$188.82 per GSF for 5,346 GSF of clinical space. This appears reasonable when compared to the State Board Standard of \$189.19 per GSF, when projecting 2017 as the mid-point of modernization.

Contingencies – These costs total \$90,000, and are 9.7% of the modernization costs identified for this project. This is in compliance with the State standard of 10-15%.

Architectural Fees are \$100,000 and are 9.9% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 6.9% to 10.36%.

Movable or Other Equipment – These costs are \$451,200 or \$37,600 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 \$415,523. The State Board does not have a standard for these costs.

D) Criterion 1120.140 (d) - Direct Operating Costs

The applicants are estimating \$183.09 per treatment in direct operating costs. This appears reasonable when compared to previously approved projects of this type.

Operating Expenses:	\$1,933,671
Treatments:	9,048
Cost Per Treatment:	\$213.71

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

The applicants are estimating \$16.60 in capital costs. This appears reasonable when compared to previously approved projects of this type.

Depreciation	\$187,240
Amoritization	\$9,203
Total Capital Costs:	\$196,443
Treatments:	9,048
Capital Cost per Treatment	\$21.71

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, AND TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.120, 130, 140(a), (b), (c), (d) and (e))

