



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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|   |  |                              |   |
|---|--|------------------------------|---|
| <b>DOCKET NO:</b><br>H-02   | <b>BOARD MEETING:</b><br>November 14, 2017 | <b>PROJECT NO:</b><br>17-017 | <b>PROJECT COST:</b><br>Original: \$2,438,825 |
| <b>FACILITY NAME:</b><br>Provident Hospital of Cook County Dialysis |  | <b>CITY:</b><br>Chicago      |   |
| <b>TYPE OF PROJECT:</b> Substantive                                 |  |                              | <b>HSA: VI</b>                                |

**PROJECT DESCRIPTION:** The applicants (Provident Hospital of Cook County and Cook County Health and Hospital System) are proposing to establish a twelve (12) station ESRD facility in 6,550 GSF of space located at 430 E. 50<sup>th</sup> Place, Chicago, Illinois. The cost of the project is \$2,438,825 and the completion date is March 31, 2018.

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- The applicants (Provident Hospital of Cook County and Cook County Health and Hospital System) are proposing to establish a twelve (12) station ESRD facility in 6,550 GSF of space located at 430 E. 50<sup>th</sup> Place, Chicago, Illinois. The cost of the project is \$2,438,825 and the completion date is March 31, 2018.
- Cook County Health and Hospital System operate John H. Stroger Hospital of Cook County a 464 bed hospital in Chicago and Provident Hospital of Cook County an 85 bed hospital also located in Chicago.
- The applicants are proposing that Provident Hospital establish a dialysis service in a freestanding building on the Provident Hospital campus. The applicants state that *“the patients to be served will primarily be those patients who are seen at Stroger's and Provident's renal clinics, respective EDs (emergency department), or as inpatients, and who require chronic renal dialysis service. Many of these patients, even those seen at Stroger, live in the Provident service area, but use the safety net services provided by CCHHS for their health care needs. Establishing a chronic dialysis service at Provident will allow patients who live in the Provident service area better access to care, as well as continuity of care within CCHHS.”*
- Currently Stroger Hospital operates a nine (9) station dialysis service (2 of which are reserved for isolation). The applicants state *“Stroger and Provident also operate a renal clinic, although Provident's is fairly new. Most of the patients seen in the renal clinic or dialyzed at Stroger use CCHHS services as their medical home. A majority of patients are seen in the ED (emergency department), or go to one of the renal clinics and have disease so advanced that they immediately require dialysis. CCHHS provides care and treatment, stabilizes the patient and then must refer the patient to outside providers for chronic dialysis service, because its stations at Stroger are too busy to offer general chronic renal dialysis to all of the patients within CCHHS who require it. Thus, the stations are primarily used for acute care for inpatients as well as for stabilizing outpatients. Some patients, usually due to clinical reasons such as malignancy, are not accepted by outside provides, and these patients are provided chronic dialysis service at CCHHS.”*
- This project was deferred from the September 2017 State Board Meeting.

### 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)

### PURPOSE OF THE PROJECT:

- **Per the applicants:** *“The purpose of establishing dialysis as a Provident service is to both maintain continuity of care within CCHHS and to provide better access to patients seen within the system for ESRD patients living in the Provident service area.”*

### PUBLIC HEARING/COMMENT:

- A public hearing was offered in regard to the proposed project, but none was requested. No letters of opposition were received by the State Board Staff.
- Twenty-one (21) letters of support from dialysis patients currently dialyzing at Stroger Hospital were received by the State Board Staff. The letters stated
- *“I am a dialysis patient at Stroger Hospital and receiving excellent treatment from the Doctors and Dialysis staff. I understand I may have to be transferred out so that the Stroger Hospital Dialysis unit can accommodate acute and new Kidney failure patients. I would prefer to remain*

in the CCHHS network and would dialyze at Provident Hospital if stations were available there, so that the same medical and dialysis staff will continue to provide my dialysis treatment. I humbly ask you to approve the application for a Dialysis Unit at Provident Hospital.”

- **State Representative Christian Mitchell, State Senator Kwame Raoul and Alderman Pat Dowell stated:**

“I submit this letter in strong support of the Cook County Health and Hospitals System's Certificate of Need application to add a 12-station dialysis clinic at Provident Hospital. CCHHS currently operates a renal clinic at Provident Hospital. Nearly 15% of the Provident renal clinic patients are in Stage 5 chronic kidney disease and will soon require dialysis. Additionally, a number of the patients seen at CCHHS' 9-station dialysis clinic at John H. Stroger Jr., Hospital live in close proximity to Provident Hospital. Providing patients with an option to receive their dialysis treatment close to their home will be tremendously beneficial. Adding a 12-station dialysis clinic at Provident Hospital will help address the growing need for community access to dialysis services. With this in mind, I ask that you support CCHHS' application.”

**SUMMARY:**

- There is a calculated need of eighty-seven (87) ESRD stations in the HSA VI ESRD Planning Area, per the September 2017 ESRD Inventory Update. It appears that the applicants will be providing services to residents of the planning area and there appears to be sufficient demand for chronic renal dialysis service to this identified population. There are currently sixty-three (63) dialysis facilities in the HSA VI ESRD Planning Area (City of Chicago). There does not appear to be an absence of service in the planning area. There has been no evidence of the access limitations due to payor status of patients or evidence of restrictive admission policies at existing providers and there has been no evidence that the area population and existing care system exhibits indicators of medical care problems.
- There are forty-five (45) facilities within thirty (30) minutes with an average utilization of approximately fifty-five percent (55%). Nine (9) of the forty-five facilities (45) facilities are not operational, one (1) provides services to children only and one (1) did not submit utilization data for the Second Quarter of 2017 (Rush University Medical Center). The remaining thirty-four (34) 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:

| <b>Criteria</b>   | <b>Reasons for Non-Compliance</b>  |
|---|--|
| 77 IAC 1110.1430(c)(1) (2) (3) and (5) – Planning Area Need   | There is a calculated <u>need for eighty-seven (87) ESRD stations</u> in the HSA VI ESRD Planning Area. There are forty-five (45) facilities within thirty (30) minutes with an average utilization of approximately fifty-five percent (55%). Nine (9) of the forty-five facilities (45) facilities are not operational, one (1) provides services to children only and one (1) did not submit utilization data for the Second Quarter of 2017 (Rush University Medical Center). The remaining thirty-four (34) facilities the 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 forty-five (45) facilities within thirty (30) minutes with an average utilization of approximately fifty-five percent (55%). Nine (9) of the forty-five facilities (45) facilities are not operational, one (1) provides services to children only and one (1) did not submit utilization data for the Second Quarter of 2017 (Rush University Medical Center). The remaining  |

| <b>Criteria</b>                                      | <b>Reasons for Non-Compliance</b>   |
|--|---|
|  | thirty-four (34) facilities the average utilization is approximately seventy-four percent (74%).  |
| 77 IAC 1120.140 (c) –Reasonableness of Project Costs | The applicants exceed the modernization and contingency standard by \$41.56 per GSF or \$200,557. |

