STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-06	BOARD MEETING: September 26, 2017	PROJECT NO: 17-016	PROJECT COST: Original: $3,834,316
FACILITY NAME: Salt Creek Dialysis		CITY: Villa Park	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants (DaVita Inc., DuPage Medical Group, ltd., and Avertrail Dialysis, LLC) are proposing to establish a twelve station (12) ESRD facility in 6,250 GSF of leased space located at 196 West North Avenue, Villa Park, Illinois. The cost of the project is $3,834,316 and the completion date is June 30, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita Inc., DuPage Medical Group, ltd., and Avertrail Dialysis, LLC) are proposing to establish a twelve station (12) ESRD facility in 6,250 GSF of leased space located at 196 West North Avenue, Villa Park, Illinois. The cost of the project is $3,834,316 and the completion date is June 30, 2019.

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 thirty-three (33) facilities within thirty (30) minutes with an average utilization of approximately sixty-four percent (64%). Two (2) of the thirty-three (33) facilities is not operational and (1) one provides nocturnal dialysis. The thirty (30) remaining facilities average utilization is approximately seventy-one percent (71%).
- 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 excess 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 no not exhibit indicators of medical care problems. There are thirty-three (33) facilities within thirty (30) minutes with an average utilization of approximately sixty-four percent (64%). Two (2) of the thirty-three (33) facilities are not operational and (1) one provides nocturnal dialysis. The thirty (30) remaining facilities average utilization is approximately seventy-one percent (71%).
77 IAC 1110.1430(d)(1), (2) and (3) - Unnecessary Duplication of Service, Mal-distribution of Service, Impact on Other Providers	There are thirty-three (33) facilities within thirty (30) minutes with an average utilization of approximately sixty-four percent (64%). Two (2) of the thirty-three (33) facilities are not operational and (1) one provides nocturnal dialysis. The thirty (30) remaining facilities average utilization is approximately seventy-one percent (71%).

STATE BOARD STAFF REPORT
Project #17-016
Salt Creek Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	DaVita Inc., DuPage Medical Group, ltd., and Avertrail Dialysis, LLC
Facility Name	Salt Creek Dialysis
Location	196 West North Avenue, Villa Park, Illinois
Permit Holder	Avertrail Dialysis, LLC
Operating Entity	Avertrail Dialysis, LLC
Owner of Site	National Shopping Plazas, Inc.
Description	Establish a twelve (12) station ESRD facility
Total GSF	6,250 GSF
Application Received	March 28, 2017
Application Deemed Complete	March 29, 2017
Review Period Ends	July 27, 2017
Financial Commitment Date	September 26, 2019
Project Completion Date	June 30, 2019
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 Avertrail Dialysis, LLC) are proposing to establish a twelve station (12) ESRD facility in 6,250 GSF of leased space located at 196 West North Avenue, Villa Park, Illinois. The cost of the project is $3,834,316 and the completion date is June 30, 2019.

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 Avertrail 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 sixty-six (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.

Avertrail Dialysis, LLC d/b/a as Salt Creek 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 $2,408,434 and the FMV of leased space of $2,276,187. The operating deficit and start-up costs are $2,552,288.

TABLE TWO
Project Costs and Sources of Funds

	Reviewable	Total
New Construction	$1,378,785	$1,378,785
Contingencies	$110,000	$110,000
Architectural and Engineering Fees	$108,125	$108,125
Consulting and Other Fees	$82,896	$82,896
Movable or Other Equipment	$541,095	$541,095
FMV of Leased Space	$1,613,415	$1,613,415
Total	$3,834,316	$3,834,316
Cash		$2,220,901
FMV of Leased Space		$1,613,415
Total		$3,834,316

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. There are currently seventy-five (75) dialysis facilities in this planning area. [See Appendix I]

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**

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 National Shopping Plazas, Inc. and evidence of this can be found at pages 35-46 of the application for permit in the Letter of Intent to lease the property at 196 West North Avenue, Villa Park, 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 Director of Historic Preservation, institute procedures to ensure that State projects consider*

