



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-05	BOARD MEETING: February 27, 2018	PROJECT NO: 17-053	PROJECT COST:
FACILITY NAME: Ford City Dialysis		CITY: Chicago	Original: \$3,533,281
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The Applicants (DaVita Inc and Total Renal Care, Inc.) propose to establish a 12-station ESRD facility in 7,083 GSF of lease space at a cost of \$3,533,281. The expected completion date is August 31, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (DaVita Inc and Total Renal Care, Inc.) propose to establish a 12-station ESRD facility in 7,083 GSF of lease space at a cost of \$3,533,281. The expected completion date is August 31, 2019.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are proposing to establish a health care facility as defined by the Illinois Health Facilities Planning Act. (20 ILCS 3960/3)

PUBLIC HEARING/COMMENT:

- A public hearing was offered in regard to the proposed project, but none was requested. No letters of support or opposition were received by the State Board Staff

SUMMARY:

- The State Board has estimated a need for 75 stations in the HSA VI ESRD Planning Area by 2020. The proposed facility will be located in a Health Professional Shortage Area and a Medically Underserved Area. Based upon the physician referral letter there appears to be a sufficient number of pre-ESRD patients that will require dialysis within 12-24 months after project completion to justify the 12 stations being requested. All of the 135 pre-ESRD patients reside within the planning area as attested to by the Applicants. The Applicants addressed a total of 21 criteria and have successfully addressed them all.

STATE BOARD STAFF REPORT
Project 17-053
DaVita Ford City Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	DaVita Inc., Total Renal Care, Inc.
Facility Name	DaVita Ford City Dialysis
Location	8159 South Cicero Avenue, Chicago, Illinois
Permit Holder	DaVita Inc., Total Renal Care, Inc.
Operating Entity	Total Renal Care, Inc.
Owner of Site	Norcor Cicero Associates, LLC
Total GSF	7,083 GSF
Application Received	October 10, 2017
Application Deemed Complete	October 12, 2017
Review Period Ends	February 9, 2018
Financial Commitment Date	February 27, 2020
Project Completion Date	August 31, 2019
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The Applicants (DaVita Inc and Total Renal Care, Inc.) propose to establish a 12-station ESRD facility in 7,083 GSF of lease space at a cost of \$3,533,281. The expected completion date is August 31, 2019.

II. Summary of Findings

- A. State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1120 (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 Total Renal Care, Inc. DaVita Inc. is a leading provider of kidney care in the United States, delivering dialysis services to patients with chronic kidney failure and end stage renal disease. DaVita serves patients with low incomes, racial and ethnic minorities, women, handicapped persons, elderly, and other underserved persons in its facilities in the State of Illinois. The operating entity will be Total Renal Care, Inc and the owner of the site is Norcor Cicero Associates. Financial commitment will occur after permit approval.

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

TABLE ONE
Current DaVita Projects

Project Number	Name	Project Type	Completion Date
15-020	Calumet City Dialysis	Establishment	1/31/2018
15-025	South Holland Dialysis	Relocation	04/30/2018
15-048	Park Manor Dialysis	Establishment	2/28/2018
15-049	Huntley Dialysis	Establishment	02/28/2018
15-054	Washington Heights Dialysis	Establishment	03/31/2018
16-015	Forest City Rockford	Establishment	6/30/2018
16-023	Irving Park Dialysis	Establishment	8/31/2018
16-033	Brighton Park Dialysis	Establishment	10/31/2018
16-036	Springfield Central Dialysis	Relocation	03/31/2019
16-037	Foxpoint Dialysis	Establishment	7/31/2018
16-040	Jerseyville Dialysis	Expansion	07/31/2018
16-041	Taylorville Dialysis	Expansion	7/31/2018
16-051	Whiteside Dialysis	Relocation	03/31/2019
17-032	Illini Renal	Relocation	5/31/2019
17-040	Edgemont Dialysis	Establishment	5/31/2019

IV. Health Planning Area

The proposed facility will be located in the HSA VI ESRD Planning Area. This planning area includes the city of Chicago. As of January 2018 the State Board is estimating a need for an additional 75 stations. Additionally the State Board is estimating that a total of 6,498 patients will need dialysis by 2020 in this planning area. As December 31, 2017 there are 5,041 patients receiving dialysis in this planning area.

