



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: A-03	BOARD MEETING: September 26, 2017	PROJECT NO: 17-013	PROJECT COST: Original: \$2,702,014
FACILITY NAME: Geneva Crossing Dialysis		CITY: Carol Stream	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants (DaVita Inc., DuPage Medical Group, Ltd., and Rockwood Dialysis, LLC) are proposing to establish a twelve station (12) ESRD facility in 6,240 GSF of leased space located at 540 - 560 South Schmale Road, Carol Stream, Illinois. The cost of the project is \$2,702,014 and the completion date is December 31, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita Inc., DuPage Medical Group, Ltd., and Rockwood Dialysis, LLC) are proposing to establish a twelve station (12) ESRD facility in 6,240 GSF of leased space located at 540 - 560 South Schmale Road, Carol Stream, Illinois. The cost of the project is \$2,702,014 and the completion date is December 31, 2018.

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)

PUBLIC HEARING/COMMENT:

- A public hearing was offered in regard to the proposed project, but none was requested.
- Two (2) letters of support were received.
- State Senator John Curran stated:
"I am writing to express support of the Certificate of Need requests filed by DaVita Inc. and DuPage Medical Group, Ltd. ("DMG") for the development of new facilities to provide life-sustaining dialysis treatment, education, and support for patients with kidney disease. An estimated 1.1 million people are living with kidney disease in Illinois, and as many as 900,000 may not even know they have it. The proposed projects will ensure that these communities are equipped to handle this growing health crisis. DaVita and DMG are leaders within the medical community and strive to continually improve clinical outcomes and deliver the highest level of care through innovative practices. Currently, DMG patients who require dialysis services may be removed from DMG's continuum of care. Through the development of the proposed facilities, patients will remain within DMG's continuum of care, allowing the providers to optimize patient health and outcomes. In addition to the patient health benefits, the communities will benefit from the creation of construction and facility operation jobs. With a record of responsible growth and management, DaVita and DMG will ensure these facilities serve as an economic catalyst for years to come. In accordance with the ethical principles outlined in Part 2 of the Illinois Governmental Ethics Act, I have evaluated these requests and have determined that they will serve the public interest of the citizens of the 41st Legislative District. As such, I respectfully request that the Illinois Health Facilities & Services Review Board consider the positive impact of these joint venture developments and approve these projects."
- State Senator Tom Cullerton stated
"I am writing to express support of the Certificate of Need requests filed by DaVita Inc. and DuPage Medical Group, Ltd. ("DMG") for the development of new facilities to provide life-sustaining dialysis treatment, education, and support for patients with kidney disease. An estimated 1.1 million people are living with kidney disease in Illinois, and as many as 900,000 may not even know they have it. The proposed projects will ensure that these communities are equipped to handle this growing health crisis. DaVita and DMG are leaders within the medical community and strive to continually improve clinical outcomes and deliver the highest level of care through innovative practices. Currently, DMG patients who require dialysis services may be removed from DMG's continuum of care. Through the development of the proposed facilities, patients will remain within DMG's continuum of care, allowing the providers to optimize patient health and outcomes. In addition to the patient health benefits, the communities will benefit from the creation of construction and facility operation jobs. With a record of responsible growth and management, DaVita and DMG will ensure these facilities serve as an economic catalyst for years to come. For these reasons, I respectfully request that the Illinois Health Facilities & Services Review Board consider the positive impact of these joint venture developments and approve these projects."

- Seven (7) letters of opposition were received.
- Dr. Hsien-Ta Fang, stated in part:

“I also oppose on the expansion of these providers into the ESRD continuum of care. This Board should not overlook the media reports reflecting this group does not prioritize patients ahead of profits. As a former nephrologist with DMG I can attest that the model is based on frequent unnecessary referrals that put stress on the patient and cause the health care system unnecessary expense, Patients that never needed a referral to a Nephrologist were told they needed to see one. This caused sleepless nights and worry in many families in DuPage County. I suspect this behavior might be driven by the enormous debt DMG has to venture capitalists, over \$1.2 billion based on media reports. DaVita has recently paid the People of the United States more than one billion in fines. The charges mostly related to cheating tax payers by over charging for medicine and inappropriately incenting physicians to support their dialysis units, in effect usurping patient choice. Although DaVita paid the fines they still do not own up to culpability.”
- Scott Schiffner stated in part:

“Moreover, this is not the business to invite into this marketplace. This Board should not overlook the media reports reflecting this group does not prioritize patients ahead of profits. DMG is a big medicine group who recently sold 70% of their interests for \$1.4 billion to a venture capital firm to enter the dialysis market together in Illinois and will not increase patient choice but rather limit it. DaVita maintains it profit margins by offering the lowest cost care and DMG's model is based on frequent referrals to specialists. DMG will capture both necessary and unnecessary referrals and put stress on the health care system in northern Illinois. The early referrals that this healthcare scheme requires to satisfy their internal metrics (and investment banker partners) alarms patients and tends to lead to over utilization of the system, further harming patients. One of the considerations is whether the services already exist in the area and if the establishment of the facility will harm existing providers. The answers are Yes and Yes. If you review the catchment area of this project, you will notice it overlaps the three other projects these to corporate giants want to develop despite the fact that there is no indication of need. If the board allows these unneeded units to proceed it will dilute the dialysis and technician work force and the quality of dialysis care will decline adversely affecting the care thousands in northern Illinois. Availability of staffing is a fundamental issue to this industry and further challenges cannot be withstood.”
- Lori Wright, Senior CON Specialist, Dr. Mohamed Rahman, Dr. Anus Rauf, Dr. Gregory Kozeny and Dr. David Schlieben stated:

“There is currently an excess of 2 stations in HSA 7. The applicants have also submitted 3 additional applications for ESRD facilities in HSA 7 to be heard at the September 26, 2017 Board meeting (#17-014, #17-015 and #17-016). Along with these projects they have submitted a 5th application for an ESRD facility in HSA 7, which is also a partnership with DuPage Medical Group (#17-029), to be heard at the November meeting. This amounts to a request for 56 total stations in an area where there is no need per your inventory. Even if there will be a need for stations in HSA 7 after the next need determination, approving 56 stations to come on line at the same time in one HSA, within 30-minutes travel time, will flood the market rather than incrementally adding clinics to adjust to evidenced and projected growth of ESRD. It also seems that the applicant is using the same CKD base to justify all four units as the support letter uses the same number of CKD patients for all projects. Applicant also does not count approved facilities in their analysis of need. Dialysis projects are approved by the board and not yet completed. Approving these unnecessary projects will put strain on the health care delivery system. The approval of the Geneva Crossing facility, along with any of the other 4 mentioned applications, will create unnecessary duplication maldistribution of services across HSA 7. There are under-utilized facilities of various providers in close proximity to each project that would be negatively impacted.”