[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)

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 Villa Park area. Excluding the 3 facilities that are not yet open / operational for 2 years, there are 30 dialysis facilities within 30 minutes of the proposed Salt Creek Dialysis that have been operational for at least 2 years. Collectively, the 30 facilities were operating at 71.1 % as of December 31, 2016, 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 154 CKD patients that reside within 20 minutes of the proposed site for Salt Creek Dialysis. Conservatively, based upon expected referral patterns, attrition due to patient death, transplant, return of function, or relocation, DMG anticipates that at least 64 of these patients will 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 1,764 in-center hemodialysis patients residing within 30 minutes of the proposed Salt Creek Dialysis, and this number is projected to increase. The U.S. Centers for Disease Control and Prevention estimates 10% 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 fate 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 nephrologist care prior to diagnosis. It is imperative that enough stations are available to treat this new influx of ESRD patients, who will require dialysis in the next couple of years. An optimal care plan for patients with CKD includes strategies to slow the loss of kidney function, manage co morbidities, and prevent or treat cardiovascular disease and other complications of CKD, as well as ease the transition to kidney replacement therapy. Early identification of CKD and deliberate treatment of ESRD by multidisciplinary teams leads to improved disease management and care, mitigating the risk of disease advancement and patient mortality. Accordingly, timely referral to and treatment by a multidisciplinary clinical team may improve patient outcomes and reduce cost. Indeed, research has found that late referral and suboptimal care result in higher mortality and hospitalization rates10. Deficient knowledge about appropriate timing of patient referrals and poor communication between PCPs and nephrologists has been cited as key contributing factors. Critically, addressing the failure of communication and coordination among primary care physicians ("PCPs"), nephrologists, and other specialists may alleviate a systemic barrier to mitigating the risk of patient progression from CKD to ESRD, and to effective care of patients with ESRD. Currently, DMG patients from Villa Park and surrounding areas who require dialysis services may be removed from DMG's continuum of care, which optimizes patient health and outcomes through provider collaboration and coordinated administrative tools. In addition to research emphasizing the value of care coordination among providers, research has generally displayed that the more information on a single EHR, the better the outcomes are for patient

care. Patients receiving care on a single integrated EHR often experience reduced clinical errors and better outcomes as a result. With the development of this proposed facility, patient data generated at the dialysis facility will be migrated to the EHR systems accessible by all DMG providers. This data integration ensures a patient's PCP, nephrologists, and other specialists can readily access the patient dialysis records. The applicants have the ability to design additional functionalities to address communication and coordination issues between physicians. This removes administrative burden and alleviates risks that a patient's PCP or specialist is missing information regarding their care, including dialysis treatments. By streamlining these processes, the applicants anticipate improved patient care and experiences. Research supports the applicants' expectations that alleviating the perceived burden by physicians of implementation and participation to be vital to the success of new mechanisms designed to improve care. The tailoring of familiar DaVita and DMG tools eases the burden on physicians and enhances the likelihood of success in improving care coordination and physician communications. The applicants anticipate the proposed facility will have quality outcomes comparable to DaVita's other facilities. Additionally, in an effort to better serve all kidney patients, the applicants will require all providers measure outcomes in the same way and report them in a timely and accurate basis or be subject to penalty. There are four key measures that are the most common indicators of quality care for dialysis providers - dialysis adequacy, fistula use rate, nutrition and bone and mineral metabolism. Adherence to these standard measures has been directly linked to 15-20 percent fewer hospitalizations. On each of these measures, DaVita has demonstrated superior clinical outcomes, which directly translated into 7 percent reduction in hospitalizations among DaVita patients, the monetary result of which is more than $1.5 billion in savings to the health care system and the American taxpayer from 2010-2012. The establishment of a 12-station dialysis facility will improve access to necessary dialysis treatment for those individuals in the greater Villa Park area who suffer from ESRD. ESRD patients are typically chronically ill individuals and adequate access to dialysis services is essential to their well-being.

