



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET NO:</b> H-03	<b>BOARD MEETING:</b> April 17, 2018	<b>PROJECT NO:</b> 17-049	<b>PROJECT COST:</b>  Original: \$3,028,696
<b>FACILITY NAME:</b> Northgrove Dialysis		<b>CITY:</b> Highland	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA:</b> XI

**PROJECT DESCRIPTION:** DaVita Inc. and Total Renal Care, Inc., (Applicants) propose to establish a 12-station dialysis facility located in Highland, Illinois. The proposed cost of the project is \$3,028,696 and the expected completion date is July 31, 2019.

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- DaVita Inc. and Total Renal Care, Inc. (Applicants) propose to establish a 12-station dialysis facility located in Highland, Illinois. The proposed cost of the project is \$3,028,696 and the expected completion date is July 31, 2019.

### WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Applicants propose to establish a health care facility as defined by the Illinois Health Facilities Planning Act. (20 ILCS 3960/3)
- One of the objectives of the Health Facilities Planning Act is *“to assess the financial burden to patients caused by unnecessary health care construction and modification. Evidence-based assessments, projections and decisions will be applied regarding **capacity, quality, value and equity** in the delivery of health care services in Illinois. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.”* [20 ILCS 3960/2]

### PUBLIC HEARING/COMMENT:

- A public hearing was offered in regard to the proposed project, but none was requested. Letters of support were received. These support letters were from officials at HSHS Medical Group, the President and CEO of HSHS St Joseph Hospital-Highland, Regional Community Bank President, religious officials, business leaders of the community of Highland and residents of the community all urging the State Board to approve the proposed project.
- No letters of opposition were received by the State Board Staff.

### SUMMARY:

- The **State Board is estimating an excess of 27 ESRD stations in the HSA XI ESRD planning area by 2020** based upon the historical usage and the population estimate in this ESRD planning area. There are four existing facilities within thirty (30) minutes of the proposed facility not at the target occupancy of 80%. One of the facilities is not operational (DaVita Collinsville Dialysis) and the remaining three facilities are operating at approximately 72% utilization.
- The Applicants have identified 148 pre-ESRD patients that reside in the 62249 zip code in Highland, Illinois and should the proposed project be approved approximately 65 of these patients will begin dialysis within 12-24-months after project completion. The referral letter provided by the HSHS Medical Group did not include historical referral information. By rule the historical referrals cannot exceed the projected referrals. Therefore, the Board Staff was unable to determine the workload for the proposed facility.
- The Applicants stated the reason why historical referrals were not provided: *“Dr. Bassim Assioun joined HSHS Medical Group in July 2015 to care for our rapidly growing CKD/ESRD patient population. Prior to Dr. Assioun’s arrival at HSHS Medical Group, we referred our CKD patients to local nephrologists, who took responsibility for their kidney care and coordinated their dialysis services. We are unable to provide specific historical data on the dialysis treatment facilities used by our CKD patient population or the referral patterns of our Primary Care Physicians prior to July 2015.”* [Letter dated February 28, 2018 from Melinda Clark CEO HSHS Medical Group]

- The Applicants have addressed 21 criteria and have not met the following:

Criterion	Non-Compliance
77 ILAC 1110.1430 (c)(1), (2), (3) & (5) -Planning Area Need	The State Board <b><u>is estimating an excess of 27 ESRD stations in the HSA XI ESRD planning area by 2020</u></b> based upon the historical usage and the population estimate in this ESRD planning area. Additionally the State Board Staff was unable to determine the demand for the number of stations being proposed because the Applicants were unable to provide the historical referral information. By rule the Applicants projected referrals cannot exceed the historical referrals.
77 ILAC 1110.1430(d)(1), (2) & (3) – Unnecessary Duplication of Service, Mal-distribution of Service, Impact on Other Facilities	Without the ability to determine the proposed workload (demand) the State Board Staff believes the proposed project will result in an unnecessary duplication of service in this planning area.

**STATE BOARD STAFF REPORT**  
**Project #17-049**  
**Northgrove Dialysis**

<b>APPLICATION/CHRONOLOGY/SUMMARY</b>	
Applicants(s)	DaVita Inc. and Total Renal Care, Inc.
Facility Name	Northgrove Dialysis
Location	2491 Industrial Drive, Highland, Illinois
Permit Holder	DaVita Inc. and Total Renal Care, Inc.
Operating Entity	Total Renal Care, Inc.
Owner of Site	Kunkel Commercial Group, Inc.
Total GSF	6,643 GSF
Application Received	September 29, 2017
Application Deemed Complete	September 29, 2017
Review Period Ends	January 27, 2018
Financial Commitment Date	July 31, 2019
Project Completion Date	July 31, 2019
Review Period Extended by the State Board Staff?	Yes
Can the Applicants request a deferral?	No
Expedited Review?	No

**I. Project Description:**

DaVita Inc. and Total Renal Care, Inc. (Applicants) propose to establish a 12-station dialysis facility located in Highland, Illinois. The proposed cost of the project is \$3,028,696 and the expected completion date is July 31, 2019.