CONCLUSIONS:

- There is a calculated excess of two (2) ESRD stations in the HSA VII ESRD Planning Area, per the May, 2017 ESRD Inventory Update.
- It appears that the applicants will be providing services to residents of the planning area, and based upon the number of physician referrals there appears to be sufficient demand for the number of stations requested.
- There are thirteen (13) facilities within thirty (30) minutes with an average utilization of approximately sixty-four percent (64%). One (1) of the thirteen (13) facilities is not operational and (1) one provides nocturnal dialysis. The eleven (11) remaining facilities average utilization is approximately seventy-four percent (74%).
- The applicants addressed a total of twenty one (21) criteria and have failed to adequately address the following:

Criteria	Reasons for Non-Compliance
77 IAC 1110.1430(c)(1), (2), (3) and (5) – Planning Area Need	There is a calculated <u>excess</u> of two (2) ESRD stations in the HSA VII ESRD Planning Area. There are no access issues as there are seventy-five (75) ESRD facilities within the HSA VII ESRD Planning Area. No evidence was provided documenting access limitations due to payor status of patients, or restrictive admission policies at existing providers. The area population and existing care system do not exhibit indicators of medical care problems. There is a calculated excess of two (2) ESRD stations in the HSA VII ESRD Planning Area. There are thirteen (13) facilities within thirty (30) minutes with an average utilization of approximately sixty-four percent (64%). One (1) of the thirteen (13) facilities is not operational and (1) one provides nocturnal dialysis. The eleven (11) remaining facilities average utilization is approximately seventy-four percent (74%).
77 IAC 1110.1430(d)(1), (2) and (3) - Unnecessary Duplication of Service, Mal-distribution of Service, Impact on Other Providers	There are thirteen (13) facilities within thirty (30) minutes with an average utilization of approximately sixty-four percent (64%). One (1) of the thirteen (13) facilities is not operational and (1) one provides nocturnal dialysis. The eleven (11) remaining facilities average utilization is approximately seventy-four percent (74%).

STATE BOARD STAFF REPORT
Project #17-013
Geneva Crossing Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	DaVita Inc., DuPage Medical Group, Ltd., and Rockwood Dialysis, LLC
Facility Name	Geneva Crossing Dialysis
Location	540 - 560 South Schmale Road, Carol Stream, Illinois
Permit Holder	Rockwood Dialysis, LLC
Operating Entity	Rockwood Dialysis, LLC
Owner of Site	T Geneva Crossing IL, LLC
Description	Establish a twelve (12) station ESRD facility
Total GSF	6,240 GSF
Application Received	March 28, 2017
Application Deemed Complete	March 29, 2017
Review Period Ends	July 27, 2017
Financial Commitment Date	December 31, 2018
Project Completion Date	December 31, 2018
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The applicants (DaVita Inc., DuPage Medical Group, Ltd., and Rockwood Dialysis, LLC) are proposing to establish a twelve station (12) ESRD facility in 6,240 GSF of leased space located at 540 - 560 South Schmale Road, Carol Stream, Illinois. The cost of the project is \$2,702,014 and the completion date is December 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., DuPage Medical Group, Ltd., and Rockwood Dialysis, LLC. DaVita Inc, a Fortune 500 company, is the parent company of DaVita Kidney Care and HealthCare Partners, a DaVita Medical Group. DaVita Kidney Care is a leading provider of kidney care in the United States, delivering dialysis services to patients with chronic kidney failure and end stage renal disease. DaVita serves patients with low incomes, racial and ethnic minorities, women, handicapped persons, elderly, and other underserved persons in its facilities in the State of Illinois.

DuPage Medical Group, Ltd. (DMG, Ltd.) is a multi-specialty physician practice that provides a broad range of outpatient services. The main office is in Downers Grove, Illinois, with 66 satellite offices throughout the western suburbs of Chicago, predominantly DuPage County, Illinois. DMG, Ltd. was incorporated as a medical corporation in the state of Illinois in July 1968 and is a for-profit, taxable corporation. DMG, Ltd. has 479 physicians, of which 396 are shareholders, as of December 31, 2015.

Rockwood Dialysis LLC d/b/a Geneva Crossing Dialysis is a Delaware limited liability corporation jointly owned by DaVita, Inc. and DuPage Medical Group, ltd.

Financial commitment will occur after permit issuance. This project is a substantive project subject to a Part 1110 and 1120 review.

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
15-020	Calumet City Dialysis	Establishment	7/31/2017
15-025	South Holland Dialysis	Discontinuation/Establishment	10/31/2017
15-048	Park Manor Dialysis	Establishment	2/28/2018
15-049	Huntley Dialysis	Establishment	2/28/2018
15-052	Sauget Dialysis	Expansion	8/31/2017
15-054	Washington Heights Dialysis	Establishment	9/30/2017
16-004	O'Fallon Dialysis	Establishment	9/30/2017
16-015	Forest City Dialysis	Establishment	6/30/2018
16-009	Collinsville Dialysis	Establishment	11/30/2017
16-023	Irving Park Dialysis	Establishment	8/31/2018
16-033	Brighton Park Dialysis	Establishment	10/31/2018
16-037	Fox Point Dialysis	Establishment	7/31/2018
16-040	Jerseyville Dialysis	Establishment	7/31/2018
16-041	Taylorville Dialysis	Expansion	7/31/2018
16-051	Whiteside Dialysis	Relocation	3/31/2018
DuPage Medical Group, ltd.			
16-028	Surgical Center of DuPage	Expansion	9/30/2017

IV. Project Costs and Sources of Funds

The applicants are funding the project with cash of \$1,983,174 and the FMV of leased space of \$718,840. The operating deficit and start-up costs are \$2,386,355.

TABLE TWO		
Project Costs and Sources of Funds		
	Reviewable	Total
New Construction	\$1,055,500	\$1,055,500
Contingencies	\$158,300	\$158,300
Architectural and Engineering Fees	\$123,000	\$123,000
Consulting and Other Fees	\$117,079	\$117,079
Movable or Other Equipment	\$529,295	\$529,295
FMV of Leased Space	\$718,840	\$718,840
Total	\$2,702,014	\$2,702,014
Cash		\$1,983,174
FMV of Leased Space		\$718,840
Total		\$2,702,014

V. Health Planning Area

The proposed facility will be located in the HSA VII ESRD Planning Area. The HSA VII ESRD Planning Area includes Suburban Cook and DuPage County. As of May 2017 there is a calculated excess of two (2) ESRD stations in this planning area.

TABLE THREE	
Need Methodology HSA VII ESRD Planning Area	
Planning Area Population – 2013	3,466,100
In Station ESRD patients -2013	4,906
Area Use Rate 2013 ⁽¹⁾	1.415
Planning Area Population – 2018 (Est.)	3,500,400
Projected Patients – 2018 ⁽²⁾	4,954.5
Adjustment	1.33x
Patients Adjusted	6,590
Projected Treatments – 2018 ⁽³⁾	1,027,970
Existing Stations	1,374
Stations Needed-2018	1,372
Number of Stations Excess	2
<ol style="list-style-type: none"> 1. Usage rate determined by dividing the number of in-station ESRD patients in the planning area by the 2013 – planning area population per thousand. 2. Projected patients calculated by taking the 2018 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients. 3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient 	

VI. Background of the Applicants

A) Criterion 1110.1430 b) 1) 3) – Background of the Applicants

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. To demonstrate compliance with this criterion the applicants must provide

- A) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification and accreditation identification numbers, as applicable;
- B) A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility;
- C) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
- D) An attestation that the applicants have has been no *adverse action*¹ taken against the any facility owned or operated by applicants.

