



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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| | | | |
|--|--|------------------------------|---|
| DOCKET NO: I-02 | BOARD MEETING: July 24, 2018 | PROJECT NO: 17-060 | PROJECT COST: Original: \$5,863,604 |
| FACILITY NAME: Fresenius Kidney Care Waukegan Park | | CITY: Waukegan | |
| TYPE OF PROJECT: Substantive | | | HSA: VIII |

PROJECT DESCRIPTION: The Applicants (Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park) are proposing to establish a twelve (12) station ESRD facility in 7,600 GSF of leased space in Waukegan, Illinois. The cost of the project is \$5,863,604, and the scheduled completion date is December 31, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park) are proposing the establishment of a twelve (12) station ESRD facility in 7,600 GSF of leased space in Waukegan, Illinois. The cost of the project is \$5,863,604, and the scheduled completion date is December 31, 2019.
- This project received an Intent to Deny at the April 17, 2018 State Board Meeting. The Applicants did not provide additional information to address the findings in the State Board Staff Report. This project was deferred at the June 2018 State Board Meeting.
- The Original State Board Staff Report and the April 2018 State Board Transcripts are attached at the end of this report.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes to establish a health care facility as defined at 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]
- As part of the Illinois Health Care Facilities Plan, Section 77 ILAC 1100.410 states that *“Health care services should be appropriately located to best meet the needs of the population. Illinois residents needing services should not be forced to travel excessive distances. Where feasible, underutilized services should be consolidated to promote efficiency of operation and quality when such consolidation does not create access problems.”*

PURPOSE OF THE PROJECT:

- The Applicants state:
“The proposed 12-station Fresenius Kidney Care Waukegan Park ESRD facility, to be located in a Federally Designated Medically Underserved Area/Population (MUA/P), of HSA-08 in Lake County, will address the unique access issues that hinder healthcare for the disadvantaged patients residing in Waukegan. Specifically a significant number of patients with income below the poverty level, that because of high area clinic utilization, do not have reasonable access to life saving dialysis services. The two dialysis providers located in Waukegan are operating at an average 97.17% utilization Waukegan residents are 17% African American and 55% Hispanic. These minority populations are more likely to experience diabetes and hypertension leading to kidney failure. In addition, 22% of Waukegan residents live below the federal poverty level. The goal of Fresenius Kidney Care is to provide access to a medically underserved area of Lake County by establishing the Waukegan Park facility in Waukegan to directly address access issues where it is needed most.”

PUBLIC HEARING/COMMENT:

- A public hearing was offered but was not requested. The project file contains no letters of opposition. **The Applicants submitted a number of** letters of support for the proposed project. These letters were from residents of the community, other health care providers, members of the medical community, community officials and business/industry representatives. Some of these support letters are individually composed and some are of a form letter variety. All of the letters urged the State Board to approve the proposed project.

- The Lake County Board Chairman stated *“Much of the available treatment capacity is located in the far western portions of the northern Lake/eastern McHenry HSA, putting it out of reach for patients in the Waukegan-North Chicago area who face these challenges:*
 1. *Lack of access to vehicles/mobility, making them dependent on public transit and paratransit*
 2. *Lack access to a grocery store (“food deserts”)*
 3. *Suffer from chronic illnesses like hypertension and diabetes*
 4. *Less likely to receive regular wellness and health exams*

The Waukegan Park dialysis center would provide life extending care to people who are living near the epicenter of the most startling health disparity we face in Lake County. People living in North Chicago have an average life expectancy that is 10 years less than someone living in a neighboring community. Combating chronic illness and comorbidities that cut a lifespan by ten years requires us to take an “all in, all of the above” approach to increase access to care for those in need. That includes approving the certificate of need for the Waukegan Park dialysis center.”

The State Board received a number of letters from current patients stating:

“I am a dialysis patient at Fresenius KidneyCare Waukegan Harbor. This clinic is very full, and I must dialyze on a treatment shift that is very inconvenient for me and my family. This is especially hard because I come to dialysis three days out of each week. I am on a waiting list to be moved to a time-slot that works out better for me, but I do not know how long that will take. I am not able to get to clinics in other towns that may have a better treatment times available. The Fresenius Kidney Care Waukegan Park facility will open-up room for patients like me who need a better schedule and will allow us to remain in Waukegan for treatment. If you would approve the new Fresenius clinic in Waukegan it would make having dialysis easier for me and other patients too.”

SUMMARY:

- There is a calculated excess of 43 stations in the HSA-VIII ESRD Planning Area, per the June 2018 Inventory Update. Based upon the physician referral letter there appears to be a sufficient number of pre-ESRD patients (76 patients) that would utilize the proposed facility with approximately 85% (61 patients) of these patients residing in the City of Waukegan in the 60085 zip code. The two nearest facilities to the proposed facility are located in the 60085 zip code and are operating at over 90% utilization (DaVita Waukegan 98.61% and FKC Waukegan Harbor (90.48%). There are 10 facilities within 30 minutes of the proposed facility with one facility in ramp-up. The remaining nine facilities are operating at approximately 72% utilization. There are four facilities within 15 minutes operating at an average of approximately 84% utilization. There is not a surplus of stations in the 30-minute service area based upon the State Board’s methodology.
- Board Staff notes that there has been a 9.7% annual growth in the number of ESRD patients in this HSA VIII ESRD Planning Area since the beginning of 2013 thru the end of 2017.
- The Waukegan area population is designated as being Medically Underserved, and its residents encounter access limitations. The Applicants’ state *“The physicians supporting this project admit and treat patients at most of the area facilities already, however prefer to maintain access to dialysis services for Waukegan residents in Waukegan to avoid creating unnecessary transportation problems and loss of continuity of care for their patients. There is no monetary cost to sending patients to other facilities, the only cost is to the patient and the healthcare system with increased hospitalizations due to missed treatments when services are not readily accessible.”*