**II. Summary of Findings**

- A. State Board Staff finds the proposed project does not appear to be in conformance with the provisions of Part 1110.
- B. State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

**III. General Information**

The Applicants are DaVita Inc. and Total Renal Care, Inc. 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. [Source: 2017 Audited Financial Statements]

Financial commitment will occur after permit issuance. This project is a substantive project subject to a Part 1110 and 1120 review. Substantive projects include no more than the following:

- *Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.*
- *Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.*
- *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 facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]*

Table One below outlines the current DaVita projects approved by the State Board and not yet completed.

<b>TABLE ONE</b>			
<b>Current DaVita Projects</b>			
<b>Project Number</b>	<b>Name</b>	<b>Project Type</b>	<b>Completion Date</b>
15-025	South Holland Dialysis	Discontinuation/Establishment	10/31/2018
15-054	Washington Heights Dialysis	Establishment	3/31/2018
16-015	Forest City Dialysis	Establishment	6/30/2018
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
17-031	Illini Renal	Relocation/Expansion	05/31/2019
17-040	Edgemont Dialysis	Establishment	05/31/2019
17-053	Ford City Dialysis	Establishment	08/31/2019

#### **IV. Health Planning Area**

The proposed facility will be located in the HSA XI ESRD Planning Area. HSA XI includes the Illinois Counties of Clinton, Madison, Monroe, and St. Clair. The HSA XI ESRD Planning Area has a calculated excess of 27 ESRD Stations as of February 2018. The State Board is projecting less than a 1% increase compounded annually in the HSA XI Planning Area. The State Board is projecting a 6.6% increase compounded annually in the number dialysis patients in this Planning Area by 2020.

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**TABLE TWO****Need Methodology HSA XI ESRD Planning Area**

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Planning Area Population – 2015	599,300
In Station ESRD patients -2015	765
Area Use Rate 2015 <sup>(1)</sup>	1.246
Planning Area Population – 2020 (Est.)	614,100
Projected Patients – 2020 <sup>(2)</sup>	765
Adjustment	1.33
Patients Adjusted	1,017
Projected Treatments – 2020 <sup>(3)</sup>	158,722
Existing Stations	239
Stations Needed-2020	212
<b>Number of Stations In Excess</b>	<b>27</b>

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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.
2. Projected patients calculated by taking the 2020 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

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The Applicants have stated that 148 pre-ESRD patients reside in the 62249 zip code in Highland, Illinois. Highland is within HSA XI ESRD Planning Area. As of the census of 2010, there were 9,919 people, 4,013 households, and 2,633 families residing in Highland, Illinois. The racial makeup of the city was 97.00% White, 0.2% African American, 0.2% Native American, 0.9% Asian, 0.4% from other races, and 1.3% from two or more races. Hispanic or Latino of any race was 1.4% of the population. The median age was 36.8 years. About 3.6% of families and 6.8% of the population were below the poverty line, including 6.9% of those under age 18 and 8.3% of age 65 or over. [US Census Bureau]

## V. Project Costs and Sources of Funds

The Applicants are funding this project with cash in the amount of \$2,257,461 and an operating lease with a fair market value of \$771,235. The expected start-up costs and operating deficit is projected to be \$339,874.

**TABLE THREE**  
**Project Costs and Sources of Funds**

Use of Funds	Reviewable	Non- Reviewable	Total	% of Total
Modernization Contracts	\$1,039,188	\$137,649	\$1,176,837	38.86%
Contingencies	\$103,919	\$13,765	\$117,684	3.89%
Architectural/Engineering Fees	\$118,000	\$32,000	\$150,000	4.95%
Consulting and Other Fees	\$80,000	\$10,000	\$90,000	2.97%
Movable or Other Equipment (not in construction contracts)	\$642,818	\$80,122	\$722,940	23.87%
Fair Market Value of Leased Space or Equipment	\$681,027	\$90,208	\$771,235	25.46%
<b>Total Use of Funds</b>	<b>\$2,664,952</b>	<b>\$363,744</b>	<b>\$3,028,696</b>	<b>100.00%</b>
Source of Funds	Reviewable	Non- Reviewable	Total	% of Total
Cash and Securities	\$1,983,925	\$273,536	\$2,257,461	74.54%
Leases (fair market value)	\$681,027	\$90,208	\$771,235	25.46%
<b>Total Source of Funds</b>	<b>\$2,664,952</b>	<b>\$363,744</b>	<b>\$3,028,696</b>	<b>100.00%</b>

## 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 not had *adverse action*<sup>1</sup> taken against any facility they own or operate.**

<sup>1</sup> “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 ILAC 1130.140)

1. There have been no adverse action against any of the Applicants, or against any Illinois health care facilities owned or operated by the Applicants, directly or indirectly, within three years preceding the filing of this application. [See Application for Permit page 64].
2. An authorization permitting the Illinois Health Facilities and Services Review Board and IDPH access to any documents necessary to verify information submitted, including, but not limited to: official records of IDPH or other State agencies; and the records of nationally recognized accreditation organizations. [See Application for Permit page 64].
3. A list of health care facilities owned or operated by the Applicants in Illinois has been provided as required [Application for Permit page 59-63]. Dialysis facilities are currently not subject to State Licensure in Illinois.
4. Provided in the Application for Permit is an affidavit from Timothy Tincknell, CON Administrator for DaVita addressing the age of the signature pages and the reason for the delayed filing of the Northgrove Dialysis CON application. [Application for Permit pages 66-67]
5. Certificates of Good Standing were provided as required for both DaVita Inc. and Total Renal Care, Inc.
6. Letter of Intent to lease the property at 2491 Industrial Drive Suite 200, Highland, IL 62249 has been provided as evidence of site ownership. [Application for Permit pages 30-40]
7. 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.*
8. 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).