TABLE TWO

Need Methodology HSA VI ESRD Planning Area	
Planning Area Population – 2015	2,713,100
In Station ESRD patients -2015	4,886
Area Use Rate 2015 ⁽¹⁾	1.907
Planning Area Population – 2020 (Est.)	2,562,700
Projected Patients – 2020 ⁽²⁾	4,886
Adjustment	1.33
Patients Adjusted	6,498
Projected Treatments – 2020 ⁽³⁾	1,013,747
Calculated Station Needed ⁽⁴⁾	1,353
Existing Stations	1,278
Stations Needed-2020	75
<ol style="list-style-type: none"> 1. Usage rate determined by dividing the number of in-station ESRD patients in the planning area by the 2015 – planning area population per thousand. 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. 	

TABLE TWO	
Need Methodology HSA VI ESRD Planning Area	
3.	Projected treatments are the number of patients adjusted x 156 treatments per year per patient
4.	1,013,747/747 = 1,353
5.	936 x 80% = 747 [Number of treatments per station operating at 80%]

V. Project Uses and Sources of Funds

The Applicants are funding the project with cash in the amount of \$2,296,989 and a FMV of a lease in the amount of \$1,236,292. The operating deficit start-up costs are \$2,225,459.

TABLE THREE
Project Costs and Sources of Funds

Project Cost	Reviewable	Non reviewable	Total	% of Total Cost
Modernization Contracts	\$777,708	\$477,077	\$1,254,785	35.51%
Contingencies	\$77,770	\$47,707	\$125,477	3.55%
Architectural/Engineering Fees	\$92,000	\$25,000	\$117,000	3.31%
Consulting and Other Fees	\$80,000	\$10,000	\$90,000	2.55%
Moveable and Other Equipment				
Communications	\$97,644		\$97,644	
Water Treatment	\$188,382		\$188,382	
Bio-Medical Equipment	\$15,550		\$15,550	
Clinical Equipment	\$298,444		\$298,444	
Clinical Furniture/ Fixtures	\$27,885		\$27,885	
Lounge Furniture/Fixtures		\$3,855	\$3,855	
Storage Furniture/Fixtures		\$5,862	\$5,862	
Business Office Fixtures		\$30,905	\$30,905	
General Furniture/Fixtures		\$29,200	\$29,200	
Signage		\$12,000	\$12,000	
Total Moveable and Other Equipment	\$627,905	\$81,822	\$709,727	20.09%
Fair Market Value of Leased Space	\$766,246	\$470,046	\$1,236,292	34.99%
Total Project Costs	\$2,421,629	\$1,111,652	\$3,533,281	100.00%
Cash	\$1,655,383	\$641,606	\$2,296,989	65.01%
FMV of Leased Space	\$766,246	\$470,046	\$1,236,292	34.99%
Total Sources of Funds	\$2,421,629	\$1,111,652	\$3,533,281	100.00%

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*¹ taken against the any facility they own or operate.

1. The applicants have attested that there has been no adverse action taken against any of the facilities owned or operated by DaVita Inc. and Total Renal Care, Inc. during the three (3) years prior to filing the application. [Application for Permit page 60-61]
2. The applicants have authorized the Illinois Health Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connection to the applicants' certificate of need to establish a twelve station ESRD facility. The authorization includes, but is not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. [Application for Permit pages 60-61]
3. Total Renal Care, Inc. will be the operator of Ford City Dialysis. Ford City Dialysis is a trade name of Total Renal Care, Inc. and is not separately organized. As the person with final control over the operator, DaVita Inc. is named as an applicant for this CON application. DaVita Inc. does not do business in the State of Illinois. A Certificate of Good Standing for DaVita Inc from the state of its incorporation, Delaware, has been provided.
4. The site is owned by Norcor Cicero Associates, LLC and evidence of this can be found at pages 30-37 of the application for permit in the Letter of Intent to lease the property at 8159 S Cicero Ave, Chicago, IL 60652.
5. 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*

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

proposed development within Special Flood Hazard Areas would meet the requirements of this Order.

6. 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).

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

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

A) Criterion 1110.230 – Purpose of the Project

To demonstrate compliance with this criterion the applicants must document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other area, per the applicant's definition.