The purpose of this project is to improve access to life sustaining dialysis to residents of Villa Park and the immediately surrounding areas. As discussed more fully above, there is insufficient capacity within the GSA to accommodate all of the projected ESRD patients. 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 Villa Park, Illinois. DuPage Medical Group expects at least 64 of the current 154 CKD patients that reside within 20 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, county and population.

TABLE FOUR

Zip Code	City	County	Population
60517	Woodridge	DuPage	32,038
60515	Downers Grove	DuPage	27,503
60559	Westmont	DuPage	24,852
60561	Darien	DuPage	23,115
60527	Willowbrook	DuPage	27,486
60514	Clarendon Hills	DuPage	9,708
60521	Hinsdale	DuPage	17,597
60558	Western Springs	Cook	12,960
60190	Winfield	DuPage	10,663
60189	Wheaton	DuPage	30,472
60188	Carol Stream	DuPage	42,656
60187	Wheaton	DuPage	29,016
60139	Glendale Heights	DuPage	34,381
60133	Hanover Park	Cook	38,103
60108	Bloomingdale	DuPage	22,735
60172	Roselle	Cook	24,537
60194	Schaumburg	Cook	19,777

TABLE FOUR			
Zip Code	**City**	**County**	**Population**
60169	Hoffman Estates	Cook	33,847
60193	Schaumburg	Cook	39,188
60195	Schaumburg	Cook	4,769
60067	Palatine	Cook	38,585
60137	Glen Ellyn	DuPage	37,805
60148	Lombard	DuPage	51,468
60157	Medinah	DuPage	2,380
60101	Addison	DuPage	39,119
60191	Wood Dale	DuPage	14,310
60143	Itasca	DuPage	10,360
60007	Elk Grove Village	DuPage	33,820
60523	OakBrook	DuPage	9,890
60181	Villa Park	DuPage	28,836
60126	Elmhurst	DuPage	46,371
60162	Hillside	Cook	8,111
60163	Berkley	Cook	5,209
60164	Melrose Park	Cook	22,048
60106	Bensenville	DuPage	20,309
60173	Schaumburg	Cook	12,217
60008	Rolling Meadows	Cook	22,717
60018	Des Plaines	Cook	30,099
60004	Arlington Heights	Cook	50,582
60480	Willow Springs	Cook	5,246
60457	Hickory Hills	Cook	14,049
60525	LaGrange	Cook	31,168
60526	LaGrange Park	Cook	13,576
60458	Justice	Cook	14,428
60501	Summit Road	Cook	11,626
60513	Brookfield	Cook	19,047
60482	Worth	Cook	11,063
60154	Westchester	Cook	16,773
60155	Broadview	Cook	7,927
60104	Bellwood Park	Cook	19,038
60165	Stone Park	Cook	4,946
60160	Melrose Park	Cook	25,432
60153	Maywood	Cook	24,106
60141	Hines	Cook	224
60546	Riverside	Cook	15,668
60130	Forest Park	Cook	14,167
60305	River Forest	Cook	11,172
60131	Franklin Park	Cook	18,097
60176	Schiller Park	Cook	11,795
60304	Oak Park	Cook	17,231
60301	Oak Park	Cook	2,539
60302	Oak Park	Cook	32,108
60644	Chicago	Cook	48,648
60068	Park Ridge	Cook	37,475
Total			1,417,188

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 Salt Creek Dialysis is 71.1%. There are 3,529 patients from DMG's practice suffering from CKD. 154 CKD patients reside within 20 minutes of the proposed site for Salt Creek Dialysis. At least 64 of these patients will be expected to commence dialysis treatment at the proposed Salt Creek Dialysis within 12 to 24 months of project completion. As such, the proposed facility is necessary to allow the existing facilities to operate at a more 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.

The applicants considered two (2) alternatives

A) Reducing the Scope and Size of Current Project

The applicants considered, but ultimately rejected, an 8-station in-center hemodialysis facility. This was rejected due to the expected utilization, as documented throughout this proposal. 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 and Cook County. As a result of the expected referral numbers exhibited, the number of patients would quickly overcome the required utilization levels for an 8-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.
The alternative plan of only establishing an 8-station facility was therefore rejected by the applicants.