**STATE BOARD STAFF REPORT**  
**Project #17-017**  
**Provident Hospital of Cook County Dialysis**

| <b>APPLICATION/CHRONOLOGY/SUMMARY</b>            |   |
|--|---|
| Applicants(s)                                    | Provident Hospital of Cook County, Cook County Health and Hospital System |
| Facility Name                                    | Provident Hospital of Cook County Dialysis                                |
| Location   | 430 E. 50th Place   |
| Permit Holder                                    | Provident Hospital of Cook County   |
| Operating Entity                                 | Provident Hospital of Cook County   |
| Owner of Site                                    | Cook County   |
| Description                                      | Establish a twelve (12) station ESRD facility                             |
| Total GSF  | 6,550/GSF   |
| Application Received                             | April 7, 2017   |
| Application Deemed Complete                      | April 25, 2017  |
| Review Period Ends                               | August 23, 2017   |
| Financial Commitment Date                        | March 31, 2018  |
| Project Completion Date                          | March 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 (Provident Hospital of Cook County and Cook County Health and Hospital System) are proposing to establish a twelve (12) station ESRD facility in 6,550 GSF of space located at 430 E. 50<sup>th</sup> Place, Chicago, Illinois. The cost of the project is \$2,438,825 and the completion date is March 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 does not appear to be in conformance with the provisions of Part 1120.

**III. General Information**

The applicants are Provident Hospital of Cook County and Cook County Health and Hospital System (“CCHHS”). Provident Hospital of Cook County was established in 1891 as the first African American hospital in the United States. It was closed in 1987 due to financial difficulties, but was re-opened under the ownership of Cook County's Bureau of Health Services (now Cook County Health and Hospital System). Provident Hospital of Cook County is an eighty-five (85) bed hospital. Cook County Health and Hospital System is comprised of John H. Stroger Jr. Hospital of Cook County, Oak Forest Health Center, County Care, Provident Hospital of Cook County, the Cook County

Department of Public Health, the Bureau of Health Services, the Ambulatory and Community Health Network, the Ruth Rothstein Core Center, and Cermak Health Services of Cook County.

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

Substantive projects shall include no more than the following:

(a) *Projects to construct (1) a new or replacement facility located on a new site or (2) a replacement facility located on the same site as the original facility and the cost of the replacement facility exceeds the capital expenditure minimum, which shall be reviewed by the Board within 120 days;*

(b) *Projects proposing a (1) new service within an existing healthcare facility or (2) discontinuation of a service within an existing healthcare facility, which shall be reviewed by the Board within 60 days; or*

(c) *Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one physical facility or site to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board, whichever is less, over a 2-year period.*

**IV. Project Details**

The applicants are proposing a twelve (12) station ESRD facility to be located in a separate building on the Provident Hospital of Cook County campus. The facility will contain 6,550 GSF of space.

**V. Project Costs and Sources of Funds**

The applicants are funding the project with cash in the amount of \$2,438,825. Estimated start-up costs and operating deficit cost is \$125,000. Itemization of the project costs are at the end of this report.

| <b>TABLE ONE</b>                          |                    |                       |                    |                   |
|---|--------------------|-----------------------|--------------------|-------------------|
| <b>Project Costs and Sources of Funds</b> |                    |                       |                    |                   |
|   | <b>Reviewable</b>  | <b>Non Reviewable</b> | <b>Total</b>       | <b>% of Total</b> |
| Modernization                             | \$1,050,000        | \$450,000             | \$1,500,000        | 61.5%             |
| Contingencies                             | \$91,000           | \$39,000              | \$130,000          | 5.33%             |
| Architectural and Engineering Fees        | \$75,600           | \$32,400              | \$108,000          | 4.42%             |
| Consulting and Other Fees                 | \$0                | \$100,000             | \$100,000          | 4.10%             |
| Movable or Other Equipment                | \$350,578          | \$150,247             | \$500,825          | 20.5%             |
| Other Costs to be Capitalized             | \$0                | \$100,000             | \$100,000          | 4.10%             |
| <b>Total</b>                              | <b>\$1,567,178</b> | <b>\$871,647</b>      | <b>\$2,438,825</b> | <b>100.0%</b>     |
| Cash                                      |                    |                       | \$2,438,825        |                   |
| <b>Total</b>                              |                    |                       | <b>\$2,438,825</b> |                   |

**VI. Health Planning Area**

The proposed facility will be located in the HSA VI ESRD Planning Area. The HSA VI ESRD Planning Area includes the City of Chicago. As of September 2017 there is a calculated need for eighty-seven (87) ESRD stations in this planning area. There are currently sixty-three (63) dialysis ESRD facilities in this planning area.

| <b>TABLE TWO</b>   |           |
|--|-----------|
| <b>Need Methodology HSA VI ESRD Planning Area</b>  |           |
| Planning Area Population – 2015  | 2,713,100 |
| In Station ESRD patients -2015   | 4,886     |
| Area Use Rate 2015 <sup>(1)</sup>  | 1.907     |
| Planning Area Population – 2020 (Est.)   | 2,562,700 |
| Projected Patients – 2020 <sup>(2)</sup>   | 4,886     |
| Adjustment   | 1.33      |
| Patients Adjusted  | 6,498     |
| Projected Treatments – 2020 <sup>(3)</sup>   | 1,013,747 |
| Calculated Station Needed <sup>(4)</sup>   | 1,353     |
| Existing Stations  | 1,266     |
| <b>Stations Needed-2020</b>  | <b>87</b> |
| <ol style="list-style-type: none"> <li>1. Usage rate determined by dividing the number of in-station ESRD patients in the planning area by the 2015 – planning area population per thousand.</li> <li>2. Projected patients calculated by taking the 202 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients.</li> <li>3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient</li> <li>4. <math>1,013,747/747 = 1,353</math></li> <li>5. <math>936 \times 80\% = 747</math> [Number of treatments per station operating at 80%]</li> </ol> |           |

## VII. Criterion 1110.1430 (b) – Background of the Applicants

### A) Criterion 1110.530 (b) (1) (3) – Background of the Applicants

To document compliance with this criterion the applicants must provide a list of all health care facilities owned by the applicants, a certified list of adverse actions taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application, and authorization permitting HFSRB and IDPH access to any documents necessary to verify the information that has been submitted.