1. The applicants have attested that there has been no adverse action taken against any of the facilities owned or operated by DaVita, Inc., and DuPage Medical Group, Ltd. during the three (3) years prior to filing the application. [Application for Permit page 83-84]
2. The applicants have authorized the Illinois Health Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connections the applicants' certificate of need to establish a twelve station ESRD facility. The authorization includes, but is not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. [Application for Permit pages 83-84]
3. The site is owned by T Geneva Crossing IL, LLC and evidence of this can be found at page 35-45 of the application for permit in the Letter of Intent to lease the property at 560 S. Schmale Road, Carol Stream, Illinois.
4. The applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.*
5. The proposed location of the ESRD facility is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the*

¹ ¹“Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations.” (77 IAC 1130.140)

Director of Historic Preservation, institute procedures to ensure that State projects consider the preservation and enhancement of both State owned and non-State owned historic resources (20 ILCS 3420/1).

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

VII. Purpose of the Project, Safety Net Impact, Alternatives

A) Criterion 1110.230 – Purpose of the Project

To demonstrate compliance with this criterion the applicants must 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 applicant shall define the planning area or market area, or other, per the applicant's definition.

According to the applicants:

The purpose of the project is to improve access to life sustaining dialysis services to the residents of the greater Carol Stream area. Excluding the 2 facilities that are not yet open/operational for 2 years, there are 11 dialysis facilities within 30 minutes of the proposed Geneva Crossing Dialysis that have been operational for at least 2 years. Collectively, the 11 facilities were operating at 70.7% as of December 31, 2016. However, within a 20 min GSA, the utilization spikes to 77.0% and the existing facilities lack sufficient capacity to accommodate DuPage Medical Group's projected referrals.

DuPage Medical Group's patient base includes over 3,529 CKD patients, with 194 CKD patients that reside within two ZIP codes (Carol Stream 60188 and Wheaton 60187) and all within 10 minutes of the proposed site for Geneva Crossing Dialysis. Conservatively, based upon expected referral patterns, attrition due to patient death, transplant, return of function, or relocation, DuPage Medical Group anticipates that at least 64 of these patients will receive nephrology care through DuPage Medical Group and initiate dialysis at the proposed facility within 12 to 24 months following project completion.

Based upon June 2016 data from The Renal Network (the most current data available), there were 861 in-center hemodialysis patients residing within 30 minutes of the proposed Geneva Crossing Dialysis, and this number is projected to increase. The U.S. Centers for Disease Control and Prevention estimates 10 percent of American adults have some level of CKD. Further, the National Kidney Fund of Illinois estimates over 1 million Illinoisans have CKD and most do not know it. Kidney disease is often silent until the late stages when it can be too late to head off kidney failure. As more working families obtain health insurance through the Affordable Care Act (or ACA) and 1.5 million Medicaid beneficiaries transition from traditional fee for service Medicaid to Medicaid managed care, 18 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 nephrologists 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.

The minimum size of a GSA is 30 minutes and all of the projected patients reside within 30 minutes of the proposed facility. The proposed facility is located in Carol Stream, Illinois. DuPage Medical Group expects at least 64 of the current 194 CKD patients that reside within

two ZIP codes (Carol Stream 60188 and Wheaton 60187) and all within 10 minutes of the proposed site, to require dialysis within 12 to 24 months of project completion.”

The table below identifies the zip codes within the 30-minute service area and the city population and county.

TABLE FOUR			
Zip Code	City	Population	County
60510	Batavia	28,897	Kane
60174	Saint Charles	30,752	Kane
60555	Warrenville	13,538	DuPage
60563	Naperville	35,922	DuPage
60515	Downers Grove	27,503	DuPage
60185	West Chicago	36,527	DuPage
60190	Winfield	10,663	DuPage
60184	Wayne	2,448	Kane
60103	Bartlett	41,928	Cook
60189	Wheaton	30,472	DuPage
60188	Carol Stream	42,656	DuPage
60187	Wheaton	29,016	DuPage
60139	Glendale Heights	34,381	DuPage
60133	Hanover Park	38,103	DuPage
60108	Bloomingtondale	22,735	DuPage
60172	Roselle	24,537	DuPage
60120	Elgin	50,955	Kane
60192	Hoffman Estates	16,343	Cook
60107	Streamwood	39,927	Cook
60194	Schaumburg	19,777	Cook
60169	Hoffman Estates	33,847	Cook
60193	Schaumburg	39,188	Cook
60137	Glen Ellyn	37,805	DuPage
60148	Lombard	51,468	DuPage
60157	Medinah	2,380	DuPage
60101	Addison	39,119	DuPage
60143	Itasca	10,360	DuPage
60181	Villa Park	28,836	DuPage
60713	Schaumburg	12,217	DuPage
60008	Rolling Meadows	22,717	DuPage
Total		855,017	

B) Criterion 1110.230 (b) - Safety Impact Statement

To demonstrate compliance with this criterion the applicants must document the safety net impact if any of the proposed project. *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]*

DaVita stated the following:

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, was previously included as part of Applicants' application for Project No. 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. 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 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.

DuPage Medical Group, Ltd. stated the following:

DuPage Medical Group is actively involved in philanthropy and community service as a way of giving back to the community in which it operates. As part of this effort, DMG established the DuPage Medical Group Charitable Fund in partnership with the DuPage Foundation. Providing a coordinated approach for combining the efforts of its physicians, care providers and staff into a single force. The DuPage Medical Group Charitable Fund, which operates as a donor-advised fund under the umbrella of the DuPage Foundation's status as a 501(c)(3) public charity, seeks to make a significant impact within the communities DMG serves by combining impactful financial support with hands-on volunteerism. The Fund seeks out community and health partners that serve those in need. In March, 2016 DMG reached \$1 million in grants to the community. In addition to providing some financial support to area organizations, the Charitable Fund provides in-kind donations, such as food, toys, coats and books. Volunteer service is also a key component of DMG's giving. Its financial contributions are extended by physicians and staff taking a hands-on role in helping these organizations. The Charitable Fund has also focused on magnifying its impact through volunteer service. Earlier this year DMG was honored with the Governor's Volunteer Service Award for Outstanding Business Volunteer Engagement for its work with People's Resource Center and DuPage Habitat for Humanity. Some of the community healthcare and wellness initiatives supported by the Fund include:

- *DuPage Health Coalition- healthcare subsidies for the underinsured*
- *FORWARD - childhood obesity prevention*
- *LivingWell Cancer Resource Center- free cancer support services for patients and families*
- *NAMI DuPage- support for urgent mental health care needs in the community*
- *Robert Crown Centers for Health Education - heroin awareness programs; drug prevention*
- *SEASPAR - Support for Commit to Be Fit program for individuals with disabilities*
- *Teen Parent Connection - peer pregnancy prevention and education*
- *VNA Healthcare -demonstration kitchen for diabetes education*
- *Wellness House for Living with Cancer- free cancer support services for patients and families*
- *World Relief Aurora/DuPage - supporting medical assistance for refugees/immigrants*

It should also be noted, that as a for-profit organization, DMG does not have an obligation to provide charity care or charitable contributions. However, DMG recognizes an importance to providing care to entire community. This is demonstrated not only by the charitable financial donations described above, but also through its physician owners. Due to its for-profit status, DMG does not individually track the pro bona and charity care provided by all of its physicians, independent of their job description as a member of DMG.