## **VII. Purpose of the Project, Projected Utilization, and Assurances**

### **A) Criterion 1110.230(a) - Purpose of the Project**

To demonstrate compliance with this criterion the applicants must

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

### **The Applicants stated the following:**

*“The purpose of the project is to improve access to life sustaining dialysis services to the residents of Highland, Illinois and the surrounding area. Highland is a farming community*

approximately 35 miles northeast of St. Louis and is a U.S. Department of Health & Human Services, Health Resources and Service Administration ("HRSA") health professional shortage area ("HPSA"). HPSAs are designated by HRSA as having shortages of primary care, dental care, or mental health providers and may be geographic (a county or service area), population (e.g., low income or Medicaid eligible) or facilities (e.g., federally qualified health centers). The Highland Service Area is geographic HPSA, which means an insufficient number of providers exist to serve the entire population. There is no facility within 25 minutes of the site of the proposed Northgrove Dialysis. Further, Highland is rural community with no immediate access to interstate highways. Traveling to and from Highland requires driving on narrow two lane county roads, which are difficult to navigate particularly in the dark and during periods of inclement weather. This makes travel to facilities outside of Highland hazardous at times for patients, many of whom are elderly and/or infirm. With patients receiving hemodialysis three times a week indefinitely, travel to distant facilities is an unnecessary burden for patients whose life is already compromised by a serious and life threatening disease. Further, advancing age is associated with increasing prevalence of CKD. This is also true for ESRD. Thus, the dialysis patient population tends to be a senior population. While the growth in the incidence and prevalence of ESRD in other populations has remained stable for years, increases in new ESRD cases is present in the 65+ age cohort, which could reflect the emergence of the post-World War II baby boomers into the retirement age. Highland is an aging community. From 2010 to 2015, the 65+ age cohort experienced an 8% increase. With an aging population, it is imperative stations are available in Highland to serve the current and future need for dialysis services." The market area encompasses an approximate 30 minute radius around the proposed facility. The boundaries of the market area are as follows:

1. North approximately 30 minutes normal travel time to New Douglas, IL.
2. Northeast approximately 30 minutes normal travel time to Greenville, IL.
3. East approximately 30 minutes normal travel time to Keyesport, IL.
4. Southeast approximately 30 minutes normal travel time to Germantown, IL.
5. South approximately 30 minutes normal travel time to New Baden, IL.
6. Southwest approximately 14 minutes normal travel time to O'Fallon, IL.
7. West approximately 15 minutes normal travel time to Granite City, IL
8. Northwest approximately 20 minutes normal travel time to Worden, IL.

The purpose of this project is to improve access to life sustaining dialysis to residents of Highland and the surrounding area. Highland is a HRSA designated primary care HPSA. The minimum size of a GSA is 30 minutes and all of the projected patients reside within Highland. Bassim Assioun, M.D. of HSHS Medical Group expects at least 65 of the current 148 CKD patients that reside in Highland to require dialysis within 12 to 24 months of project completion.

#### **B) Criterion 1110.230(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 a Safety Net Impact Statement as required. See attachment at the end of this report.

### **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 stated the following:**

##### *1. Maintain the Status Quo/Do Nothing*

*Highland is a farming community approximately 35 miles northeast of St. Louis and is a HRSA designated HPSA. HPSAs are designated by HRSA as having shortages of primary care, dental care, or mental health providers and may be geographic (a county or service area), population (e.g., low income or Medicaid eligible) or facilities (e.g., federally qualified health centers). The Highland Service Area is geographic HPSA, which means an insufficient number of providers exist to serve the entire population. Currently, there are four dialysis facilities within 30 minutes of Highland. Importantly, there is no facility within 25 minutes of the site of the proposed Northgrove Dialysis. Further, Highland is rural community with no immediate access to interstate highways. Traveling to and from Highland requires driving on narrow two lane county roads, which are difficult to navigate particularly in the dark and during periods of inclement weather. This makes travel to facilities outside of Highland hazardous at times for patients, many of whom are elderly and/or infirm. Advancing age is associated with increasing prevalence of CKD. This is also true for ESRD. While the growth in the incidence and prevalence of ESRD in other populations has remained stable for years, increases in new ESRD cases is present in the 65+ age cohort, which could reflect the emergence of the post-World War II baby boomers into the retirement age. Highland is an aging community. From 2010 to 2015, the 65+ age cohort experienced an 8% increase. With an aging population, it is imperative stations are available in Highland to serve the current and future need for dialysis services. Maintaining the status quo will not address the health professional shortage or the growing need for dialysis services in Highland. Accordingly, this alternative was rejected. There is no capital cost with this alternative.*