1. Cook County Health and Hospitals System owns and operates John H. Stroger Jr., Hospital of Cook County and Provident Hospital of Cook County.
2. John Jay Shannon CEO of Cook County Health and Hospitals System has attested that no adverse action, as that term is defined in rules and regulations of the Illinois Health Facilities and Services Review Board has been taken over the past three (3) years against John H. Stroger Jr., Hospital of Cook County or Provident Hospital of Cook County.
3. The applicants have granted the State Board and the Illinois Department of Public Health permission to access any and all documents to verify information submitted with the application for permit.
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 the preservation and enhancement of both State owned and non-State owned historic resources (20 ILCS 3420/1).*

## VIII. Purpose of the Project, Safety Net Impact, Alternatives

### A) Criterion 1110.230 (a) – 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 establishing dialysis as a Provident service is to both maintain continuity of care within CCHHS and to provide better access to patients seen within the system for ESRD patients living in the Provident service area. Currently CCHHS operates a dialysis service in 9 stations (2 of which are reserved for isolation) at Stroger. Stroger and Provident also operate a renal clinic, although Provident's is fairly new. Most of the patients seen in the renal clinics or dialyzed at Stroger use CCHHS services as their medical home. A majority of patients are seen in the ED (Emergency Department), or go to one of the renal clinics and have disease so advanced that they immediately require dialysis. Typically, their hemoglobin and BUN (blood urea nitrogen) levels are at crisis point. CCHHS provides care and treatment, stabilizes the patient and then must refer the patient to outside providers for chronic dialysis service, because its stations at Stroger are too busy to offer general chronic renal dialysis to all of the patients within CCHHS who require it. Thus, the stations are primarily used for acute care<sup>1</sup> for inpatients as well as for stabilizing outpatients. Some patients, usually due to clinical reasons such as malignancy, are not accepted by outside provides, and these patients are provided chronic dialysis service<sup>2</sup> at CCHHS. The addition of dialysis within CCHHS at Provident in 12 stations will allow CCHHS patients to benefit from remaining with their current physicians, and the coordination of care will be provided through the CCHHS electronic medical record system. Referring these patients to outside clinics is a disruption in continuity of care, as 65% of the patients still use CCHHS as their medical home, with 10-plus visits per year for PC (primary care) or specialty services, including acute care services. The patients routinely tell social services when referred to outside providers that they would prefer to remain at CCHHS for their dialysis.*

#### **Stroger Hospital Dialysis Unit**

- 9 Station unit - 7 stations+ 2 Isolation Units;
- Serves **hospitalized** patients who require Dialysis;
- Patients with acute kidney injury requiring dialysis;
- Established dialysis patients admitted from other units for various medical problems;
- Serves as "**Transition Unit**" for patients who are started on dialysis, but not accepted by other units or medically unstable to transfer to other community HD (hemodialysis) units;
- 3 shifts per day;
- Average inpatient dialysis treatments – 12 per day
- Average outpatient census 20.

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<sup>1</sup> Acute Dialysis means dialysis given on an intensive care, inpatient basis to patients suffering from (presumably reversible) acute renal failure, or to patients with chronic renal failure with serious complications.

<sup>2</sup> Chronic Renal Dialysis means a category of service in which dialysis is performed on a regular long-term basis in patients with chronic irreversible renal failure. The maintenance and preparation of patients for kidney transplantation (including the immediate post-operative period and in case of organ rejection) or other acute conditions within a hospital does not constitute a chronic renal dialysis category of service.

Stroger Hospital dialysis department has averaged over these eight (8) years 7,102 treatments per year (both inpatient and outpatient). This is a utilization rate of over 80%

(7,102 treatments/9 station x 936 treatments per year = 7,102/8,424 = 84.3%).

**TABLE THREE  
Stroger Dialysis**

| Year       | 2009  | 2010   | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | Ave   |
|------------|-------|--------|-------|-------|-------|-------|-------|-------|-------|
| Inpatient  | 1,797 | 2,091  | 2,086 | 1,840 | 1,664 | 2,077 | 2,477 | 2,928 | 2,120 |
| Outpatient | 7,534 | 8,474  | 4,169 | 3,784 | 3,840 | 4,764 | 4,198 | 3,095 | 4,982 |
| Total      | 9,331 | 10,565 | 6,255 | 5,624 | 5,504 | 6,841 | 6,675 | 6,023 | 7,102 |

*The service area is within 30 minutes/5 miles of Provident Hospital. Included are all referrals for 2015, 2016 and referrals within 30 minutes/5 miles of Provident. The total number of renal patients in 2015 was 462 in 2015 and 560 in 2016 that according to the applicants live within five miles/30 minutes of Provident Hospital of Cook County.*

*“The project will address the loss of physician and general medical continuity of care by allowing patients seen within CCHHS (at Stroger, Provident and OP (Outpatient) clinics) the ability to receive chronic repeated care services by the same system. This will allow them to remain with their own physicians who coordinate their frequently complex medical comorbidities. It will improve access to care for patients living in the Provident service area. Many of these patients use CCHHS for safety net services.*

*The goals are to provide CCHHS services at Provident for CCHHS patients, improve access to care and maintain continuity of care.”*

**B) Criterion 110.230 (b) –Safety Net 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]*

The applicants provided the following:

*“The establishment of a dialysis category of service at Provident will have a positive impact on safety net services. It expands the service offerings of the primary safety net provider within Cook County.”*

Charity Care and Medicaid for Cook County Health and Hospitals System for the past three (3) years was as follows:

| <b>TABLE FOUR</b>                              |                  |                  |                  |
|--|------------------|------------------|------------------|
| <b>Safety Net Information</b>                  |                  |                  |                  |
| <b>CHARITY CARE</b>                            |                  |                  |                  |
|  | <b>Year 2013</b> | <b>Year 2014</b> | <b>Year 2015</b> |
| Net Revenue                                    | \$ 546,000,000   | \$ 573,600,000   | \$ 623,200,000   |
| Charity (# of self-pay patients)               | \$ 138,809,000   | \$ 111,073,000   | \$ 95,418,000    |
| Charity (cost in dollars)                      | \$ 251,500,000   | \$ 173,900,000   | \$ 265,700,000   |
| Ratio Charity Care Cost to Net Patient Revenue | 46.06%           | 30.32%           | 42.50%           |
| <b>MEDICAID</b>                                |                  |                  |                  |
|  | <b>Year 2013</b> | <b>Year 2014</b> | <b>Year 2015</b> |
| Medicaid (# of patients)                       | \$ 66,985,000    | \$ 58,112,000    | \$ 56,910,000    |
| Medicaid (revenue)                             | \$ 185,700,000   | \$ 228,400,000   | \$ 375,700,000   |
| Ratio Medicaid to Net Patient Revenue          | 34.01%           | 39.82%           | 60.09%           |