However, DMG continually employs physicians with a track record of dedication to providing charitable care and volunteer work within the community. As an- organization driven by physicians, DMG allows its members to determine their own best method for contributing their time and resources to the communities they serve. DuPage Medical Group is focused on providing quality and cost efficient medical care to DuPage County. DMG is a founding member of Illinois Health Partners, the 14th largest accountable care organization in the nation. DMG accounts for nearly 50% of the patients served by Illinois Health Partners, which is comprised of DMG and with 24 other organizations. According to 2015 data released by CMS, Illinois Health Partners maintained the lowest cost of care per beneficiary for any ACO in the Chicagoland area at \$8,847.

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 ICHD facilities operating for over 2 years and within 30 minutes of the proposed Geneva Crossing Dialysis is 70.7%. However, the utilization rate spikes to 77.0% within 20 min of the proposed facility. There are 3,529 patients within DMG's practice suffering from CKD. 194 CKD patients reside within 2 ZIP codes (Carol Stream 60188 and Wheaton 60187) and within 10 minutes of the proposed site for Geneva Crossing Dialysis. At least 64 of these patients will be expected to commence dialysis treatment at the proposed Geneva Crossing Dialysis within 12 to 24 months of project completion. As such, the proposed facility is necessary to allow the existing facilities to operate at an 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.

TABLE FIVE
DaVita, Inc.

	2014	2015	2016
Net Patient Revenue	\$266,319,949	\$311,351,089	\$353,226,322
Amt of Charity Care (charges)	\$2,477,363	\$2,791,566	\$2,400,299
Cost of Charity Care	\$2,477,363	\$2,791,566	\$2,400,299
% of Charity Care/Net Patient Revenue	0.93%	0.90%	0.68%
Number of Charity Care Patients	146	109	110
Number of Medicaid Patients	708	422	297
Medicaid	\$8,603,971	\$7,361,390	\$4,692,716
% of Medicaid to Net Patient Revenue	3.23%	2.36%	1.33%
DuPage Medical Group Ltd.			
	2014	2015	2016
Net Patient Revenue	\$499,840,100	\$549,085,946	\$704,822,746
Amt of Charity Care (charges)	\$1,364,071	\$768,236	\$982,252
Cost of Charity Care	\$1,364,071	\$768,236	\$982,252
% of Charity Care/Net Patient Revenue	0.27%	0.14%	0.14%
Number of Charity Care Patients	N/A	N/A	N/A
Number of Medicaid Patients	10,173	6,031	15,576
Medicaid	\$15,448,601	\$7,460,880	\$24,144,514
% of Medicaid to Net Patient Revenue	3.09%	1.36%	3.43%

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

To demonstrate compliance with this criterion the applicants must 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.

A) The applicants considered proposing an eight (8) station ESRD facility. This option was rejected due to the expected utilization for the proposed twelve (12) station facility. The applicants stated *“The applicants fully expect the facility to reach the required number of patients for a 12-station facility within two years. In order to establish a facility within the HSA proposed, the facility must not have less than eight stations, pursuant to 77 IL Adm. Code §1110.1430(h)..... The physician's patient data and referral network exhibits a large number of expected patients from DuPage County. As a result of the expected referral numbers exhibited, the number of patients would quickly overcome the required utilization levels for an eight-station facility. Although the reduced number of stations would have reduced the size and cost of the proposed project, the applicants came to the decision that a 12-station facility would ultimately better serve the patient population, as it would allow for the expected growth of patients to benefit from the facility.”*

B) The applicants considered utilizing other ESRD facilities in the Planning Area. This alternative was rejected. The applicants stated

“Excluding the 2 facilities that are not yet open/operational for 2 years, there are 11 dialysis facilities within 30 minutes of the proposed Geneva Crossing Dialysis that have been operational for at least 2 years. Collectively, the 11 facilities were operating at 70.7 percent as of December 31, 2016. However, within a 20 min GSA, the utilization spikes to 77.0 percent and the existing facilities lack sufficient capacity to accommodate DMG's projected referrals. Based upon June 2016 data from The Renal Network (the most current data available), there were 861 in-center hemodialysis patients residing within 30 minutes of the proposed Geneva Crossing Dialysis, and this number is projected to increase.

The U.S. Centers for Disease Control and Prevention estimates 10 percent of American adults have some level of CKD. Further, the National Kidney Fund of Illinois estimates over 1 million Illinoisans have CKD and most do not know it. Kidney disease is often silent until the late stages when it can be too late to head off kidney failure. As more working families obtain health insurance through the Affordable Care Act (or 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 nephrologists 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. DuPage Medical Group's patient base includes over 3,529 CKD patients, with 194 CKD patients that reside within two ZIP codes (Carol Stream 60188 and Wheaton 60187) and all within 10 minutes of the proposed site for Geneva Crossing Dialysis. See Appendix -1. Conservatively, based upon expected referral patterns, attrition due to patient death, transplant, return of function, or relocation, DuPage Medical Group anticipates that at least 64 of these patients will receive nephrology care through DuPage Medical Group and 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 all of the projected referrals. As a result, the applicants rejected this option.” There is no cost to these two (2) alternatives.

C) The applicants are pursuing a joint venture² between DuPage Medical Group, Ltd. and DaVita, Inc. The applicants stated that

“Given the historic growth of ESRD patients and the current utilization levels of area clinics, it is expected that area clinics will exceed the 80% utilization mark over the next few years. The Geneva Crossing Dialysis facility is necessary to address this growth and allow existing facilities to operate at an optimum capacity. Further, without any current partnerships with existing in-center hemodialysis facilities, DMG is seeking to collaborate with DaVita on the proposed facility in order to maintain the continuity of care for DMG patients and address identified issues with care coordination and physician communication in the treatment of patients with kidney disease.

The establishment of a 12-station dialysis facility will improve access to life-sustaining dialysis treatment for those individuals in the greater Carol Stream area who suffer from ESRD. Patients receiving care from DMG will not be forced to exit their current continuum of care, reducing the burden on patients. ESRD patients are typically chronically ill individuals and adequate access to dialysis services is essential to their well-being. As a result, the applicants chose this option.”