B) Utilize Existing Facilities

Excluding the 3 facilities that are not yet open/operational for 2 years, there are 30 dialysis facilities within 30 minutes of the proposed Salt Creek Dialysis that have been operational for at least 2 years. Collectively, the 30 facilities were operating at 71.1% as of December 31, 2016, 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 1,764 in—center hemodialysis patients residing within 30 minutes of the proposed Salt Creek Dialysis, and this number is projected to increase. The U.S. Centers for Disease Control and Prevention estimates 10% 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 nephrologist care prior to diagnosis. It is imperative that enough stations are available to treat this new influx of ESRD patients, who will require dialysis in the next couple of years. DuPage Medical Group's patient base includes over 3,529 CKD patients, with 154 CKD patients that reside within 20 minutes of the proposed site for Salt Creek Dialysis. Conservatively, based upon attrition due to patient death, transplant, return of function, or relocation, DMG anticipates that at least 64 patients will initiate dialysis 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 capital cost with this alternative.

C) Pursue a Joint Venture for the Establishment of a New Facility

DuPage Medical Group, Ltd. and DaVita, Inc. have entered into a 50/50 joint venture agreement t[2] to combine resources and areas of expertise in order to offer the highest level of patient care. 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 Stone Quarry 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 Villa Park 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. The cost of this alternative is **$4,684,621.**

D) Empirical Evidence

There are four key measures that are the most common indicators of quality care for dialysis providers - dialysis adequacy, fistula use rate, nutrition and bone and mineral metabolism. Adherence to these measures has been directly linked to 15-20 percent fewer hospitalizations. On each of these measures, DaVita has demonstrated superior clinical outcomes, which directly translated into a 7 percent reduction in hospitalizations among DaVita patients, which resulted in more than $1.5 billion in savings to the health care system and the taxpayer from 2010 -2012. Although not quantifiable by empirical data, the applicants also anticipate the improvement of patient care and experiences through the development of the joint venture facility. Identified issues anticipated to be addressed include maintaining patients' continuum of care and resolving physician communication and care coordination deficiencies that are barriers to optimal care.

[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 6,250 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.

Sixty-four (64) patients x 156 treatments per year = 9,984 treatments
Twelve (12) stations x 936 treatments available = 11,232 treatments
9,984 treatments/11,232 treatments = 88.8% [3]

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 primary purpose of the proposed project is to maintain access to life-sustaining dialysis services to the residents of the greater Villa Park area. As evidenced in the physician referral letter one hundred fifty-four (154) pre-ESRD patients reside within 20 minutes of the proposed facility. The applicants are projecting sixty-four (64) patients by the second year after project completion. The sixty-four patients will come from the zip codes identified below. It would appear that the proposed facility will provide dialysis services to the residents of the planning area.