##### *2. Utilize Existing Facilities*

*There is no facility within 25 minutes of the site of the proposed Northgrove Dialysis. Further, Highland is rural community with no immediate access to interstate highways. Traveling to and from Highland requires driving on narrow two lane county roads, which are difficult to navigate particularly in the dark and during periods of inclement weather. This makes travel to facilities outside of Highland hazardous at times for patients, many of whom are elderly and/or infirm. Utilizing existing facilities will not address transportation issues or the health professional shortage in Highland. As a result, DaVita rejected this option. There is no capital cost with this alternative.*

##### *3. Establish a New Facility*

*Highland is a farming community approximately 35 miles northeast of St. Louis and is a HRSA designated HPSA. While there are four dialysis facilities within 30 minutes of Highland, the closest facility is 25 minutes away. Traveling to and from facilities outside Highland on narrow two lane county roads is hazardous at times for patients many of whom are elderly and/or infirm. Further, Highland is an aging community and it is imperative stations are available to serve the current and future need for dialysis services. Finally, HSHS Medical Group and Bassim Assioun, M.D. are currently treating 148 Stage 3, 4, and 5 CKD patients, who reside in Highland.. They anticipate at least 65 of these patients will initiate*

*dialysis within 12 to 24 months following project completion. The proposed Northgrove Dialysis will establish a high quality dialysis facility close to patients' homes and will address the health professional shortage in Highland. Accordingly, DaVita selected this alternative. The cost of this alternative is **\$3,028,696.***

**VIII. Size of the Project, Projected Utilization, 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 propose to lease a total of 6,643 GSF. Of that amount 5,866 GSF will be reviewable space and 777 GSF will be non reviewable space. The reviewable space of 5,886 GSF equates to 490.5 GSF per station. This is within the State Board Standard of 650 GSF per station for a total of 7,800 GSF (12 stations x 650 GSF = 7,800 GSF).

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 ILAC 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 65 patients by the second year after project completion.

65 patients x 156 treatments per year = 10,140 treatments

12 stations x 936 treatments available = 11,232 treatments

10,140 treatments/11,232 treatments = 90.27%

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC 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 Applicants have provided the necessary attestation at pages 111-112 of the Application for Permit.

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

## 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 27 ESRD stations in the HSA XI ESRD Planning Area** per the February 2018 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 improve access to life-sustaining dialysis services to the residents of Highland, Illinois. All 148 pre-ESRD patients reside within Highland. Highland is in the HSAXI ESRD Planning Area, therefore it appears the Applicants will be providing care to residents of the planning area.

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

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

The Applicants' physician referral letter stated that 148 pre-ESRD (Stage 3, 4 and 5) patients reside in Highland, Illinois in the 62249 zip code. Of this number the Applicants estimate that 65 pre-ESRD patients will require dialysis within 12-24 months after project completion.

The referral letter was submitted by the HSHS Medical Group and the referral letter did not include historic referral information as required. By rule, the projected referrals cannot exceed the historical referrals. The Applicants provided the reason why historical referrals could not be provided in a letter dated February 28, 2018. The Applicants stated;

*“Dr. Bassim Assioun joined HSHS Medical Group in July 2015 to care for our rapidly growing CKD/ESRD patient population. Prior to Dr. Assioun’s arrival at HSHS Medical Group, we referred our CKD patients to local nephrologists, who took responsibility for their kidney care and coordinated their dialysis services. We are unable to provide specific historical data on the dialysis treatment facilities used by our CKD patient population or the referral patterns of our Primary Care Physicians prior to July 2015.” [Letter dated February 28, 2018 from Melinda Clark CEO HSHS Medical Group]*

## 5) Service Accessibility

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

- i) The absence of the proposed service within the planning area;
  - ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;
  - iii) Restrictive admission policies of existing providers;
  - iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;
  - iv) For purposes of this subsection (c) (5) only, all services within the 30-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.
1. There is no absence of service in the HSAXI ESRD Planning Area as there are 16 ESRD facilities in this ESRD Planning Area.
  2. There has been no evidence of the access limitations due to payor status of patients and there has been no evidence of restrictive admission policies of existing providers.
  3. The Applicants have provided evidence that the proposed facility will be located in a primary care shortage area<sup>2</sup>.
  4. There are 4 facilities within 30 minutes of the proposed facility. One of the facilities (DaVita Collinsville Dialysis) is in ramp up and not yet fully operational. The remaining three facilities have an average utilization of approximately 72%.

### Summary

With the calculated excess of 27 stations in this ESRD planning and the inability of the State Board Staff to determine the demand for the project the State Board Staff is not able to make a positive finding regarding this criterion.