² Joint Venture--a business undertaking involving a one-time grouping of two or more entities. Although a joint venture is treated like a Partnership for Federal income tax purposes, it is different from the latter in that it does not involve a continuing relationship among the Parties. Joint Ventures are, in a sense, short-term Partnerships. [Source Center for Medicare and Medicaid]

VIII. Size of the Project, Projected Utilization, and Assurances

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

To demonstrate compliance with this criterion the applicants must document that the size of the project is in conformance with State Board Standards published in Part 1110 Appendix B.

The applicants are proposing a twelve (12) station ESRD facility in 6,240 GSF of space or 521 GSF per station. This is within the State Board Standard of 650 GSF per station or a total of 7,800 GSF.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 IAC 1110.234 (a))

B) Criterion 1110.234 (b) – Projected Utilization

To demonstrate compliance with this criterion the applicants must 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 Part 1110 Appendix B. The number of years projected shall not exceed the number of historical years documented.

The applicants are projecting sixty-four (64) patients by the second year after project completion.

$$\begin{aligned} \text{Sixty-four (64) patients} \times 156 \text{ treatments per year} &= 9,984 \text{ treatments} \\ \text{Twelve (12) stations} \times 936 \text{ treatments available} &= 11,232 \text{ treatments} \\ 9,984 \text{ treatments} / 11,232 \text{ treatments} &= 88.8\% \text{ }^3 \end{aligned}$$

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 IAC 1110.234 (b))

C) Criterion 1110.234 (e) - Assurances

To demonstrate compliance with this criterion the applicants submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.

The necessary attestation is provided at pages 129-131 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.234 (e))

³ Assumes the proposed facility will operate six (6) days a week fifty-two (52) weeks a year three (3) shifts a day.

IX. In-Center Hemodialysis Projects

A) Criterion 1110.1430 (c) - Planning Area Need

To demonstrate compliance with this criterion the applicants must document that the number of stations to be established or added is necessary to serve the planning area's population.

1) 77 Ill. Adm. Code 1100 (Formula Calculation)

To demonstrate compliance with this sub-criterion the applicants must document that the number of stations to be established is in conformance with the projected station need.

There is a calculated excess of two (2) ESRD stations in the HSA 7 ESRD Planning Area per the May 5, 2017 Revised Station Need Determinations.

2) Service to Planning Area Residents

To demonstrate compliance with this sub-criterion the applicants must document that the primary purpose is to serve the residents of the planning area.

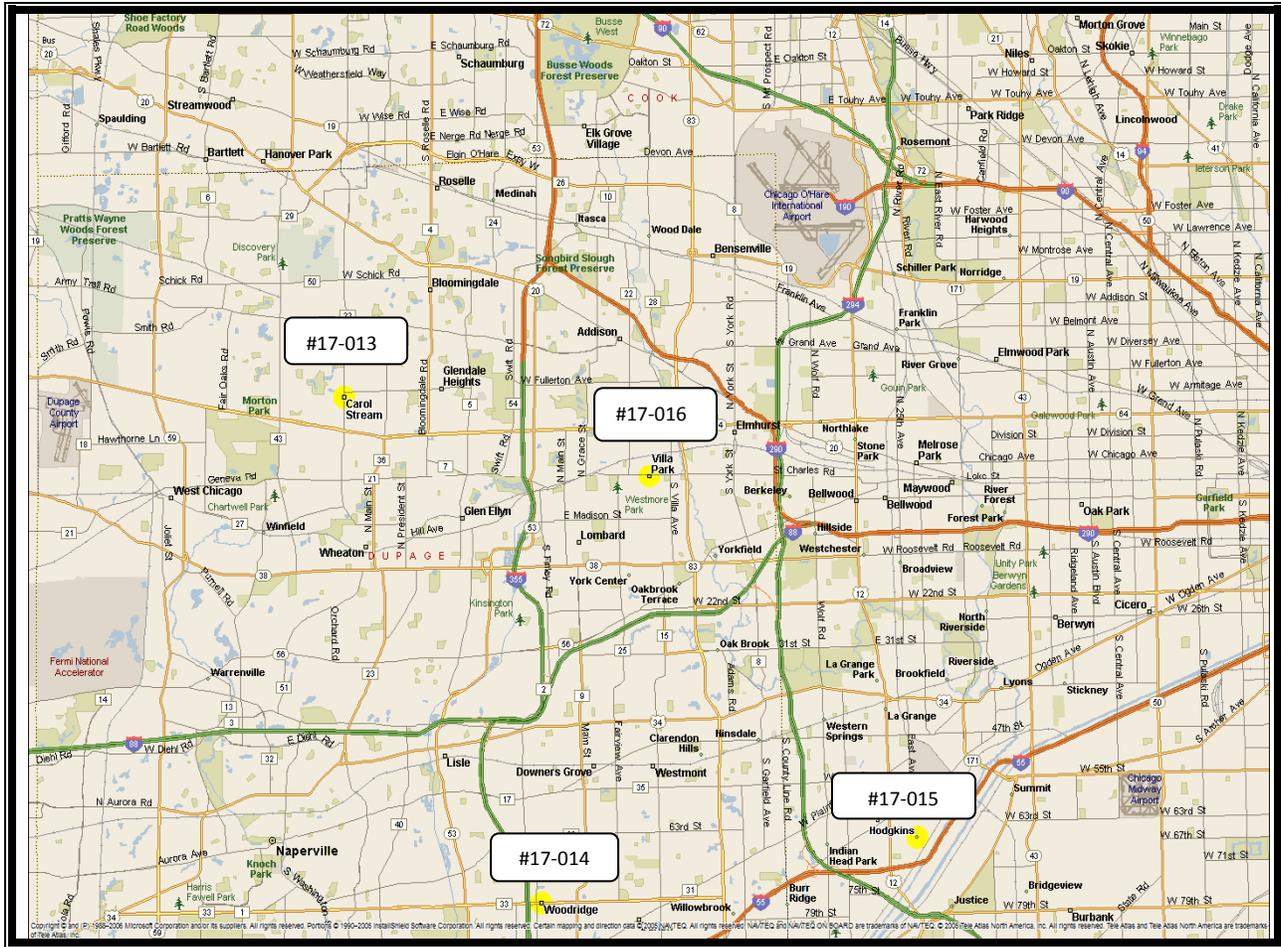
The applicants have stated the primary purpose of the proposed project is to maintain access to life-sustaining dialysis services to the residents of the greater Carol Stream area. One hundred ninety-four (194) pre-ESRD patients reside within two ZIP codes (Carol Stream 60188 (37 patients) and Wheaton 60187 (27 patients) and all within 10 minutes of the proposed facility. The applicants are projecting sixty-four (64) patients by the second year after project completion. It would appear that the proposed facility will provide dialysis services to the residents of the planning area.

3) Service Demand – Establishment of In-Center Hemodialysis Service

To demonstrate compliance with this sub-criterion the applicants must document that there is sufficient demand to justify the twelve stations being proposed.