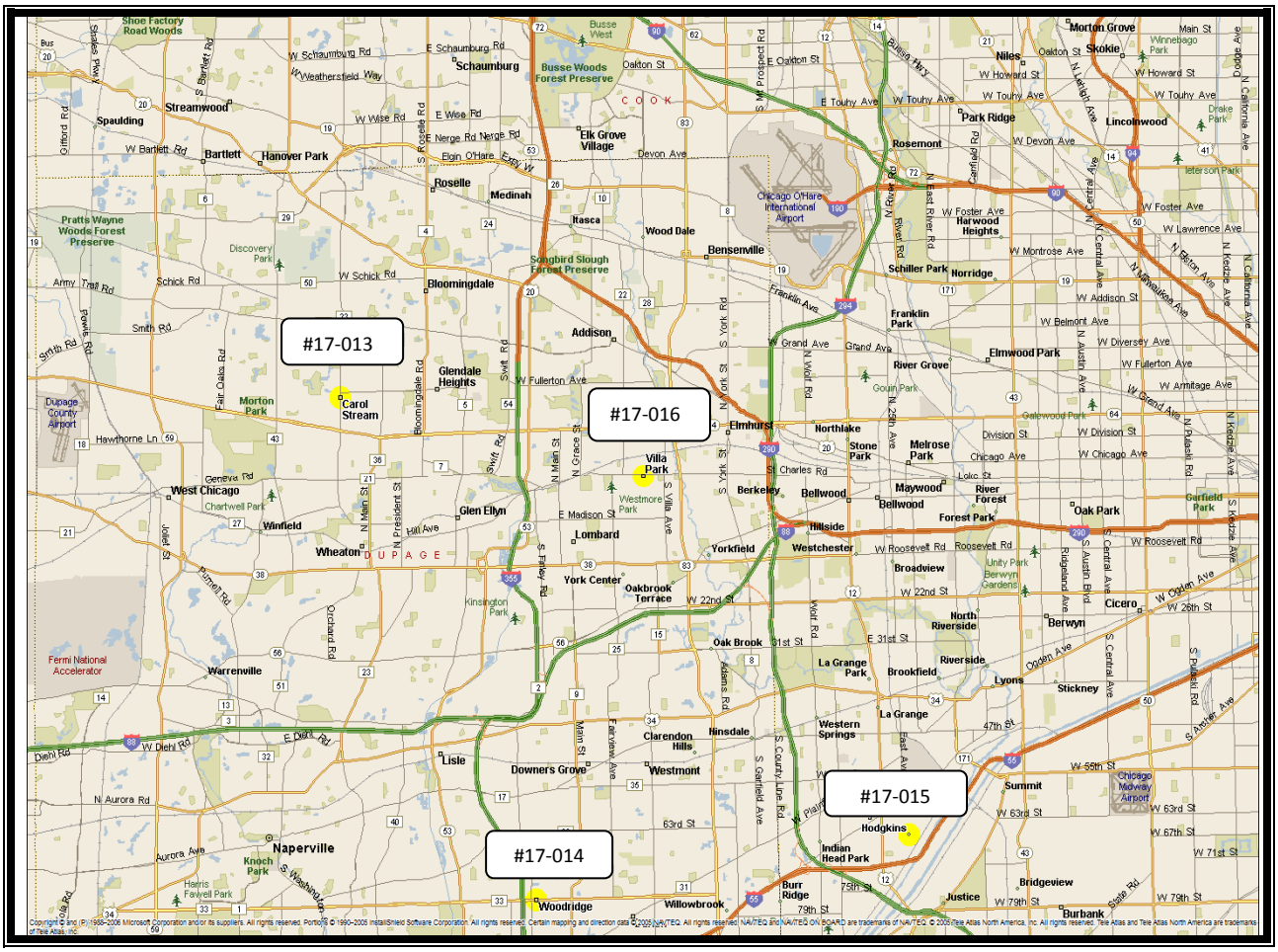
Zip Code	City	County	Patient #
60181	Villa Park	DuPage	24
60148	Lombard	DuPage	27
60137	Glen Ellyn	DuPage	13
Total			64

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 5[4].

4

Stage 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 157-177 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. At the conclusion of this report is a listing of the seventy-five (75) 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 thirty-three (33) facilities within thirty (30) minutes with an average utilization of approximately sixty-four percent (64%). Two (2) of the thirty-three (33) facilities are not operational and (1) one provides nocturnal dialysis. The thirty (30) remaining facilities average utilization is approximately seventy-one percent (71%). [See Table Below]

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%). Additionally there are no service access issues in this thirty-minute (30) planning area.