The applicants stated:

“There is currently a need for 87 hemodialysis stations in the City of Chicago. This project is intended to address that need and will improve access to life sustaining dialysis services to the residents residing on the south side of Chicago. The geographic service area (“GSA”) of the proposed Ford City Dialysis is an economically disadvantaged area whose residents are predominantly Hispanic and African-American. The GSA is on the south side of Chicago. The community is nearly 50% Hispanic and 11% African-American. These are two minority groups which have a higher incidence and prevalence of kidney disease than the general population. Further, the GSA is an area with many low-income residents. Twenty-two percent (22%) of the population of the GSA is living below the Federal Poverty Level and 39% of the population in the GSA lives below 150% of the Federal Poverty Level (138% of the Federal Poverty Level is the income eligibility limit for the Medicaid program in Illinois). Further, Ashburn Park, where the proposed Ford City Dialysis will be located, is a Health Resources & Services Administration (“HRSA”) designated primary care health professional shortage area² (“HPSA”) and a medically underserved population.” [Application for Permit pages 62-147]

B) Criterion 1110.230 (b) - Safety Impact Statement

To demonstrate compliance with this criterion the applicants must document the safety net impact if any of the proposed project. *Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation.* [20 ILCS 3960/5.4]

A Safety Net Impact Statement has been provided as required. [See statement at the end of this report]

² A doctor who is trained to give you basic care. Your primary care doctor is the doctor you see first for most health problems. He or she makes sure that you get the care that you need to keep you healthy. He or she also may talk with other doctors and health care providers about your care and refer you to them. In many Medicare managed care plans, you must see your primary care doctor before you see any other health care provider. [<https://www.cms.gov/apps/glossary/default>]

TABLE FOUR
DaVita Inc.

	2014	2015	2016
Net Patient Revenue	\$266,319,949	\$311,351,089	\$353,226,322
Amt of Charity Care (charges)	\$2,477,363	\$2,791,566	\$2,400,299
Cost of Charity Care ⁽¹⁾	\$2,477,363	\$2,791,566	\$2,400,299
% of Charity Care/Net Patient Revenue	0.93%	0.90%	0.68%
Number of Charity Care Patients	146	109	110
Number of Medicaid Patients	708	422	297
Medicaid	\$8,603,971	\$7,381,390	\$4,692,716
% of Medicaid to Net Patient Revenue	3.23%	2.36%	1.33%

The charity care listed above does not meet the State Board's definition of Charity Care. Charity Care is defined by the State Board as 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].

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

To demonstrate compliance with this criterion the applicants must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The applicants considered three (3) alternatives

1. Maintain the Status Quo/Do Nothing
2. Utilize Existing Facilities.
3. Facility with lesser scope

1. *The **do nothing alternative** was rejected because the proposed Ford City Dialysis GSA is an economically disadvantaged predominantly Hispanic area on the south side of Chicago. The community is nearly 50% Hispanic and 11% African-American. 22% of the population lives below the Federal Poverty Level and 39% of the population lives below 150% of the Federal Poverty Level (138% of the Federal Poverty Level is the income eligibility limit for the Medicaid program in Illinois). Further, Ashburn Park, where the proposed Ford City Dialysis will be located, is a HRSA designated primary care HPSA and a MUA. There is no cost to this alternative.*
2. *DaVita considered **utilizing existing facilities** within the Ford City Dialysis GSA; however, due to the dramatic growth in the need for dialysis services in this community, the existing facilities will not be able to accommodate Dr. Arvan's projected referrals. Excluding recently approved dialysis facilities which are being developed to serve distinct groups of patients who were separately identified by their treating physician, average utilization of area dialysis facilities is 82.58%, which exceeds the HFSRB's utilization standard of 80%. Further, over the past three years, patient census at the existing facilities has increased approximately 6% annually and is anticipated 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. This alternative was rejected.*
3. *The Applicants considered **establishing a facility of lesser or greater scope**. The proposed Ford City Dialysis is located within the Chicago-Joliet-Naperville metropolitan statistical area ("MSA"). The proposed facility complies with the HFSRB requirement for the minimum number of stations for a facility located within an MSA. Accordingly a facility of lesser*

scope was rejected. As previously noted, new facilities in the Ford City GSA recently came online or are projected to come online within the next year. Each of these facilities will serve a separate patient base and are projected to reach 80% occupancy within 2 years of project completion, and the Applicants do not want to create unnecessary duplication within the Ford City GSA. This project was narrowly tailored to serve ESRD patients on the south side of Chicago without adversely affecting existing or approved facilities. Accordingly, a facility of greater scope was rejected.