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<sup>2</sup> Primary Care is defined as a basic level of care usually given by doctors who work with general and family medicine, internal medicine (internists), pregnant women (obstetricians), and children (pediatricians). A nurse practitioner (NP), a State licensed registered nurse with special training, can also provide this basic level of health care. [CMS Definition]

**TABLE FOUR**  
**Facilities within 30 minutes of Proposed Facility**

Facility	City	Time	Stations	Utilization	Star Rating
Fresenius Medical Care Breese	Breese	25	8	62.50%	4
Maryville Dialysis- Renal Treatment Center	Maryville	25	14	73.81%	4
Edwardsville Dialysis	Edwardsville	27	8	77.08%	3
Total Stations/Average Occupancy			30	71.13%	
DaVita Collinsville Dialysis	Collinsville	28	8	22.92%	NA
Total Stations/Average Occupancy				59.07%	

1. Utilization as of December 31, 2017
2. Star Rating from Medicare Compare Website

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

**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 30 minutes and ascertains if there is existing capacity to accommodate the demand identified in the application for permit. There are 4 facilities within 30 minutes of the proposed facility operating at approximately 60%. Of the four facilities one is in ramp-up (DaVita Collinsville Dialysis) and the three remaining facilities are operating at approximately 72%.
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	239,925	38	1 Station per every 6,314 residents
State of Illinois	12,978,800	4,704	1 Station per every 2,760 residents

The population in the 30 minute service area is 239,925 residents per the Applicants. The number of stations in the 30 minute service area is 38 stations. The ratio of stations to population is one station per every 6,314 residents. The number of stations in the State of Illinois is 4,704 stations (*as of February 2018*). 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 station per every 2,760 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 1,840 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 further lower utilization of area providers below the State Board utilization standards. There are four dialysis facilities within the proposed Northgrove GSA. Collectively, these facilities operated at 54.8% as of June 30, 2017. Over the past three years, the compound annual growth rate for the existing facilities within the Northgrove GSA was 3.1%. This growth is anticipated to continue to increase for the foreseeable future due to the demographics of the community and U.S. Centers for Disease Control and Prevention estimates that 15% of America adults suffer from CKD. Dr. Assioun of HSHS Medical Group is currently treating 148 Stage 3, 4, and 5 CKD patients, who reside in Highland. Conservatively, based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Assioun anticipates that at least 65 of these patients will initiate dialysis within 12 to 24 months following project completion. Finally, the existing facilities are located between 25 to 30 minutes from the site of the propose Northgrove Dialysis. These dialysis facilities' primary service areas are an approximate 15 to 2 minute radius around the respective facilities. No patients are expected to transfer from existing facilities. Accordingly, the proposed Northgrove Dialysis will not lower utilization of area provider below the State Board utilization standards.”*

**Summary**

Based upon the information provided there appears to be sufficient capacity to accommodate the workload identified in this Application for Permit

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE, MALDISTRIBUTION OF SERVICE IMPACT ON OTHER FACILITIES (77 ILAC 1110.1430(d)(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. Sriraj (Tim) Kanungo, M.D. will serve as the Medical Director for the proposed facility. A copy of Dr. Kanungo's curriculum vitae has been provided as required. Other Clinical Staff: Initial staffing for the proposed facility will be as follows:

- Administrator
- Registered Nurse (1.94 FTE)
- Patient Care Technician (4.88 FTE)
- Biomedical Technician (0.32 FTE)
- Social Worker (0.45 FTE)
- Registered Dietitian (0.46 FTE)
- Administrative Assistant (0.32 FTE) Training (0.13 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. Northgrove Dialysis will maintain an open medical staff.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 ILAC 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 99-100 of the application for permit.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SUPPORT SERVICES (77 ILAC 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 12-station facility will be located in the Greater St. Louis metropolitan statistical area ("MSA"). The applicants have met the requirements of this criterion.

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

**F) Criterion 1110.1430(i) - Continuity of Care**

To demonstrate compliance with this criterion the applicants must document that a signed, written transfer 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 a signed agreement with St. Joseph's Hospital of the Hospital Sisters of the Third Order of St Francis, in Highland, Illinois to provide inpatient care and other hospital services. [Application for Permit pages 103-109].

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CONTINUITY OF CARE (77 ILAC 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.<sup>34</sup>

The necessary attestation has been provided at pages 111-112 of the application for permit.

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

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<sup>3</sup> **Urea:** A nitrogen-containing substance normally cleared from the blood by the kidney into the urine. **URR** stands for urea reduction ratio, meaning the reduction in urea as a result of dialysis. The URR is one measure of how effectively a dialysis treatment removed waste products from the body and is commonly expressed as a percentage. If the initial, or pre-dialysis, urea level was 50 milligrams per deciliter (mg/dL) and the post-dialysis urea level was 15 mg/dL, the amount of urea removed was 35 mg/dL. The amount of urea removed (35 mg/dL) is expressed as a percentage of the pre-dialysis urea level (50 mg/dL). Although no fixed percentage can be said to represent an adequate dialysis, patients generally live longer and have fewer hospitalizations if the URR is at least 60 percent. As a result, some experts recommend a minimum URR of 65 percent. The URR is usually measured only once every 12 to 14 treatments, which is once a month. The URR may vary considerably from treatment to treatment. Therefore, a single value below 65 percent should not be of great concern, but a patient's average URR should exceed 65 percent.