The decrease in charges for charity care and estimated costs incurred reflects previously uninsured patients who would have received charity care in prior years obtaining coverage through County Care or traditional Medicaid. [Source: Cook County Health and Hospitals System of Illinois November 30, 2014 Audit Report page 24]

*“CCHHS’s mission is to treat all patients in need of medical services without regard to their ability to pay. Medical services are available at all CCHHS’s locations for those patients that are unable to pay for them. Patients are evaluated through the CCHHS financial counseling services. If a patient qualifies for Medicaid or other Federal programs, CCHHS will assist the patient in completing the applications for those programs. For those patients that do not qualify for Medicaid or any other Federal programs, CCHHS has a charity care program for Cook County residents that evaluates the patient’s need based on family size and income. The guidelines to qualify for charity care are adjusted each year based on changes in the Federal Government’s poverty guidelines. The charity program covers patients with incomes up to 600% of the Federal Poverty guidelines. Patients that are not residents of Cook County that need financial assistance in paying for their medical services are also offered a discount under the Illinois Uninsured Patient Discount program if their income is less than 600% of the Federal Poverty guidelines. Charity care is measured based on the CCHHS’s estimated direct and indirect costs of providing charity care services. That estimate is made by calculating a ratio of cost to gross charges, applied to the uncompensated charges associated with providing charity care to patients.”*

During fiscal year 2015, the CCHHS’s payer utilization was as follows, based on gross patient service revenue:

- Self-Pay 41 %
- Medicaid (including CountyCare) 38%
- Medicare 16%
- Other 5%

The impact of CountyCare has moved clients from the self-payor mix into the Medicaid Expansion payor mix, thereby increasing Medicaid revenue. Revenue associated with CountyCare patients is reported in CountyCare capitation revenue.

**C) Criterion 1110.230 (c) –Alternatives to the Propose 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 provided the following:

1. *Expand dialysis services at Stroger:*

*While this is feasible, it would not address access for Provident area residents/patients. Eventually CCHHS may expand its services at Stroger. However, the first step is to offer services at Provident, close to many CCHHS patients' residence addresses. The cost is estimated to be similar to the proposed project cost.*

2. *CCHHS is a governmental body and joint venturing is not a feasible option.*

*CCHHS is currently using other resources by referring its patients to local dialysis providers. This option does not allow for the continuity and coordination of care that is one of the primary objectives of this project, so it is not a good alternative. The cost to CCHHS of this alternative is zero. However, the cost to payers for health care services may be higher than the chosen alternative, as it is proven that improving access to and continuity of care typically reduces health care costs. The chosen alternative maintains access to care and continuity of care for CCHHS patient*

**IX. 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 4,826 GSF of space or 402 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 have identified 401 pre-ESRD patients in stage 5 of ESRD who **will** require dialysis within the next 1-2 years and who would be referred to Provident. Of these patients, some may dialyze at Stroger and others may be referred to community providers. It is rare for these patients, given their co-morbidities, to receive a transplant or be eligible for home dialysis. However, they do receive education on these options. Therefore, due to some attrition, it is expected that 80% **will** begin dialysis in the next

one-to-two years. Using solely historical referrals, the referral of 160 patients (80% of the 205 historical referrals), along with the identified pre-ESRD patients who will require dialysis in the next 1-3 years, will easily allow the clinic to reach target utilization within two years of opening, as well as allow for continued referral to community dialysis providers if/when necessary.

Based upon the information provided in the application for permit it would appear that the proposed stations will be at the State Board's target occupancy within two years after project completion.

**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 page 49 of the application for permit.

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

## **X. 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 need for eighty-seven (87) ESRD stations in the HSA 6 ESRD Planning Area per the September 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 state the primary purpose of this project is to provide in-center hemodialysis services to patients residing in the Provident service area and the HSA 6 ESRD Planning Area. The service area is within 30 minutes/5 miles of Provident Hospital. Based upon the information reviewed by the State Board Staff it appears that more than 50% of the patients identified for the Provident facility reside in HSA VI ESRD Planning Area. The applicants have identified 205 historical referrals within this thirty (30) minute service area. [See Appendix I at the end of report for the list of zip codes and patient numbers]

#### **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. To document demand the applicants must provide referral letters that demonstrate:**

- 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, 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;
- 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.

Dr. Kalyani Perumal, M.D. Director of Dialysis Services at Cook County Health and Hospital Systems stated

*“Currently, CCHHS has a 9-station dialysis unit at Stroger that serves both inpatients and outpatients. We provided more than 10,000 dialysis treatments in 2015 and 2016 for inpatients and outpatients. Due to the high volume of treatments, our low capacity dialysis unit serves as a transition unit. We accept patients who are started on dialysis in the hospital, manage their medical problems and then transfer them to an outside dialysis unit when they are clinically stable for transfer. Our dialysis services unit and renal clinics have started 205 patients on dialysis in the hospital in the last 2 years. After commencing dialysis with CCHHS, most of these patients were then transferred to community dialysis units for continued dialysis treatment. This causes significant disruption in continuity of care for the patients, as they consider "Cook County Health System" to be their medical home, but are transferred to a new team of doctors they have never encountered before. More than 25% of the patients initiated on dialysis and transferred to community dialysis units reside within a 5-mile radius of Provident Hospital. Many patients have voiced their interest in returning back to CCHHS to continue their kidney care.*

*The volume of patients and their interest in continuing their dialysis care at a CCHHS facility has prompted the need for a new dialysis facility to serve them. A dialysis unit at Provident Hospital will serve as a primary unit for our patients. Our renal faculty members will continue to provide care at both institutions. This will allow the patients to continue their care, not only with their nephrologists but also with their primary care providers and other specialists. In 2015/2016, 205 patients were referred for chronic dialysis (see attached). Of these, approximately 47% were from zip codes within 30 minutes from Provident. In addition, we saw on average 2,400 patients in our Renal Clinic at Stroger in 2014-2016 (see attached origin by zip code). Many of these (1,100) are in stage 4 or 5 renal disease and will require dialysis in the next year to 3 years. Our Renal Clinic at Provident started in 2014 with 19 patients. It now has 148 patients, and of these, 22 are in stage 5 renal disease and will soon require dialysis. Based on the historical referrals by the CCHHS Division of renal services, the growth of our Renal Clinic at Provident and the number of patients in our renal clinic at Stroger, I anticipate referring 320 patients for dialysis in 2017 or 2018. These numbers will either not change or will grow, given the prevalence of renal disease in the community we serve. They more than support a 12-station dialysis clinic at Provident. However, eventually we may expand our services at Stroger and of course other area providers exist who we can refer to if we have to.”*

The applicants did not provide the number of patients by facility and zip code of residence who have received care at existing facilities in the area or the number of new patients by facility and zip code who have received care at existing facilities located in the area.