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

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

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

The applicants are proposing a twelve (12) station ESRD facility in 4,390 GSF of clinical space or 366 GSF per station. This is within the State Board Standard of 650 GSF per station or a total of 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 sixty-one (61) patients by the second year after project completion.

$$\begin{aligned} 61 \text{ patients} \times 156 \text{ treatments per year} &= 9,516 \text{ treatments} \\ \text{Twelve (12) stations} \times 936 \text{ treatments available} &= 11,232 \text{ treatments} \\ 9,516 \text{ treatments}/11,232 \text{ treatments} &= 84.72\% \text{ }^3 \end{aligned}$$

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.

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

The Applicants have provided the necessary attestation at pages 192-193 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 (b)(1) & (3)

This criterion has been addressed earlier in this report.

B) 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.

The State Board is estimating a need for 75 ESRD stations in the HSA VI ESRD Planning Area per the January 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 referring physician (Michael Arvan, M.D. with J. R. Nephrology & Associates, S.C.) is currently treating 135 CKD patients, who reside within either the ZIP code of the proposed Ford City Dialysis (60652) or 6 other nearby ZIP codes, all within 6 miles of the proposed Ford City Dialysis. Based upon attrition due to patient death, transplant, stable disease, or relocation away from the area and in consideration of other treatment modalities (HHD and peritoneal dialysis), Dr. Arvan anticipates that at least 61 of these 135 patients will initiate in-center hemodialysis within 12 to 24 months following project completion.

Zip Codes of Pre-ESRD Patients	
60652	37
60456	2
60805	17
60459	31
60655	22
60638	20
60632	6
Total	135

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

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

The applicants have submitted a referral letter, estimating that 61 of the 135 pre-ESRD patients from the 30-minute service area will require dialysis services within 12-24 months of project completion.

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 64 ESRD facilities with 1,278 stations in the HSA VI ESRD Planning Area as of January 2018.
2. There has been no documentation provided that there are access limitations due to payor status of patients in the HSA VI ESRD Planning Area because all ESRD facilities approved by the State Board accept Medicare and Medicaid patients.
3. No documentation of restrictive admission policies of existing providers has been provided by the Applicants.
4. The location of the proposed facility has been designated a primary care Health Professional Shortage Area and a Medically Underserved Area by the Secretary of Health and Human Services.
5. There are 25 facilities within 30 minutes of the proposed facility. Of these 25 facilities seven are in ramp up and not fully operational. One facility (Concerto Dialysis) did not provide utilization data for the 4th quarter. The remaining 17 facilities the averaged utilization is approximately 80%. (see Table

Conclusion:

The State Board has estimated a need for 75 stations in the HSA VI ESRD Planning Area by 2020. Additionally the proposed facility will be located in a Health Professional Shortage Area and a Medically Underserved Area. Based upon the physician referral letter there appears to be a sufficient number of pre-ESRD patients that will require dialysis within 12-24 months after project completion to justify the number of stations being requested. All of the 135 pre-ESRD patient reside within the planning area as attested to by the Applicants.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION (77 ILAC 1110.1430(c)(1), (2), (3) & (5))