<sup>4</sup> The **Kt/V** is more accurate than the URR in measuring how much urea is removed during dialysis, primarily because the Kt/V also considers the amount of urea removed with excess fluid. Consider two patients with the same URR and the same post-dialysis weight, one with a weight loss of 1 kg—about 2.2 lbs—during the treatment and the other with a weight loss of 3 kg—about 6.6 lbs. The patient who loses 3 kg will have a higher Kt/V, even though both have the same URR. The fact that a patient who loses more weight during dialysis will have a higher Kt/V does not mean it is better to gain more water weight between dialysis sessions so more fluid has to be removed, because the extra fluid puts a strain on the heart and circulation. However, patients who lose more weight during dialysis will have a higher Kt/V for the same level of URR. On average, a Kt/V of 1.2 is roughly equivalent to a URR of about 63 percent. Thus, another standard of adequate dialysis is a minimum Kt/V of 1.2. The Kidney Disease Outcomes Quality Initiative (KDOQI) group has adopted the Kt/V of 1.2 as the standard for dialysis adequacy.<sup>1</sup> Like the URR, the Kt/V may vary considerably from treatment to treatment because of measurement error and other factors. So while a single low value is not always of concern, the average Kt/V should be at least 1.2. In some patients with large fluid losses during dialysis, the Kt/V can be greater than 1.2 with a URR slightly below 65 percent—in the range of 58 to 65 percent. In such cases, the KDOQI guidelines consider the Kt/V to be the primary measure of adequacy. [CMS Center for Clinical Standards and Quality]

## FINANCIAL VIABILITY

### **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. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process." (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 \$2,257,461 and a lease with a FMV of \$771,235<sup>5</sup>. The lease is an operating lease. A summary of the financial statements of the Applicants is provided below. The Applicants have sufficient cash to fund this project.

	<b>2017</b>	<b>2016</b>
Cash	\$508,234	\$674,776
Current Assets	\$8,744,358	\$3,994,748
Total Assets	\$18,948,193	\$18,755,776
Current Liabilities	\$3,041,177	\$2,710,964
LTD	\$9,158,018	\$8,944,676
Patient Service Revenue	\$9,608,272	\$9,269,052
Total Net Revenues	\$10,876,634	\$10,707,467
Total Operating Expenses	\$9,063,879	\$8,677,757
Operating Income	\$1,812,755	\$2,029,710
Net Income	\$830,555	\$1,033,082

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

<sup>5</sup> Operating lease is a contract wherein the owner, called the Lessor, permits the user, called the Lessee, to use of an asset for a particular period which is shorter than the economic life of the asset without any transfer of ownership rights. The Lessor gives the right to the Lessee in return for regular payments for an agreed period of time.

**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 \$2,257,461 and an operating lease with a fair market value of \$771,235. Because the Applicants have sufficient internal financial resources the Applicants have qualified for the financial waiver<sup>6</sup>.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 ILAC 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 \$2,257,461 and an operating lease with a fair market value of \$771,235. The lease is for 10 years at a base rent of \$15.00 per GSF per year with a 2% annual increase. It appears the lease is reasonable when compared to previously approved projects. [Application for Permit pages 114-124]

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 ILAC 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. The Applicants are proposing to establish a 12-station ESRD facility in 6,643 GSF of space in which 5,866 is reviewable space.

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<sup>6</sup> The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.
- 2) The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.
- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

**TABLE SEVEN**

**Reasonableness of Project Costs**

	Project Costs		State Standard		Difference	
	Project Costs	Cost per GSF or Station	State Standard Total	State Standard Per GSF or Station	Project Costs- State Standard	Met Standard
Modernization and Contingencies <sup>(1)</sup>	\$1,143,107	\$194.87 Per GSF	\$1,335,243	\$201.00 Per GSF	(\$192,136)	Yes
Contingencies <sup>(2)</sup>	\$103,919	10.00%	\$155,878	15.00%	(\$51,959)	Yes
Architectural/Engineering Fees <sup>(3)</sup>	\$118,000	10.32%	\$121,397.96	10.62%	(\$3,398)	Yes
Movable or Other Equipment (not in construction contract) <sup>(4)</sup>	\$642,818	\$53,568 Per Station	\$644,196	\$53,683 Per Station	(\$1,378)	Yes
Consulting and Other Fees	\$80,000					
Fair Market Value of Leased Space or Equipment	\$681,027			No Standard		

1. State Standard for Modernization and Contingency is \$178.33 (2015) inflated by 3% to the midpoint of construction.
2. Contingency for modernization is 15% for construction based upon the architectural contract documents in the schematic drawing status.
3. Architectural and Engineering Fees are a percentage of modernization and contingency as published by State of Illinois Capital Development Board.
4. Movable or Other Equipment is \$39,945 per station (2008) and inflated by 3% to the midpoint of construction.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 ILAC 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 \$186.60 operating expense per treatment. [See page 132 of the application for permit for calculation.]

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED OPERATING COSTS (77 ILAC 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 \$21.54 per treatment. [See page 133 of the application for permit for calculation.]

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

**Appendix I**  
**Safety Net Impact Statement**

1. This criterion is required for all substantive and discontinuation projects. DaVita Inc. and its affiliates are safety net providers of dialysis services to residents of the State of Illinois. DaVita is a leading provider of dialysis services in the United States and is committed to innovation, improving clinical outcomes, compassionate care, education and Kidney Smarting patients, and community outreach. A copy of DaVita's 2016 Community Care report, which details DaVita's commitment to quality, patient centric focus and community outreach, was previously included in the application for Proj. No, 17-032. 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.