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

Name	City	HSA	Stations (1)	Adjusted Time (2)	Utilization (3)	Star Rating (4)
U.S. Renal Care Villa Park Dialysis	Villa Park	7	13	1.15	88.46%	4
NxStage Oak Brook	Oak Brook	7	8	10.35	31.25%	3
FMC Elmhurst	Elmhurst	7	24	11.5	65.48%	5
FMC - Glendale Heights	Glendale Heights	7	29	12.65	80.46%	5
FMC - Elk Grove	Elk Grove Village	7	28	13.8	89.29%	4
USRC Oak Brook Dialysis	Downers Grove	7	13	16.1	79.49%	2
Fresenius Medical Care Lombard	Lombard	7	12	16.1	68.06%	4
FMC - Westchester	Westchester	7	22	16.1	62.12%	4
Schaumburg Renal Center	Schaumburg	7	20	18.4	71.67%	3
FMC Dialysis Services of Willowbrook	Willowbrook	7	20	19.55	63.33%	3
FMC - North Avenue	Melrose Park	7	24	19.55	72.22%	5
FMC - Downers Grove Dialysis Center	Downers Grove	7	19	20.7	76.04%	3
FMC - Rolling Meadows	Rolling Meadows	7	24	20.7	70.83%	4
Loyola Dialysis Center	Maywood	7	30	21.85	82.22%	3
Fresenius Medical Care River Forest	River Forest	7	22	23	69.70%	3
Oak Park Kidney Centers, LLC	Oak Park	7	18	24.15	60.19%	3
Fresenius Medical Care - Northwest	Norridge	7	16	25.3	89.59%	5
Fresenius Medical Care Des Plaines	Des Plaines	7	12	25.3	63.89%	3
Fresenius Medical Care of West Chicago	West Chicago	7	12	26.45	79.17%	5
USRC Streamwood Dialysis	Streamwood	7	13	26.45	53.85%	3
FMC - Hoffman Estates	Schaumburg	7	20	26.45	92.50%	4
DSI - Arlington Heights	Arlington Hgts.	7	18	26.45	59.26%	5
Fresenius Medical Care Palatine	Palatine	7	14	26.45	105.95%	4
FMC - Oak Park Dialysis Center	Oak Park	7	12	26.45	98.61%	3
ARA South Barrington	S. Barrington	9	14	27.6	58.33%	3
Buffalo Grove Dialysis	Buffalo Grove	7	16	27.6	60.42%	5
Bolingbrook Dialysis Center	Bolingbrook	9	24	28.75	83.33%	4
Fresenius Medical Care Summit	Summit	7	12	28.75	19.44%	NA
Fresenius Medical Care Naperville North	Plainfield	7	21	29.9	36.67%	3
FMC - Melrose Park	Melrose Park	7	18	29.9	72.22%	3
			548		70.13%	
Nocturnal Dialysis Spa	Villa Park	7	12	9.2	5.56%	NA
Fresenius Medical Care Schaumburg	Schaumburg	7	12	20.7	0.00%	NA
Dialysis Management Services	Chicago	6	14	24.15	0.00%	NA
			586		63.93%	

1. Stations as of May 5, 2017
2. Adjusted time taken from Map Quest and adjusted per 77 IAC 1100.510 (d)
3. Information as of March 31, 2017
4. Star Rating taken from Medicare Compare Website
5. NA – Not Available

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 ascertains if there is existing capacity to accommodate the demand identified in the application for permit. There are thirty-three (33) facilities within thirty (30) minutes with an average utilization of approximately sixty-four percent (64%). Two (2) of the thirty-three (33) facilities are not operational and (1) one provides nocturnal dialysis. The thirty (30) remaining facilities average utilization is approximately seventy-one percent (71%). [See Table Above]

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 (30) 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	1,417,188	586	1 Station per every 2,419 resident
State of Illinois (2015 est.)	12,978,800	4,585	1 Station per every 2,831 resident

The population in the thirty (30) minute service area is 1,417,188 residents. The number of stations in the (30) minute service area is five hundred eighty-six (586). The ratio of stations to population is one (1) station per every 2,419 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 Salt Creek Dialysis is 71.1%. 1,764 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 Salt Creek Dialysis facility will not lower the utilization of area provider below the occupancy standards. Excluding the 3 facilities that are not yet open/ operational for 2 years, there are 30

existing dialysis facilities that have been operating for 2 or more years within the proposed 30 minute GSA for Salt Creek Dialysis. As of December 31, 2016, the 30 facilities were operating at an average utilization of 71.1%. Based upon June 2016 data from The Renal Network (the most current data available), there were 1,764 in-center hemodialysis patients residing within 30 minutes of the proposed Salt Creek Dialysis, and that 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 Salt Creek Dialysis facility will not lower the utilization of area provider below the occupancy standards.