TABLE FIVE
ESRD Facilities within 30 minutes of the Proposed Facility

Facility	Ownership	City	Time (1)	Stations (2)	Patients (3)	Utilization (4)	Star Rating (5)
USRC Scottsdale	USRC	Chicago	2.5	36	137	63.43%	3
FMC Dialysis Services- Burbank	Fresenius	Burbank	3.75	26	126	80.77%	3
West Lawn Dialysis	DaVita	Chicago	8.75	12	62	86.11%	4
South Side Dialysis Center	Fresenius	Chicago	8.75	39	204	87.18%	4
Stoney Creek Dialysis	DaVita	Oak Lawn	11.25	14	83	98.81%	3
Beverly Dialysis	DaVita	Chicago	12.5	16	90	93.75%	3
Alsip Dialysis Center	Fresenius	Alsip	20	20	84	70.00%	3
Fresenius Medical Care- Midway	Fresenius	Chicago	20	12	60	83.33%	3
Mount Greenwood Dialysis	DaVita	Chicago	20	16	84	87.50%	3
DaVita Chicago Ridge Dialysis	DaVita	Chicago	21.25	16	83	86.06%	NA
Fresenius Medical Care Merrionette Park	Fresenius	Merrionette Park	21.25	24	130	90.28%	3
Dialysis Center of America - Crestwood	Fresenius	Crestwood	22.5	24	88	61.11%	3
Fresenius Medical Care Summit	Fresenius	Summit	23.75	12	30	41.67%	NA
Fresenius Medical Care Chatham	Fresenius	Chicago	23.75	16	90	93.75%	3
Fresenius Medical Care Marquette Park	Fresenius	Chicago	25	16	89	92.71%	4
Palos Park Dialysis	DaVita	Orland Park	28.75	12	49	68.06%	2
Fresenius Medical Care Cicero	Fresenius	Cicero	28.75	16	71	73.96%	5
Total Stations/Patients/Average Utilization				327	1,560	79.91%	
Concerto Dialysis		Crestwood	27.5	9	0	0.00%	
US Renal Care Hickory Hills '	USRC	Hickory Hills	25	13	0	0.00%	
Dialysis Care Center of Oak Lawn	DCC	Oak Lawn	2.5	11	0	0.00%	
DaVita Washington Heights	DaVita	Chicago	30	16	1	1.04%	
Fresenius Medical Care Beverly Ridge	Fresenius	Chicago	26.25	16	1	1.04%	
Brighton Park	DaVita	Chicago	26.25	16	0	0.00%	
USRC West Chicago	USRC	Chicago	25	13	0	0.00%	
Fresenius Medical Care Evergreen Park	Fresenius	Evergreen Park	20	30	22	12.22%	
Total Stations/Patients/Average Utilization				451	1,584	55.87%	
<ol style="list-style-type: none"> 1. Time from MapQuest and adjusted per 77 IAC 1100.510 (d) 2. Stations as of January 2018 3. Patients as of December 31, 2017. 4. Utilization as of December 31, 2017 5. Star Rating taken from Medicare ESRD Compare Website 							

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

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

1. An unnecessary duplication of service
2. A mal-distribution of service
3. An impact on other area providers

1. To determine if there is an **unnecessary duplication of service** the State Board identifies all facilities within thirty (30) minutes and determines if there is existing capacity to accommodate the demand identified in the application for permit. There are 25 facilities within 30 minutes of the proposed facility. Seven of the facilities are in ramp-up and not yet fully operational. One facility (Concerto Dialysis) has not reported utilization information to the State Board for the 4th quarter. The remaining 32 facilities the average utilization is approximately 80%.
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	948,349	451	1 Station per every 2,103 residents
State of Illinois (2015 est.)	12,978,800	4,672	1 Station per every 2,778 residents

The population in the 30 minute service area is 948,349 residents. The number of stations in the 30 minute service area is 451. The ratio of stations to population is one (1) station per every 2,103 residents. The number of stations in the State of Illinois is 4,672 stations (*as of January, 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 (1) station per every 2,778 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 1,852 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**.
 - a. *The proposed dialysis facility will not have an adverse impact on existing facilities in the Ford City GSA. Excluding recently approved dialysis facilities which are being developed to serve distinct groups of patients, average utilization of area dialysis facilities is 82.58%, which exceeds the HFSRB's utilization standard of 80%. Patient 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. Unfortunately, kidney disease is often undetectable by the patient until the late stages when it is often too late to stop or slow the disease progression. As more working families obtain health insurance through the Affordable Care Act²⁶ and 1.5 million Medicaid*

beneficiaries transition from traditional fee for service Medicaid to Medicaid managed care, more individuals in high risk groups now have better access to primary care and kidney screening. As a result of these health care reform initiatives, DaVita anticipates continued, increases in newly diagnosis cases in the years ahead. However once diagnosed many of these patients will be further along in the progression of CKD due to the lack nephrologist care prior to diagnosis. It is imperative that enough dialysis stations are available to treat this new influx of ESRD patients who will require dialysis in the next two years. Further, the in-center hemodialysis facilities approved by the HFSRB within the last 3.5 year are either in development or operational less than two years. Each facility will serve a distinct patient base within the greater Chicago area. As stated in the physician referral letters for these facilities, each physician projects to refer a sufficient number of patients to achieve 80% utilization by the second year after project completion. Accordingly, the proposed Ford City Dialysis will not adversely impact existing facilities in the Ford City GSA.