## **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 are sixty-three (63) dialysis facilities in the HSA VI ESRD Planning Area (City of Chicago). There is no absence of service in the 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 forty-five (45) facilities within thirty (30) minutes with an average utilization of approximately fifty-five percent (55%). Nine (9) of the forty-five facilities (45) facilities are not operational, one (1) provides services to children only and one (1) did not submit utilization data for the Second Quarter of 2017 (Rush University Medical Center). The remaining thirty-four (34) facilities average utilization is approximately seventy-four percent (74%). [See Table Below]

There is a need for eighty-seven (87) ESRD stations in the planning area. There are existing facilities within thirty (30) minutes of the proposed facility not at the target occupancy of eighty percent (80%). The applicants' referral letter was not complete and the number of patients that are expected to be referred to the new facility is unreasonable. The applicants have not successfully addressed this criterion.

**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 FIVE**  
**Facilities within thirty (30) minutes of Proposed Facility**

| Name   | City             | HSA | Stations | Adjusted Time <sup>(1)</sup> | Distance <sup>(2)</sup> | Star Rating <sup>(3)</sup> | Utilization <sup>(4)</sup> |
|--|------------------|-----|----------|------------------------------|-------------------------|----------------------------|----------------------------|
| Woodlawn Dialysis                              | Chicago          | 6   | 32       | 3.75                         | 1                       | 3                          | 71.35%                     |
| FMC - Garfield                                 | Chicago          | 6   | 22       | 6.25                         | 1.5                     | 3                          | 110.42%                    |
| Kenwood Dialysis                               | Chicago          | 6   | 32       | 6.25                         | 1.5                     | 5                          | 68.23%                     |
| Grand Crossing Dialysis                        | Chicago          | 6   | 12       | 11.25                        | 3.1                     | 2                          | 81.94%                     |
| DaVita Emerald Dialysis                        | Chicago          | 6   | 24       | 12.5                         | 2.5                     | 3                          | 70.14%                     |
| Fresenius Medical Care Ross Dialysis-Englewood | Chicago          | 6   | 24       | 13.75                        | 3.2                     | 2                          | 55.56%                     |
| Fresenius Medical Care Chatham                 | Chicago          | 6   | 16       | 15                           | 5.9                     | 3                          | 94.79%                     |
| FMC - South Chicago                            | Chicago          | 6   | 36       | 16.25                        | 6.7                     | 4                          | 90.28%                     |
| FMC - Bridgeport                               | Chicago          | 6   | 27       | 17.5                         | 3.6                     | 3                          | 73.46%                     |
| FMC - Prairie                                  | Chicago          | 6   | 24       | 18.75                        | 4.4                     | 3                          | 75.69%                     |
| FMC - Jackson Park Dialysis                    | Chicago          | 6   | 24       | 20                           | 4.1                     | 2                          | 74.31%                     |
| FMC - Marquette Park                           | Chicago          | 6   | 16       | 20                           | 6.1                     | 4                          | 91.67%                     |
| FMC - Northwestern University                  | Chicago          | 6   | 42       | 21.25                        | 7.9                     | 1                          | 61.11%                     |
| Fresenius Medical Care of Roseland             | Chicago          | 6   | 12       | 22.5                         | 8.7                     | 2                          | 100.00%                    |
| FMC - Greenwood Dialysis Center                | Chicago          | 6   | 28       | 22.5                         | 5.4                     | 2                          | 70.83%                     |
| DaVita Stony Island Dialysis                   | Chicago          | 6   | 32       | 22.5                         | 5.3                     | 5                          | 80.21%                     |
| FMC - Blue Island                              | Blue Island      | 7   | 28       | 23.75                        | 12.3                    | 3                          | 73.2 1%                    |
| DSI Loop Renal Center                          | Chicago          | 6   | 28       | 23.75                        | 6.1                     | 3                          | 63.10%                     |
| FMC - East Delaware                            | Chicago          | 6   | 24       | 23.75                        | 6.2                     | 3                          | 42.36%                     |
| DaVita - Little Village Dialysis               | Chicago          | 6   | 16       | 23.75                        | 7.7                     | 5                          | 100.00%                    |
| Fresenius Medical Care South Deering           | Chicago          | 6   | 20       | 25                           | 8.7                     | 2                          | 61.67%                     |
| FMC - South Shore                              | Chicago          | 6   | 16       | 25                           | 5.7                     | 2                          | 50.00%                     |
| FMC - Merrionette Park                         | Merrionette Park | 7   | 24       | 25                           | 13.2                    | 3                          | 99.31%                     |
| FMC - South Side                               | Chicago          | 6   | 39       | 26.25                        | 7.6                     | 2                          | 86.75%                     |
| Beverly Dialysis Center                        | Chicago          | 6   | 16       | 26.25                        | 19.2                    | 3                          | 100.00%                    |
| DaVita West Side Dialysis                      | Chicago          | 6   | 12       | 26.25                        | 7.1                     | NA                         | 44.44%                     |
| SAH Dialysis Clinic at 26th Street             | Chicago          | 6   | 15       | 27.5                         | 9                       | 3                          | 55.56%                     |
| FMC Dialysis Services of Congress Parkway      | Chicago          | 6   | 30       | 27.5                         | 9.8                     | 3                          | 61.61%                     |
| Fresenius Medical Center - Westside            | Chicago          | 6   | 31       | 28.75                        | 7.7                     | 1                          | 33.33%                     |
| DaVita Mount Greenwood Dialysis                | Chicago          | 6   | 16       | 28.75                        | 12.3                    | 2                          | 109.38%                    |
| Cook County Hospital Dialysis                  | Chicago          | 6   | 9        | 28.75                        | 8.8                     | 2                          | 40.74%                     |