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 Ankit Rawal, D.O. A copy of Dr. Rawal curriculum vitae has been provided at required. Other Clinical Staff: Initial staffing for the proposed facility will be as follows:

- Administrator (0.97 FTE)
- Registered Nurse (3.21 FTE)
- Patient Care Technician (3.62 FTE)
- Biomedical Technician (0.28 FTE)
- Social Worker (licensed MSW) (0.61 FTE)
- Registered Dietitian (0.61 FTE)
- Administrative Assistant (0.84 FTE)

As patient volume increases, nursing and patient care technician staffing will increase accordingly to maintain a ratio of at least one direct patient care provider for every 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. A summary of the training program has been provided. Salt Creek 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 120-121 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 122-129 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 130-132 of the application for permit.

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

X. Financial Viability

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. (20 ILCS 3960)

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 $2,220,901 and a lease with a FMV of $1,613,415. 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. The applicants have sufficient cash to fund this project.

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 demonstrate 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 $2,220,901 and a lease with a FMV of $1,613,415. 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 applicants are funding this project with cash in the amount of $2,220,901 and a lease with a FMV of $1,613,415. The lease is for fifteen (15) years at a base rent of $28.00/gsf for the first five (5) years, $30.80/gsf for the second five (5) years and $33.88/gsf for the final five (5) years. The table below shows the calculation of the FMV of the lease space of 6,250 GSF using an eight percent (8%) discount factor. It appears the lease is reasonable when compared to previously approved projects.

TABLE ELEVEN

Year	PV of 8%	Total Base Rent	PV of Total Space Lease
1	0.92593	$175,000	$162,037.75
2	0.85734	$175,000	$150,034.50
3	0.79383	$175,000	$138,920.25
4	0.73503	$175,000	$128,630.25
5	0.68058	$175,000	$119,101.50
6	0.63017	$192,500	$121,307.73
7	0.58349	$192,500	$112,321.83
8	0.54027	$192,500	$104,001.98
9	0.50025	$192,500	$96,298.13
10	0.46319	$192,500	$89,164.08
11	0.4239	$211,750	$89,760.83
12	0.3971	$211,750	$84,085.93
13	0.3677	$211,750	$77,860.48
14	0.3405	$211,750	$72,100.88
15	0.3152	$211,750	$66,743.60
Total			$1,612,369.68 (1)

1. Does not total because of rounding

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 TWELVE Reasonableness of Project Costs					
		State Board Standard			
Use of Funds	Project Costs	GSF/%	Total	Project	Met Standard
New Construction Contracts and Contingency Costs (1)	$1,488,785	$278.19/GSF	$1,907,827	$238.21	Yes
Contingencies (2)	$110,000	10%	$137,878.50	7.98%	Yes
Architectural/Engineering Fees (3)	$108,125	9.81%	$136,670.46	7.26%	Yes
Movable or Other Equipment (not in construction)	$541,095	$53,683/Station	$644,192.88	$45,091.25	Yes
Consulting and Other Fees	$82,896	Not Applicable			
Fair Market Value of Leased Space or Equipment	$1,613,415				

1. New Construction and Contingency Costs are $254.58 inflated by 3% to midpoint of construction.
2. Contingencies are 10% of new construction costs of $1,378785
3. Architectural/Engineering Fees are 9.81% of new construction and contingency costs

Moveable and Other Equipment	
Communications	$68,644
Water Treatment	$150,475
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	$29,000
Signage	$12,300
Total Moveable and Other Equipment	$541,095

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 $255.64 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 $23.88 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)