The applicants have submitted four (4) projects to establish four (4) twelve (12) station ESRD facilities. The four projects are

- #17-013 Geneva Crossing Dialysis – Carol Stream, Illinois
- #17-014 Rutgers Park Dialysis – Woodridge, Illinois
- #17-015 Stone Quarry Dialysis – Hodgkins, Illinois
- #17-016 Salt Creek Dialysis – Villa Park, Illinois



The applicants submitted one (1) referral letter for all four (4) projects.

Per the referral letter Drs. Barakat, Delaney, Mataria, Rawal, Samad, and Shah, treated sixty (60) end stage renal disease ("ESRD") patients in 2013, fifty-five (55) ESRD patients in 2014, one hundred seven (107) ESRD patients in 2015, and one hundred five (105) ESRD patients in 2016. The physicians referred thirty-seven (37) new patients for in-center hemodialysis in 2015 and thirty-one (31) new patients in 2016. According to the referral letter DuPage Medical Group, Ltd. currently has 3,529 pre-ESRD patients that have chronic renal disease Stage 3, Stage 4 and Stage 5⁴.

4

Stages of Chronic Kidney Disease

Stage 1: the eGFR shows normal kidney function but you are already known to have some kidney damage or disease. For example, you may have some protein or blood in your urine, an abnormality of your kidney, kidney inflammation, etc.

Stage 2: mildly reduced kidney function AND you are already known to have some kidney damage or disease. People with an eGFR of 60-89 without any known kidney damage or disease are not considered to have chronic kidney disease (CKD).

Stage 3: moderately reduced kidney function. (With or without a known kidney disease. For example, an elderly person with ageing kidneys may have reduced kidney function without a specific known kidney disease.)

Stage 4: severely reduced kidney function. (With or without known kidney disease.)

Stage 5: very severely reduced kidney function. This is sometimes called end-stage kidney failure or established renal failure.

Glomerular filtration rate (GFR) describes the flow rate of filtered fluid through the kidney

TABLE SIX
Historical Referrals

	2013	2014	2015	2016
Mount Greenwood	52	54	53	63
Hazel Crest Renal Center			1	1
Olympia Fields Dialysis	2	2	4	5
Palos Park Dialysis	4	7	8	6
Stony Creek Dialysis	2	4	6	9
FMC Alsip			12	4
FMC Blue Island			10	5
FMC Burbank			9	8
Fresenius Mokena			2	0
FMC Orland Park				1
Kidney and Hypertension Associates			3	1
	60	67	105	102

1. Kidney and Hypertension Associates referrals were not accepted for 2015 and 2016 because the facility is not a certified ESRD facility.

TABLE SEVEN
New Referrals

	2015	2016
Mount Greenwood Dialysis	23	18
Hazel Crest Renal Center	2	1
Olympia Fields Dialysis	4	1
Palos Park Dialysis	4	4
Stony Creek Dialysis	4	5
Renal Center New Lenox		2
Total	37	31

Projected Referrals require the following information:

- i) The physician's total number of patients (by facility and zip code of residence) who have received care at existing facilities located in the area, as reported to The Renal Network at the end of the year for the most recent three years and the end of the most recent quarter;
- ii) The number of new patients (by facility and zip code of residence) located in the area, as reported to The Renal Network, that the physician referred for in-center hemodialysis for the most recent year;
- iii) An estimated number of patients (transfers from existing facilities and pre-ESRD, as well as respective zip codes of residence) that the physician will refer annually to the applicant's facility within a 24-month period after project completion, based upon the physician's practice experience. The anticipated number of referrals cannot exceed the physician's documented historical caseload;
- iv) An estimated number of existing patients who are not expected to continue requiring in-center hemodialysis services due to a change in health status (e.g., the patients received kidney transplants or expired);
- v) The physician's notarized signature, the typed or printed name of the physician, the physician's office address and the physician's specialty;

EGFR: Epidermal growth factor receptor. A protein found on the surface of cells to which epidermal growth factor (EGF) binds. When EGF attaches to EGFR, it activates the enzyme tyrosine kinase, triggering reactions that cause the cells to grow and multiply. EGFR is found at abnormally high levels on the surface of many types of cancer cells, which may divide excessively in the presence of EGF

- vi) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services; and
- vii) Each referral letter shall contain a statement attesting that the information submitted is true and correct, to the best of the physician's belief.

The applicants provided the necessary information at pages 154-173 of the application for permit. From the referral letter it appears that there is sufficient demand (patient population) to justify the proposed number of stations (12) being requested by this application for permit.

5) Service Accessibility

To demonstrated compliance with this sub-criterion the applicants must document that the number of stations being established or added for the subject category of service is necessary to improve access for planning area residents. The applicant must document one of the following:

- i) The absence of the proposed service within the planning area;
 - ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;
 - iii) Restrictive admission policies of existing providers;
 - iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;
 - iv) For purposes of this subsection (c) (5) only, all services within the 30-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.
1. There is no absence of the proposed service within the planning area as there are seventy-five (75) existing dialysis facilities in the HSA VII ESRD Planning Area.
 2. There has been no evidence of the access limitations due to payor status of patients.
 3. There has been no evidence of restrictive admission policies of existing providers.
 4. There has been no evidence that the area population and existing care system exhibits indicators of medical care problems.
 5. There are thirteen (13) facilities within thirty (30) minutes with an average utilization of approximately sixty-four percent (64%). One (1) of the thirteen (13) facilities is not operational and (1) one provides nocturnal dialysis. The eleven (11) remaining facilities average utilization is approximately seventy-four percent (74%).

There is an excess of ESRD stations in the planning area and there are existing facilities within thirty (30) minutes of the proposed facility not at the target occupancy of eighty percent (80%). There is no service access issue in this thirty-minute planning area.

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

**TABLE EIGHT
Facilities within thirty (30) minutes of proposed facility**

End Stage Renal Disease Facility	City	Adjusted Drive Time ⁽¹⁾	# of Stations	Utilization ⁽²⁾	Star Rating ⁽³⁾
Glendale Heights Dialysis Center	Glendale Heights	6.9	29	80.46%	5
Fresenius Medical care of West Chicago	West Chicago	13.8	12	79.17%	5
Fresenius Medical Care -Lombard	Lombard	18.4	12	68.06%	4
Central DuPage Dialysis Center	West Chicago	20.7	16	73.96%	5
US Renal Care Villa Park	Villa Park	20.7	13	88.46%	4
Schaumburg Renal Center	Schaumburg	24.15	20	71.67%	5
Elk Grove Dialysis Center	Elk Grove Village	25.3	28	98.91%	4
FMC of Naperville North	Naperville	26.45	21	55.56%	3
USRC Streamwood Dialysis	Streamwood	26.45	13	53.85%	3
USRC Oak Brook	Downers Grove	27.6	13	79.49%	2
Fresenius Medical Care Rolling Meadows	Rolling Meadows	29.9	24	70.83%	4
Total Stations/Average			201	74.58%	
Fresenius Medical Care Schaumburg	Schaumburg	23	12	0.00%	NA
Nocturnal Dialysis Spa	Villa Park	24.15	12	4.17%	NA
Total Stations/Average			225	63.43%	

1. Adjusted Drive Time taken from MapQuest and adjusted per 77 IAC 1100.510 (d)
2. Utilization Second Quarter of 2017.
3. Star Rating taken Medicare Compare Website. Information regarding Star Rating at the end of this report.