**TABLE FIVE**  
**Facilities within thirty (30) minutes of Proposed Facility**

| Name   | City           | HSA | Stations | Adjusted Time <sup>(1)</sup> | Distance <sup>(2)</sup> | Star Rating <sup>(3)</sup> | Utilization <sup>(4)</sup> |
|--|----------------|-----|----------|------------------------------|-------------------------|----------------------------|----------------------------|
| University of Illinois Hospital Dialysis   | Chicago        | 6   | 26       | 28.75                        | 7.4                     | 3                          | 85.26%                     |
| FMC - Northcenter  | Chicago        | 6   | 16       | 28.75                        | 11.9                    | 3                          | 57.29%                     |
| Fresenius Medical Care of Lakeview   | Chicago        | 6   | 14       | 28.75                        | 12.3                    | 3                          | 57.14%                     |
|  |                |     | 783      |                              |                         |                            | 73.27%                     |
| FMC - Evergreen Park   | Evergreen Park | 7   | 30       | 6.25                         | 1.5                     | NA                         | 0.00%                      |
| US Renal Care West Chicago   | Chicago        | 6   | 13       | 12.5                         | 5.5                     | NA                         | 0.00%                      |
| Fresenius Medical Care New City  | Chicago        | 6   | 16       | 12.5                         | 3                       | NA                         | 0.00%                      |
| Fresenius Medical Care Beverly Ridge   | Chicago        | 6   | 16       | 17.5                         | 8.4                     | NA                         | 0.00%                      |
| DaVita Park Manor Dialysis   | Chicago        | 6   | 16       | 17.5                         | 7.3                     | NA                         | 0.00%                      |
| DaVita Washington Heights Dialysis   | Chicago        | 6   | 16       | 20                           | 8.8                     | NA                         | 0.00%                      |
| Brighton Park Dialysis   | Chicago        | 6   | 16       | 20                           | 4.6                     | NA                         | 0.00%                      |
| DaVita TRC Children's Dialysis   | Chicago        | 6   | 8        | 22.5                         | 8                       | NA                         | 0.00%                      |
| Fresenius Medical Care Summit  | Summit         | 7   | 12       | 30                           | 15.7                    | NA                         | 0.00%                      |
| Calumet Dialysis Center  | Calumet City   | 7   | 16       | 30                           | 16.6                    | NA                         | 0.00%                      |
| Rush University Dialysis   | Chicago        | 6   | 5        | 30                           | 7.7                     | NA                         | 0.00%                      |
|  |                |     | 164      |                              |                         |                            | 54.95%                     |
| 1. Adjusted time taken from Map Quest and adjusted per 77 IAC 1100.510 (d)<br>2. Taken from MapQuest<br>3. Star Rating from the Medicare ESRD Compare Website. Explanation of Star Rating at the end of this report.<br>4. Utilization taken from Second Quarter 2017 Utilization Data |                |     |          |                              |                         |                            |                            |

**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 forty-five (45) facilities within thirty (30) minutes with an average utilization of approximately fifty-five percent (55%). Nine (9) of the forty-five facilities (45) facilities are not operational, one (1) provides services to children only and one (1) did not submit utilization data for the Second Quarter of 2017 (Rush University Medical Center). The remaining thirty-four (34) facilities average utilization is approximately seventy-four percent (74%). [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 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        | 3,466,958  | 947      | 1 Station per every 3,661 resident |
| State of Illinois (2015 est.) | 12,978,800 | 4,613    | 1 Station per every 2,814 resident |

The population in the thirty (30) minute service area is 3,466,958 residents. The number of stations in the (30) minute service area is nine hundred forty-seven (947). The ratio of stations to population is one (1) station per every 3,661 resident. The number of stations in the State of Illinois is 4,613 stations (*as of September 27, 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 2,814 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 1,876 resident. Based upon this methodology there is no surplus of stations in this service area.

3. The applicants stated the following regarding the impact on other facilities. *Based on historical referrals, the 12-station facility will operate at 80% of target. Of the 12 stations, one will be an isolation station used for patients with Hepatitis B or other infectious diseases. These stations cannot necessarily be used three shifts a day, six days a week. However, they are necessary to provide access to certain patients. The proposed*

*facility will not duplicate services in the service area because there is a need for stations, the patients will receive continuity of care that they do not receive now, and they will not have barriers to care due to being uninsured or underinsured. The facilities where these patients are referred to currently or would be in the future will not be negatively impacted, as they will be able to serve other patients, and may in fact receive better reimbursement for these patients than for patients referred by CCHHS, many of whom are Medicaid patients. Given the sheer number of patients at the renal clinics of Stroger and Provident (7,466 at Stroger and 148 at Provident, which just opened in 2014 and grew from 19 then to 198 now), the proposed Provident clinic will not cause a maldistribution in HSA 6. In fact, many patients will still be referred to community providers. However, at least some will be able to receive continuity of care and remain within the CCHHS network.*

**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 Dr. Kalyani Perumal, M.D. Director of Dialysis Services at Cook County Health and Hospital Systems. A copy of Dr. Perumal curriculum vitae has been provided at required. CCHHS employs the following staff at Stroger for its dialysis service.

- One full-time Clinic Manager
- Seven full-time Registered Nurses
- Two full-time LPNs
- One full-time Licensed Master Level Social Worker
- One part-time Registered Dietician
- One part-time Equipment Technician (Clinical Engineer)
- Two part-time Secretaries
- CCHHS anticipates employing the following staff at Provident.
- One full-time Clinic Manager
- Four full-time Registered Nurses
- Nine full-time Patient Care Technicians
- One part-time Licensed Social Worker
- One full-time Dietician and Clinical Engineer

All patient care staff and licensed/registered professionals will meet the State of Illinois requirements. Any additional staff hired must also meet these requirements, along with completing a 9-week orientation training program through the CCHHS staff education department. Annually all clinical staff must complete OSHA training, Compliance training, CPR Certification, Skills Competency, CVC Competency, Water Quality training and pass the Competency Exam. The above staffing model is required to maintain appropriate patient-staff

ratio at all times on the treatment floor. An RN will be on duty at all times when the service is in operation.

**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 page 82 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 proposed service will be a hospital based category of service and a transfer agreement is not necessary. Any patient who requires a level of service not within Provident's capabilities will be transferred via ambulance (because the dialysis service is in a separate building on Provident's campus, albeit approximately 10 feet away from the main hospital building) to Provident's or the nearest emergency department as clinically appropriate for the patient's medical emergency. If the

patient is transferred to Provident, he or she will be treated per its policies and protocols, and per the guidelines of the Emergency Treatment and Active Labor Act.