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

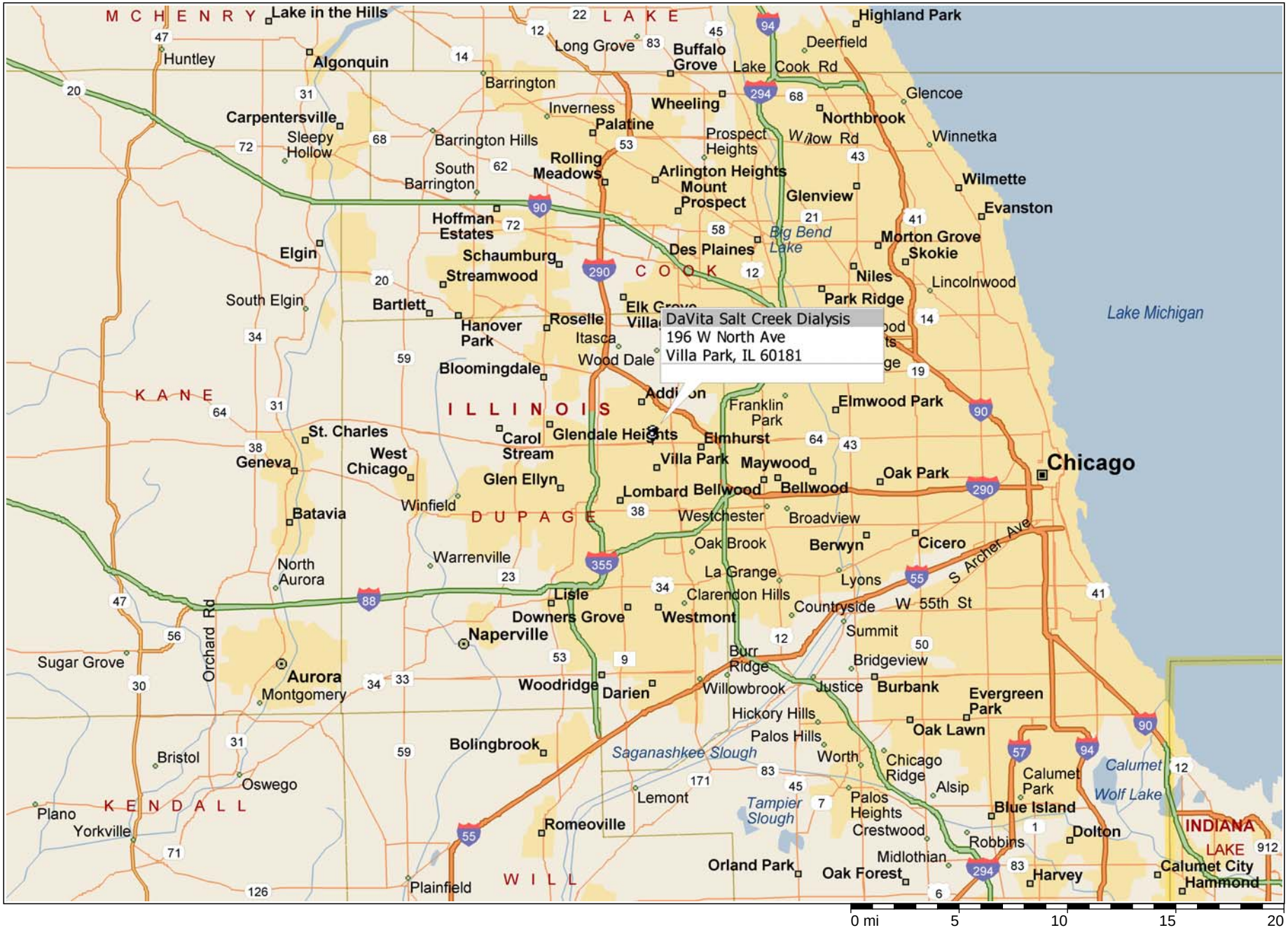
This is a measure of the facility's treatment practices in the areas of anemia management; dialysis adequacy, vascular access, and mineral & bone disorder. This category reviews both adult and child dialysis patients.

- 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-morbidities.

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.

17-016 DaVita Salt Creek Dialysis - Villa Park



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