B) Criterion 1110.1430 (d) - Unnecessary Duplication/Mal-distribution

To demonstrate compliance with this criterion the applicants must document that the proposed project will not result in

1. An unnecessary duplication of service
 2. A mal-distribution of service
 3. An impact on other area providers
1. To determine if there is an unnecessary duplication of service the State Board identifies all facilities within thirty (30) minutes and determines if there is existing capacity to accommodate the demand identified in the application for permit. There are thirteen (13) facilities within thirty (30) minutes with an average utilization of approximately sixty-four percent (64%). One (1) of the thirteen (13) facilities is not operational and (1) one provides nocturnal dialysis. The eleven (11) remaining facilities average utilization is approximately seventy-four percent (74%).
 2. To determine a mal-distribution (i.e. surplus) of stations in the thirty (30) minute service area the State Board compares the ratio of the number of stations per

population in the thirty (30) minute service area to the ratio of the number of stations in the State of Illinois to the population in the State of Illinois. To determine a surplus of stations the number of stations per resident in the thirty minute service area must be 1.5 times the number of stations per resident in the State of Illinois.

	Population	Stations	Ratio
30 Minute Service Area	855,017	225	1 Station per every 3,800 residents
State of Illinois (2015 est.)	12,978,800	4,585	1 Station per every 2,831 residents

The population in the thirty (30) minute service area is 855,017 residents. The number of stations in the (30) minute service area is two hundred twenty-five (225). The ratio of stations to population is one (1) station per every 3,800 resident. The number of stations in the State of Illinois is 4,585 stations (*as of May 5, 2017*). The 2015 estimated population in the State of Illinois is 12,978,800 residents (*Illinois Department of Public Health Office of Health Informatics Illinois Center for Health Statistics -2014 Edition*). The ratio of stations to population in the State of Illinois is one (1) station per every 2,831 resident. To have a surplus of stations in this thirty (30) minute service area the number of stations per population would need to be one (1) station per every 1,888 resident. Based upon this methodology there is not a surplus of stations in this service area.

3. The applicants stated the following regarding the impact on other facilities. *“The proposed dialysis facility will not have an adverse impact on existing facilities in the GSA. As discussed throughout this application, the utilization of ICHD facilities operating for over 2 years and within 30 minutes of the proposed Geneva Crossing Dialysis is 70.7%. However, within a 20 min GSA, the utilization spikes to 77.0%. A total of 861 in-center hemodialysis patients reside within 30 minutes of the proposed facility and this number is projected to increase. The proposed facility is necessary to allow the existing facilities to operate at an optimum capacity, while at the same time accommodating the growing demand for dialysis services. As a result, the Geneva Crossing Dialysis facility will not lower the utilization of area provider below the occupancy standards. Excluding the 2 facilities that are not yet open/operational for 2 years, there are 11 existing dialysis facilities that have been operating for 2 or more years within the proposed 30 minute GSA for Geneva Crossing Dialysis. As of December 31, 2016, the 11 facilities were operating at an average utilization of 70.7%. However, within a 20 min GSA, the utilization spikes to 77.0%. Based upon data from The Renal Network, there were 861 in-center hemodialysis patients residing within 30 minutes of the proposed Geneva Crossing Dialysis, and that number is projected to increase.”*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE, MALDISTRIBUTION OF SERVICE IMPACT ON OTHER FACILITIES (77 IAC 1110.1430 (c) (1) (2) and (3))

C) Criterion 1110.1430 (f) - Staffing

To demonstrate compliance with this criterion the applicants must 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 proposed facility will be staffed in accordance with all State and Medicare staffing requirements. The Medical Director will be Shivani Shah, M.D. A copy of Dr. Shah's curriculum vitae has been provided as required. Initial staffing for the proposed facility will be as follows:

Administrator (0.94 FTE)
Registered Nurse (3.21 FTE)
Patient Care Technician (3.29 FTE)
Biomedical Technician (0.28 FTE)
Social Worker (licensed MSW) (0.57 FTE)
Registered Dietitian (0.57 FTE)
Administrative Assistant (0.78 FTE)

As patient volume increases, nursing and patient care technician staffing will increase accordingly to maintain a ratio of at least one (1) direct patient care provider for every four (4) ESRD patients. At least one registered nurse will be on duty while the facility is in operation. All staff will be training under the direction of the proposed facility's Governing Body, utilizing DaVita's comprehensive training program. DaVita's training program meets all State and Medicare requirements. The training program includes introduction to the dialysis machine, components of the hemodialysis system, infection control, anticoagulation, patient assessment/data collection, vascular access, kidney failure, documentation, complications of dialysis, laboratory draws, and miscellaneous testing devices used. In addition, it includes in-depth theory on the structure and function of the kidneys; including, homeostasis, renal failure, ARF/CRF, uremia, osteodystrophy and anemia, principles of dialysis; components of hemodialysis system; water treatment; dialyzer reprocessing; hemodialysis treatment; fluid management; nutrition; laboratory; adequacy; pharmacology; patient education, and service excellence. Geneva Crossing Dialysis will maintain an open medical staff.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 IAC 1110.1430 (f))

D) Criterion 1110.1430 (g) - Support Services

To demonstrate compliance with this criterion the applicants must submit a certification from an authorized representative that attests to each of the following:

- 1) Participation in a dialysis data system;
- 2) Availability of support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and
- 3) Provision of training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training provided at the proposed facility, or the existence of a signed, written agreement for provision of these services with another facility.

The applicants have provided the necessary attestation as required at pages 119-120 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SUPPORT SERVICES (77 IAC 1110.1430 (g))

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

To demonstrate compliance with this criterion the applicants must document that 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 twelve (12) station facility will be located in the Chicago-Joliet-Naperville metropolitan statistical area ("MSA"). The applicants have met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION MINIMUM NUMBER OF STATIONS (77 IAC 1110.1430 (h))

F) Criterion 1110.1430 (i) - Continuity of Care

To demonstrate compliance with this criterion the applicants document that a signed, written affiliation agreement or arrangement is in effect for the provision of inpatient care and other hospital services. Documentation shall consist of copies of all such agreements.

The applicants have provided the necessary signed affiliation agreement with Adventist Glen Oak Hospital as required at pages 121-128 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CONTINUITY OF CARE (77 IAC 1110.1430 (i))

G) Criterion 1110.1430 (k) - Assurances

To demonstrate compliance with this criterion the representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that:

- 1) By the second year of operation after the project completion, the applicant will achieve and maintain the utilization standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal; and
- 2) An applicant proposing to expand or relocate in-center hemodialysis stations will achieve and maintain compliance with the following adequacy of hemodialysis outcome measures for the latest 12-month period for which data are available:
≥ 85% of hemodialysis patient population achieves urea reduction ratio (URR) ≥ 65%
and ≥ 85% of hemodialysis patient population achieves Kt/V Daugirdas II 1.2.