DaVita accepts and dialyzes patients with renal failure needing a regular course of hemodialysis without regard to race, color, national origin, gender, sexual orientation, age, religion, disability or ability to pay. Because of the life sustaining nature of dialysis, federal government guidelines define renal failure as a condition that qualifies an individual for Medicare benefits eligibility regardless of their age and subject to having met certain minimum eligibility requirements including having earned the necessary number of work credits. Indigent ESRD patients who are not eligible for Medicare and who are not covered by commercial insurance are eligible for Medicaid benefits. If there are gaps in coverage under these programs during coordination of benefits periods or prior to having qualified for program benefits, grants are available to these patients from both the American Kidney Foundation and the National Kidney Foundation. If none of these reimbursement mechanisms are available for a period of dialysis, financially needy patients may qualify for assistance from DaVita in the form of free care.

2. The proposed project will not impact the ability of other health care providers or health care systems to cross-subsidize safety net services. The proposed dialysis facility will not further lower utilization of area providers below the State Board utilization standards. There are four dialysis facilities within the proposed Northgrove GSA. Collectively, these facilities operated at 54.8% .as of June 30, 2011. Over the past three years, the .compound annual growth rate for the existing facilities within the Northgrove GSA was 3.1%. This growth is anticipated to continue to increase for the foreseeable future due to the demographics of the community and U.S. Centers for Disease Control and Prevention estimates that 15% of American adults suffer from CKD.

Dr. Assioun of HSHS Medical Group is currently treating 148 Stage 3, 4, and 5 CKD patients, who reside in Highland. Conservatively, based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Assioun anticipates that at least 65 of these patients will initiate dialysis within 12 to 24 months following project completion. Finally, the existing facilities are located between 25 to 30 minutes from the site of the proposed Northgrove Dialysis. These dialysis facilities' primary service areas are an approximate 15 to 20 minute radius around the respective facilities. No patients are expected to transfer from existing

facilities. Accordingly, the proposed Northgrove Dialysis will not lower utilization of area providers below the State Board utilization standards.

3. The proposed project is for the establishment of Northgrove Dialysis. As such, this criterion is not applicable.

<b>DaVita Inc.</b>			
<b>Net Revenue, Charity and Medicaid Information for the State of Illinois</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
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 Revenue	\$8,603,971	\$7,361,390	\$4,692,716
% of Medicaid to Net Patient Revenue	3.23%	2.36%	1.33%

**Board Staff Notes:**

DaVita Inc admission policy has been provided to the State Board and the policy states patients would be admitted without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status. Medicare certification is a measure of the facility willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals age 65 and over. It is also well recognized that women live longer than men and therefore more likely to be on Medicare longer. One of the exceptions is Medicare coverage for patients with permanent kidney failure. Patients of any age with permanent kidney failure are eligible for Medicare. Medicaid certification is a measure of a facility’s willingness to serve low income persons and may include individuals with disabilities.

Charity Care as defined by the Illinois Health Facility Planning Act means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third party payer. [20 ILCS 3960/3] The patients and the dollar amounts identified above as charity are self pay patients. A for profit entity does not have charity care as defined by the Illinois Health Facility Planning Act. The dollar amounts identified above are considered bad debt.

Medicare and Medicaid patients typically make up the largest percentage of patients served by a dialysis facility. CMS has implemented an ESRD Prospective Payment System (PPS). Under this ESRD PPS, Medicare pays dialysis facilities a bundled rate per treatment. The rate is not the same for each facility. Each facility, within a given geographic area, may receive the same base rate. However, there are a number of adjustments both at the facility and at patient-specific level that affects the final reimbursement rate each facility will receive. What a dialysis facility receives from its commercial payers will also vary. Even if two different dialysis providers billed the same commercial payer the same amount, the actual payment to each facility will depend on the negotiated discount rate obtained by the commercial payer from each individual provider.

**Appendix II**

<b>Itemization of Project Costs</b>			
<b>Moveable and Other Equipment</b>			
	<b>Reviewable</b>	<b>Non Reviewable</b>	<b>Total</b>
Communications	\$78,117		\$93,144
Water Treatment	\$167,000		\$164,800
Bio-Medical Equipment	\$11,550		\$16,550
Clinical Equipment	\$368,646		\$295,024
Clinical Furniture/Fixtures	\$17,505		\$23,060
Lounge Furniture/Fixtures		\$3,855	\$3,855
Storage Furniture/Fixtures		\$5,862	\$5,862
Business Office Fixtures		\$30,905	\$30,905
General Furniture/Fixtures		\$27,500	\$27,500
Signage		\$12,000	\$12,000
<b>Total Moveable and Other Equipment</b>	<b>\$642,818</b>	<b>\$80,122</b>	<b>\$771,235</b>