- b. The proposed dialysis facility will not lower the utilization of other area facilities that are currently operating below HFSRB standards. As noted above, there are 25 dialysis facilities within the Ford City GSA. Excluding recently approved dialysis facilities which are being developed to serve distinct groups of patients, average utilization of area dialysis facilities is 82.58%, which exceeds the HFSRB's utilization standard of 80%. Patient 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% o American adults suffer from CKD. Unfortunately, kidney disease is often undetectable by the patient until the late stages when it is often too late to stop or slow the disease progression. As more working families obtain health insurance through the Affordable Care Act and 1.5 million Medicaid beneficiaries transition from traditional fee for service Medicaid to Medicaid managed care more individuals in high risk groups now have better access to primary care and kidney screening. As a result of these health care reform initiatives, DaVita anticipates continued increases in newly diagnosed cases of CKD in the years ahead. However, once diagnosed, many of these patients will be further along in the progression of CKD due to the lack of nephrologist care prior to diagnosis. It is imperative that enough dialysis stations are available to treat this new influx of ESRD patients who will require dialysis in the next two years. Further, the in-center hemodialysis facilities approved by the HFSRB within the last 3.5 years are either in development or operational less than two years. Each facility will serve a distinct patient base within the greater Chicago area. As stated in the physician referral letters for these facilities, each physician projects to refer a sufficient number of patients to achieve 80% utilization by the second year after project completion. Accordingly, the proposed Ford City Dialysis will not lower the utilization of other area facilities that are currently operating below HFSRB standards.*

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE, MALDISTRIBUTION OF SERVICE IMPACT ON OTHER FACILITIES (77 ILAC 1110.1430 (c)(1), (2) and (3))

D) 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 Applicants stated the following:

“The proposed facility will be staffed in accordance with all State and Medicare staffing requirements.

- a. *Medical Director: Michael Arvan, M.D. will serve as the Medical Director for the propose facility. A copy of Dr. Arvan's curriculum vitae is attached at Attachment - 24C.*
- b. *Other Clinical Staff: Initial staffing for the proposed facility will be as follows:*
 - Administrator (0.99 FTE)*
 - Registered Nurse (4.24 FTE)*
 - Patient Care Technician (3.90 FTE)*
 - Biomedical Technician (0.29 FTE)*
 - Social Worker (0.52FTE)*
 - Registered Dietitian (0.52 FTE)*
 - Administrative Assistant (0.75 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.

- c. *All staff will be training under the direction of the proposed facility's Governing Body, utilizing DaVita's comprehensive training program. DaVita's training program meets all State and Medicare requirements. The training program includes introduction to the dialysis machine, components of the hemodialysis system, infection control, anticoagulation, patient assessment/data collection, vascular access, kidney failure documentation, complications of dialysis, laboratory draws, and miscellaneous testing devices used. In addition, it includes in-depth theory on the structure and function of the kidneys: including, homeostasis, renal failure, ARF/CRF, uremia, osteodystrophy and anemia, principles of dialysis: components of hemodialysis system: water treatment: dialyzer reprocessing: hemodialysis treatment: fluid management: nutrition; laboratory: adequacy: pharmacology; patient education, and service excellence. A summary of the training program has been provided. Ford City Dialysis will maintain an open medical staff.” [Application for Permit pages 167-179]*

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

E) 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 180-182 of the application for permit.

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

F) 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 Chicago-Joliet-Naperville 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))

G) Criterion 1110.1430(i) - Continuity of Care

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

The applicants have provided the necessary signed transfer agreement with Advocate Health And Hospitals Corporation D/B/A Advocate Christ Medical Center And Total Renal Care, Inc. D/B/A Ford City Dialysis as required. [See pages 137-142 of the Application for Permit.]