**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 85 of the application for permit.

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

## **XII. Financial Viability**

### **A) Criterion 1120.120 – Availability of Funds**

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

The applicants are funding this project with cash in the amount of \$2,438,825. A review of the applicants audited financial statements indicates that there is sufficient cash to fund the cash portion of the project.

| <b>TABLE SIX</b>                               |                   |                   |
|--|-------------------|-------------------|
| <b>Cook County Health and Hospitals System</b> |                   |                   |
| <b>Audited</b>                                 |                   |                   |
| <b>Year Ending</b>                             | <b>11/30/2015</b> | <b>11/30/2016</b> |
| Cash   | \$438,681,940     | \$353,617,287     |
| Current Assets                                 | \$782,052,114     | \$678,195,892     |
| Total Assets                                   | \$1,177,029,636   | \$1,100,559,314   |
| Current Liabilities                            | \$631,841,709     | \$547,308,852     |
| Total Liabilities                              | \$5,040,262,483   | \$5,595,094,249   |
| Net Patient Revenue                            | \$625,214,692     | \$531,185,161     |
| Total Operating Revenue                        | \$1,571,704,713   | \$1,614,759,780   |
| Non Operating Revenue                          | \$157,709,179     | \$123,530,886     |
| Operating Expenses                             | \$1,911,260,748   | \$2,112,447,115   |
| Operating Income                               | (\$339,556,035)   | (\$497,687,335)   |
| Income   | (\$181,846,856)   | (\$196,436,512)   |

*Source: November 30, 2015 and 2016 Cook County Health and Hospitals System Audited Financial Statements*

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

### **B) Criterion 1120.130 – Financial Viability**

**To determine compliance with this criterion the applicants must document that they are financially viable.**

Cook County Health and Hospitals System (CCHHS) is included in the reporting entity of Cook County as an enterprise fund. As an enterprise fund, CCHHS financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in net position, financial position, and cash flows in a manner similar to private sector businesses. [Source: 2016 CCHHS Audited Financial Statements page 3]

The applicants are government entities and the State Board does not have financial viability standards for government entities.

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

**XIII. Economic Feasibility**

**A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements**

**B) Criterion 1120.140 (b) - Terms of Debt Financing**

**To determine compliance with these criteria the applicants must provide an attestation that borrowing of existing investments and the selected form of debt financing will be at the lowest net cost available.**

The applicants are funding this project with cash in the amount of \$2,438,825. No debt is being used to fund this project. The applicants have met the requirements of this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1110.140 (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 and in compliance with Section 1120 Appendix A.**

**The State Board Standards for the reviewable costs are below:**

| <b>TABLE SEVEN</b>   |                   |                       |                      |                  |
|--|-------------------|-----------------------|----------------------|------------------|
| <b>Project Costs and Sources of Funds</b>  |                   |                       |                      |                  |
|  | <b>Reviewable</b> | <b>State Standard</b> | <b>Project Costs</b> |                  |
|  |                   |                       | <b>Total</b>         |                  |
| Modernization and contingencies  | \$1,141,000       | \$194.87/GSF          | \$940,443            | \$236.43/GSF     |
| Contingencies  | \$91,000          | 15%                   | \$157,500            | 11.5%            |
| Architectural and Engineering Fees   | \$75,600          | 10.63%                | \$121,288            | 6.62%            |
| Movable or Other Equipment   | \$350,578         | \$53,683/Station      | \$644,196            | \$29,215/Station |
| 1. Modernization and Contingency Costs are \$178.33 inflated by 3% per year to midpoint of construction.<br>2. Contingencies are 10-15% of Modernization of \$1,050,000.<br>3. Architectural and Engineering Fees are 10.63% of Modernization Costs and Contingencies (Source Capital Development Board – State of Illinois) |                   |                       |                      |                  |

The applicants do not meet the State Board Standards for Modernization and Contingency costs.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140 (c))**

**D) Criterion 1120.140 (d) - Projected Operating Costs**

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

**To demonstrate compliance with these criteria the applicants must provide the projected operating costs per equivalent patient day and the projected capital costs per equivalent patient.**

The applicants provided the direct operating costs per treatment as \$175.00 per treatment. The applicants stated there is no capital costs associated with this project.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA PROJECTED OPERATING COSTS PROJECTED CAPITAL COSTS (77 IAC 1120.140 (d)(e))**

| <b>Itemization of Project Costs</b>                       |                    |
|---|--------------------|
| <b>Modernization</b>                                      |                    |
| General Conditions  | \$385,654          |
| Temp Facilities, Controls, Cleaning, Waste Management     | \$33,548           |
| Concrete  | \$4,790            |
| Metal Fabrication   | \$3,807            |
| Carpentry   | \$27,679           |
| Thermal, Moisture & Fire Protection                       | \$2,500            |
| Doors, Frames, Hardware, Glass & Glazing                  | \$49,207           |
| Walls, Ceilings, Floors, Painting                         | \$253,449          |
| Specialties   | \$56,515           |
| Casework, Floor Mats & Window Treatment                   | \$4,282            |
| Piping, Sanitary Waste, HVAC, Ductwork, Roof Penetrations | \$412,235          |
| Wiring, Fire Alarm System, Lighting                       | \$160,816          |
| Miscellaneous Construction Costs                          | \$105,518          |
| <b>Total</b>  | <b>\$1,500,000</b> |
| <b>Moveable or Other Equipment</b>                        |                    |
| Other   | \$37,228           |
| Dialysis Chairs   | \$268,794          |
| Clinical Furniture & Equipment                            | \$32,689           |
| Water Treatment   | \$1,432            |
| TVs & Accessories   | \$15,000           |
| Telephones  | \$10,000           |
| Generator   | \$20,000           |
| Facility Automation                                       | \$5,500            |
| Other Miscellaneous                                       | \$110,182          |
| <b>Total</b>  | <b>\$500,825</b>   |
| <b>Other Costs to be Capitalized</b>                      |                    |
| Miscellaneous   | \$25,000           |
| Landscape   | \$50,000           |
| Signage   | \$25,000           |
| <b>Total</b>  | <b>\$100,000</b>   |