**Appendix III**  
**Population within 30 minutes of proposed Site**

<b>ZIP Code</b>	<b>City</b>	<b>County</b>	<b>Population</b>	<b>ESRD Planning Area</b>
62001	Alhambra	Madison	1,754	XI
62216	Aviston	Clinton	2,925	XI
62230	Breese	Clinton	6,288	XI
62231	Carlyle	Clinton	7,481	XI
62234	Collinsville	Madison	32,054	XI
62025	Edwardsville	Madison	34,092	XI
62245	Germantown	Clinton	1,575	XI
62034	Glen Carbon	Madison	13,827	XI
62040	Granite City	Madison	42,495	XI
62246	Greenville	Bond	9,996	V
62048	Hartford	Madison	1,779	XI
62249	Highland	Madison	15,790	XI
62253	Keyesport	Clinton	825	XI
62254	Lebanon	Saint Clair	5,927	XI
62062	Maryville	Madison	8,204	XI
62260	Millstadt	Saint Clair	6,862	XI
62261	Modoc	Bond	148	V
62262	Mulberry Grove	Madison	1,773	XI
62265	New Baden	Clinton	4,562	XI
62074	New Douglas	Madison	1,379	XI
62275	Pocahontas	Bond	3,497	
62281	Saint Jacob	Madison	2,065	XI
62225	Scott Air Force Base	Saint Clair	5,051	XI
62284	Smithboro	Bond	616	V
62088	Staunton	Macoupin	6,592	XI
62289	Summerfield	Saint Clair	384	XI
62293	Trenton	Clinton	4,805	XI
62294	Troy	Madison	14,261	XI
62097	Worden	Madison	2,918	XI
<b>Total</b>			<b>239,925</b>	

## **Section XI, Safety Net Impact Statement**

1. This criterion is required for all substantive and discontinuation projects. DaVita Inc. and its affiliates are safety net providers of dialysis services to residents of the State of Illinois. DaVita is a leading provider of dialysis services in the United States and is committed to innovation, improving clinical outcomes, compassionate care, education and Kidney Smarting patients, and community outreach. A copy of DaVita's 2016 Community Care report, which details DaVita's commitment to quality, patient centric focus and community outreach, was previously included in the application for Proj. No. 17-032. 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.

DaVita accepts and dialyzes patients with renal failure needing a regular course of hemodialysis without regard to race, color, national origin, gender, sexual orientation, age, religion, disability or ability to pay. Because of the life sustaining nature of dialysis, federal government guidelines define renal failure as a condition that qualifies an individual for Medicare benefits eligibility regardless of their age and subject to having met certain minimum eligibility requirements including having earned the necessary number of work credits. Indigent ESRD patients who are not eligible for Medicare and who are not covered by commercial insurance are eligible for Medicaid benefits. If there are gaps in coverage under these programs during coordination of benefits periods or prior to having qualified for program benefits, grants are available to these patients from both the American Kidney Foundation and the National Kidney Foundation. If none of these reimbursement mechanisms are available for a period of dialysis, financially needy patients may qualify for assistance from DaVita in the form of free care.

2. The proposed project will not impact the ability of other health care providers or health care systems to cross-subsidize safety net services. The proposed dialysis facility will not further lower utilization of area providers below the State Board utilization standards. There are four dialysis facilities within the proposed Northgrove GSA. Collectively, these facilities operated at 54.8% as of June 30, 2017. Over the past three years, the compound annual growth rate for the existing facilities within the Northgrove GSA was 3.1%. This growth is anticipated to continue to increase for the foreseeable future due to the demographics of the community and U.S. Centers for Disease Control and Prevention estimates that 15% of American adults suffer from CKD.

Dr. Assioun of HSHS Medical Group is currently treating 148 Stage 3, 4, and 5 CKD patients, who reside in Highland. See Appendix - 1. Conservatively, based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Assioun anticipates that at least 65 of these patients will initiate dialysis within 12 to 24 months following project completion.

Finally, the existing facilities are located between 25 to 30 minutes from the site of the proposed Northgrove Dialysis. These dialysis facilities' primary service areas are an approximate 15 to 20 minute radius around the respective facilities. No patients are expected to transfer from existing facilities. Accordingly, the proposed Northgrove Dialysis will not lower utilization of area providers below the State Board utilization standards.

3. The proposed project is for the establishment of Northgrove Dialysis. As such, this criterion is not applicable.

4. A table showing the charity care and Medicaid care provided by the Applicants for the most recent three calendar years is provided below.

<b>Safety Net Information per PA 96-0031</b>			
<b>CHARITY CARE</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Charity (# of patients)</b>	146	109	110
<b>Charity (cost in dollars)</b>	\$2,477,363	\$2,791,566	\$2,400,299
<b>MEDICAID</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Medicaid (# of patients)</b>	708	422	297
<b>Medicaid (revenue)</b>	\$8,603,971	\$7,381,390	\$4,692,716

**Section XII, Charity Care Information**

The table below provides charity care information for all dialysis facilities located in the State of Illinois that are owned or operated by the Applicants.

<b>CHARITY CARE</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Net Patient Revenue</b>	<b>\$268,319,949</b>	<b>\$311,351,089</b>	<b>\$353,226,322</b>
<b>Amount of Charity Care (charges)</b>	<b>\$2,477,363</b>	<b>\$2,791,566</b>	<b>\$2,400,299</b>
<b>Cost of Charity Care</b>	<b>\$2,477,363</b>	<b>\$2,791,566</b>	<b>\$2,400,299</b>

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