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

H) 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 pages 192-193 of the application for permit.

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

IX. Financial Viability

*This Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and **financial resources to adequately provide a proper service for the community**; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs. (20 ILCS 3960)*

A) Criterion 1120.120 – 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 the project with cash in the amount of \$2,296,989 and a FMV of a lease in the amount of \$1,236,292. A summary of the financial statements of the Applicants is provided below. The Applicants have sufficient cash to fund this project.

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

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

B) Criterion 1120.130 - Financial Viability

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

The Applicants are funding the project with cash in the amount of \$2,296,989 and a FMV of a lease in the amount of \$1,236,292. The Applicants have qualified for the financial waiver.

To qualify for the financial waiver an applicant must document one of the following:

- 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.

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

X. 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 the project with cash in the amount of \$2,296,989 and a FMV of a lease in the amount of \$1,236,292. The lease is for ten years at a base rent of \$25.00/psf⁴ for the first five (5) years, and \$27.50/psf years 6 thru 10. The lease is an operating lease.⁵ It would appear the lease is reasonable when compared to previously approved projects.

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))

⁴ Price per square foot

⁵ An operating lease is a contract that allows for the use of an asset, but does not convey rights of ownership of the asset.

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 below, the Applicants have met all of the State Board Standards published in Part 1120, Appendix A.

TABLE SIX
Reasonableness of Project Costs

Project Cost	Reviewable	State Board Standard	Project Costs	Met Standard
Modernization Contracts	\$855,478	\$194.87	\$855,479	Yes
Contingencies	\$77,770	15%	\$116,656	Yes
Architectural/Engineering Fees	\$92,000	10.78%	\$92,221	Yes
Consulting and Other Fees	\$80,000			
Total Moveable and Other Equipment	\$627,905			
Fair Market Value of Leased Space	\$766,246			

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 \$233.86 operating expense per treatment.

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 \$22.85 per treatment.

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

Star Rating System
Centers for Medicare & Medicaid Services (CMS) Star Ratings

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

CMS assigns a one to five ‘star rating’ in two separate categories: best treatment practices and hospitalizations and deaths. The more stars, the better the rating. Below is a summary of the data within the two categories.

➤ Best Treatment Practices

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

➤ Hospitalization and Deaths

This measure takes a facility's expected total number of hospital admissions and compares it to the actual total number of hospital admissions among its Medicare dialysis patients. It also takes a facility's expected patient death ratio and compares it to the actual patient death ratio taking into consideration the patient’s age, race, sex, diabetes, years on dialysis, and any co-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.

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 included as part of our Illini Renal CON application (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 Ford City Dialysis will not impact the ability of other health care providers or health care systems to cross-subsidize safety net services. Average utilization of existing dialysis facilities within the Ford City GSA that have been operational for at least 2 years is 83.33%. Patient 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.

Michael Arvan, M.D. with J. R. Nephrology & Associates, S.C. is currently treating 135 CKD patients, who reside within either the ZIP code of the proposed Ford City Dialysis (60652) or 6 other nearby ZIP codes, all within 6 miles of the proposed Ford City Dialysis. See Appendix – 1. Conservatively, based upon attrition due to patient death, transplant, stable disease, or relocation away from the area and in consideration of other treatment modalities (HHD and peritoneal dialysis), Dr. Arvan anticipates that at least 61 of these 135 patients will initiate in-center hemodialysis within 12 to 24 months following project completion. Further, no patients are expected to transfer from existing facilities within the Ford City Dialysis GSA. Accordingly, the proposed Ford City Dialysis facility will not impact other general health care providers' ability to cross-subsidize safety net services.

3. The proposed project is for the establishment of Ford City 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.

Safety Net Information per PA 96-0031			
CHARITY CARE			
	2014	2015	2016
Charity (# of patients)	146	109	110
Charity (cost in dollars)	\$2,477,363	\$2,791,566	\$2,400,299
MEDICAID			
	2014	2015	2016
Medicaid (# of patients)	708	422	297
Medicaid (revenue)	\$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.

CHARITY CARE			
	2014	2015	2016
Net Patient Revenue	\$266,319,949	\$311,361,089	\$353,226,322
Amount 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