The necessary attestation has been provided at page 129-130 of the application for permit.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN
CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.1430 (k))(5))**

X. Financial Viability

Purpose of the Act *This Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs.*

A) Criterion 1120.20 – Availability of Funds

To demonstrate compliance with this criterion the applicants must document that the resources are available to fund the project.

The applicants are funding this project with cash in the amount of \$1,983,174 and a lease with a FMV of \$718,840. The applicants attested that the total estimated project costs and related costs will be funded in total with cash and cash equivalents. A summary of the financial statements of the applicants is provided below. [Application for Permit page 143]

TABLE NINE
Davita Inc.
December 31,
Audited
(in thousands)

	2016	2015
Cash	\$913,187	\$1,499,116
Current Assets	\$3,980,228	\$4,503,280
Total Assets	\$18,741,257	\$18,514,875
Current Liabilities	\$2,696,445	\$2,399,138
LTD	\$8,947,327	\$9,001,308
Patient Service Revenue	\$10,354,161	\$9,480,279
Total Net Revenues	\$14,745,105	\$13,781,837
Total Operating Expenses	\$12,850,562	\$12,611,142
Operating Income	\$1,894,543	\$1,170,695
Net Income	\$1,033,082	\$427,440

TABLE TEN
DuPage Medical Group Ltd.
December 31,
Audited
(in thousands)

	2015	2014
Cash	\$58,095	\$14,948
Current Assets	\$148,491	\$88,244
Total Assets	\$371,146	\$295,147
Current Liabilities	\$108,827	\$95,050
LTD	\$154,888	\$51,569
Patient Service Revenue	\$446,660	\$413,934
Total Net Revenues	\$569,418	\$518,612
Total Operating Expenses	\$539,721	\$498,127
Net Income	-\$109,373	\$12,792

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

B) Criterion 1120.130 - Financial Viability

To document compliance with this criterion the applicants must document that they have a Bond Rating of “A” or better, they meet the State Board’s financial ratio standards for the past three (3) fiscal years or the project will be funded from internal resources.

The applicants are funding this project with cash in the amount of \$1,983,174 and a lease with a FMV of \$718,840. The applicants have qualified for the financial waiver.

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

XI. Economic Feasibility

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

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

To demonstrate compliance with these criteria the applicants must document that leasing of the space is reasonable. The State Board considers the leasing of space as debt financing.

The lease is for ten (10) years at a base rent of \$16.50 for the first five (5) years with a 10% increase in year six (6). The table below shows the calculation of the FMV of the lease space of 6,240 GSF using an eight percent (8%) discount factor. It appears the lease is reasonable when compared to previously approved projects.

TABLE ELEVEN		
PV of 8%	Total Base Rent	PV of Total Space Lease
0.92593	\$102,960	\$95,333.75
0.85734	\$102,960	\$88,271.73
0.79383	\$102,960	\$81,732.74
0.73503	\$102,960	\$75,678.69
0.68058	\$102,960	\$70,072.52
0.63017	\$113,256	\$71,370.53
0.58349	\$113,256	\$66,083.74
0.54027	\$113,256	\$61,188.82
0.50025	\$113,256	\$56,656.31
0.46319	\$113,256	\$52,459.05
Total		\$718,847.88

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1120.140 (a) (b))

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

To demonstrate compliance with this criterion the applicants must document that the project costs are reasonable by the meeting the State Board Standards in Part 1120 Appendix A.

As shown in the table below the applicants have met all of the State Board Standards published in Part 1120, Appendix A.

TABLE TWLEVE				
Reasonableness of Project Costs				
	State Standard			Met Standard
	Project Costs	%/GSF/Station	Total	
Modernization Contracts and Contingencies (1)	\$1,213,800	\$194.87/GSF	\$1,215,988.80	Yes
Contingencies	\$158,300	15.00%	\$158,325	Yes
Architectural/Engineering Fees	\$123,000	10.36%	\$125,749.68	Yes
Movable or Other Equipment	\$529,295	\$53,683/Station	\$644,196	Yes
Consulting and Other Fees	\$117,079			
Fair Market Value of Leased Space or Equipment	\$718,840		Not Applicable	
1.	Modernization standard and contingency standard is \$178.33/GSF for 2015 and inflated by 3% per year to 2018			
2.	Contingencies for modernization is 15% of modernization costs of \$1,055,500			
3.	Architectural and Engineering Fees is 10.36% of modernization and contingencies [Part 1120 Appendix A]			
4.	Movable Equipment standard is \$39,945 per station for 2008 inflated by 3% per year to 2018.			

Moveable and Other Equipment	
Communications	\$68,644
Water Treatment	\$140,475
Bio-Medical Equipment	\$11,550
Clinical Equipment	\$210,444
Clinical Furniture/Fixtures	\$18,060
Lounge Furniture/Fixtures	\$3,855
Storage Furniture/Fixtures	\$5,862
Business Office Fixtures	\$30,905
General Furniture/Fixtures	\$27,500
Signage	\$12,000
Total Moveable and Other Equipment	\$529,295

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

D) Criterion 1120.140 (d) – Projected Operating Costs

To demonstrate compliance with this criterion the applicants must document that the projected direct annual operating costs for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs mean the fully allocated costs of salaries, benefits and supplies for the service.

The applicants are projecting \$239.02 operating expense per treatment.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED OPERATING COSTS (77 IAC 1120.140 (D))

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

To demonstrate compliance with this criterion the applicants must provide the total projected annual capital costs for the first full fiscal year at target utilization but no more than two years following project completion. Capital costs are defined as depreciation, amortization and interest expense.

The applicants are projecting capital costs of \$25.36 per treatment.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140 (e))

Star Rating System

Centers for Medicare & Medicaid Services (CMS) Star Ratings

“The star ratings are part of Medicare’s efforts to make data on dialysis centers easier to understand and use. The star ratings show whether your dialysis center provides quality dialysis care - that is, care known to get the best results for most dialysis patients. The rating ranges from 1 to 5 stars. A facility with a 5-star rating has quality of care that is considered ‘much above average’ compared to other dialysis facilities. A 1- or 2- star rating does not mean that you will receive poor care from a facility. It only indicates that measured outcomes were below average compared to those for other facilities. Star ratings on Dialysis Facility Compare are updated annually to align with the annual updates of the standardized measures.”

CMS assigns a one to five ‘star rating’ in two separate categories: best treatment practices and 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.

The Dialysis Facility Compare website currently reports on 9 measures of quality of care for facilities. These measures are used to develop the star rating. Based on the star rating in each of the two categories, CMS then compiles an ‘overall rating’ for the facility. As with the separate categories: the more stars, the better the rating. The star rating is based on data collected from January 1, 2012 through December 31, 2015.

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