**Appendix I****Zip Codes and Patient Numbers referred to Provident Hospital ESRD  
2015-2016**

| <b>Zip Code</b> | <b>#</b> | <b>City</b>  |
|-----------------|----------|--|
| 60016           | 1        | Des Plaines, Glenview, Park Ridge  |
| 60018           | 1        | Chicago, Des Plaines, Schiller Park  |
| 60053           | 1        | Morton Grove   |
| 60070           | 1        | Prospect Heights, Wheeling   |
| 60074           | 1        | Palatine   |
| 60077           | 1        | Skokie   |
| 60103           | 1        | Bartlett, Streamwood   |
| 60106           | 1        | Chicago, Bensonville, Elmhurst   |
| 60131           | 1        | Chicago, Franklin Park, Bensonville  |
| 60153           | 2        | River Forest, Maywood, Hines   |
| 60160           | 2        | Melrose Park, River Forest, Franklin Park  |
| 60163           | 1        | Melrose Park, Berkley  |
| 60169           | 1        | Hoffman Estates, Schaumburg  |
| 60201           | 1        | Evanston   |
| 60402           | 5        | Berwyn, Stickney, Forest View  |
| 60409           | 3        | Calumet City, Lansing, Burnham   |
| 60411           | 1        | Chicago Heights, Sauk Village, Steger, Ford Heights,<br>South Chicago Heights, Lynwood, IL |
| 60426           | 4        | Harvey, Markham, Dixmoor, Phoenix  |
| 60429           | 1        | Hazel Crest, Markham, East Hazel Crest, Harvey   |
| 60446           | 1        | Romeoville, Bolingbrook  |
| 60453           | 1        | Oak Lawn   |
| 60472           | 2        | Blue Island, Alsip, Crestwood, Robbins   |
| 60473           | 1        | South Holland, Dolton, Thornton  |
| 60607           | 1        | Chicago  |
| 60608           | 8        | Chicago  |
| 60609           | 5        | Chicago  |
| 60612           | 5        | Chicago  |
| 60615           | 3        | Chicago  |
| 60616           | 5        | Chicago  |
| 60617           | 4        | Chicago  |
| 60618           | 4        | Chicago  |
| 60618-2219      | 1        | Chicago  |
| 60619           | 11       | Chicago  |
| 60620           | 9        | Chicago  |
| 60621           | 2        | Chicago  |
| 60623           | 12       | Chicago  |
| 60624           | 5        | Chicago  |
| 60625           | 5        | Chicago  |

**Appendix I**

**Zip Codes and Patient Numbers referred to Provident Hospital ESRD  
2015-2016**

| <b>Zip Code</b> | <b>#</b>   | <b>City</b>                         |
|-----------------|------------|-------------------------------------|
| 60626           | 3          | Chicago                             |
| 60628           | 5          | Chicago                             |
| 60629           | 11         | Chicago                             |
| 60632           | 5          | Chicago                             |
| 60634           | 2          | Chicago, Schiller Park, River Grove |
| 60636           | 4          | Chicago                             |
| 60637           | 8          | Chicago                             |
| 60638           | 2          | Chicago, Bedford Park, Forest View  |
| 60639           | 5          | Chicago                             |
| 60640           | 1          | Chicago                             |
| 60641           | 6          | Chicago                             |
| 60643           | 2          | Chicago                             |
| 60644           | 5          | Chicago                             |
| 60645           | 1          | Chicago                             |
| 60647           | 3          | Chicago                             |
| 60649           | 8          | Chicago                             |
| 60651           | 7          | Chicago                             |
| 60652           | 1          | Chicago                             |
| 60659           | 2          | Chicago                             |
| 60706           | 1          | Chicago, Norridge, Harwood Heights  |
| 60714           | 1          | Niles                               |
| 60804           | 7          | Cicero                              |
| <b>Total</b>    | <b>205</b> |                                     |

## **Star Rating System**

CMS provided the following overview regarding its star rating for dialysis centers.

*“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. [source: CMS website]

## Determination of a Hospital Based ESRD facility

### Hospital-Based ESRD Facilities

An ESRD facility is an entity that provides outpatient maintenance dialysis services, or home dialysis training and support services, or both. ESRD facilities are classified in Section 1881 of the Act and codified in 42 CFR 413.174 as being either hospital-based or independent facilities. There is no distinction between the two facility types for the purposes of payment under the ESRD Prospective Payment System (PPS).

As defined in 42 CFR 413.65(a) hospital-based or independent ESRD facilities are not considered part of the hospital and do not qualify as provider-based departments of a hospital. Hospital-based ESRD facilities may be located on a hospital campus and may share certain overhead costs and administrative functions with the hospital. However, hospital-based ESRD facilities have separate provider numbers under which they bill Medicare and are subject to unique Conditions for Coverage that differ from hospital Conditions of Participation.

*Determination of independent facility* For purposes of rate-setting and payment under this section, CMS considers any facility that does not meet all of the criteria of a hospital-based facility to be an independent facility. A determination under this paragraph (b) is an initial determination under § 498.3 of this chapter.

*Determination of hospital-based facility* A determination under this paragraph (c) is an initial determination under § 498.3 of this chapter. CMS determines that a facility is hospital-based if the -

- (1) Facility and hospital are subject to the bylaws and operating decisions of a common governing board. This governing board, which has final administrative responsibility, approves all personnel actions, appoints medical staff, and carries out similar management functions;
- (2) Facility's director or administrator is under the supervision of the hospital's chief executive officer and reports through him or her to the governing board;
- (3) Facility personnel policies and practices conform to those of the hospital;
- (4) Administrative functions of the facility (for example, records, billing, laundry, housekeeping, and purchasing) are integrated with those of the hospital; and
- (5) Facility and hospital are financially integrated, as evidenced by the cost report, which reflects allocation of overhead to the facility through the required step-down methodology.

### Prospective rates for hospital-based and independent ESRD facilities.

(a) *Establishment of rates.* CMS establishes prospective payment rates for ESRD facilities using a methodology that -

- (1) Differentiates between hospital-based providers of services and independent ESRD facilities for items and services furnished prior to January 1, 2009;
- (2) Does not differentiate between hospital-based providers of services and independent ESRD facilities for items and services furnished on or after January 1, 2009; and

(3) Requires the labor share be based on the labor share otherwise applied to independent ESRD facilities when applying the geographic index to hospital-based ESRD providers of services, on or after January 1, 2009.

CMMS reimburses outpatient dialysis facilities a bundled payment rate. The bundled payment rate includes all renal dialysis services provided for outpatient maintenance dialysis, including drugs and biologicals (except oral-only medications until 2025) and other renal dialysis items and services that used to be payable separately. The Centers for Medicare & Medicaid Services (CMS), which oversees reimbursement for dialysis care, said it expects to pay about \$9 billion to approximately 6,000 dialysis facilities in 2017 for costs associated with the provision of dialysis care. The bundle base rate for 2016 was \$230.39; the proposed base rate for 2017 is \$231.04. The bundled payment is case-mix adjusted for various factors relating to patient characteristics. CMS also makes facility-level adjustments for dialysis facilities that have a low patient volume or rural locality. [Information taken from CMS website]