CONCLUSIONS:

- The Applicants addressed twenty one (21) criteria and did not meet the following:

| State Board Standards Not Met | |
|---|---|
| Criteria | Reasons for Non-Compliance |
| Criterion 1110.1430(c)(1) – Planning Area Need | There is a calculated <u>excess of 43 stations</u> in the HSA-VIII ESRD Planning Area, per the June 2018 Inventory Update. This excess of stations is based upon an estimated increase in the population in this planning area of approximately 9.92% and an increase of 33% in the number of ESRD patients in this ESRD Planning Area for the period 2015 to 2020. |
| Criterion 1110.1430(d)(1), (2), (3) – Unnecessary Duplication/Maldistribution of Service/Impact on Other Providers | There are 10 facilities within 30 minutes of the proposed facility with one facility in ramp-up. The remaining nine facilities are operating at approximately 72% utilization. |

SUPPLEMENTAL
STATE BOARD STAFF REPORT
Fresenius Kidney Care Waukegan Park
PROJECT #17-060

| APPLICATION SUMMARY/CHRONOLOGY | |
|---|---|
| Applicants | Fresenius Medical Care Holdings, Inc. Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park |
| Facility Name | Fresenius Kidney Care Waukegan Park |
| Location | 2602 Belvidere Road, Waukegan, Illinois |
| Application Received | October 30, 2017 |
| Application Deemed Complete | October 31, 2017 |
| Review Period Ends | February 28, 2018 |
| Permit Holder | Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park |
| Operating Entity | Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park |
| Owner of the Site | Health Property Services |
| Project Financial Commitment Date | July 24, 2020 |
| Gross Square Footage | 7,600 GSF |
| Project Completion Date | December 31, 2019 |
| Expedited Review | No |
| Can Applicants Request a Deferral? | Yes |
| Intent to Deny | April 17, 2018 |
| Has the Application been extended by the State Board? | No |

I. The Proposed Project

The Applicants (Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park) are proposing the establishment of a twelve (12) station ESRD facility in 7,600 GSF of leased space in Waukegan, Illinois. The cost of the project is \$5,863,604, and the completion date is December 31, 2019.

II. Summary of Findings

- A. State Board Staff finds the proposed project **is not** in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project is in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The Applicants are Fresenius Medical Care Holdings, Inc and Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park. **Fresenius Medical Care Holdings**, operating as Fresenius Medical Care North America or FMCNA, operates a network of some 2,100 dialysis clinics located throughout the continent. One of the largest providers of kidney dialysis services, FMCNA offers outpatient and in-home hemodialysis treatments for chronic kidney disease. The company's operating units also market and sell

dialysis machines and related equipment and provide renal research, laboratory, and patient support services. FMCNA oversees the North American operations of dialysis giant Fresenius Medical Care AG & Co. Fresenius Medical Care Lake County, LLC is a wholly owned subsidiary of Fresenius Medical Care Holdings, Inc.

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

Table One outlines the current Fresenius projects approved by the State Board and their completion dates.

| TABLE ONE | | | |
|--|-------------------------------|-------------------------------|------------------------|
| Current Fresenius Projects and Status | | | |
| Project Number | Name | Project Type | Completion Date |
| #15-028 | FMC Schaumburg | Establishment | 5/31/2018 |
| #15-036 | FMC Zion | Establishment | 12/31/2018 |
| #15-046 | FMC Beverly Ridge | Establishment | 10/30/2018 |
| #15-050 | FMC Chicago Heights | Establishment | 09/30/2018 |
| #15-062 | FMC Belleville | Establishment | 12/31/2018 |
| #16-024 | FMC Kidney Care East Aurora | Establishment | 9/30/2018 |
| #16-029 | FMC Ross Dialysis – Englewood | Relocation/Exp. Establishment | 12/31/2018 |
| #16-034 | FKC Woodridge | Establishment | 3/31/2019 |
| #16-035 | FMC Evergreen Park | Relocation/Establishment | 5/31/2018 |
| #16-042 | FKC Paris Community | Establishment | 09/30/2018 |
| #16-049 | FMC Macomb | Relocation/Establishment | 12/31/2018 |
| #17-003 | FMC Gurnee | Expansion | 3/31/2018 |
| #17-004 | FKC Mount Prospect | Establishment | 12/31/2018 |
| #17-023 | FMC Oswego | Expansion | 12/31/2018 |
| #17-024 | FKC Springfield East | Establishment | 3/31/2019 |
| #17-025 | FMC Crestwood | Relocation/Establishment | 9/30/2019 |
| #17-027 | FMC Sandwich | Expansion | 12/31/2018 |
| #17-033 | FMC Palatine | Expansion | 12/31/2018 |
| #17-034 | FMC Naperville | Expansion | 12/31/2018 |

IV. Health Service Area

Fresenius Kidney Care Waukegan Park will be located at 2602 Belvidere Road, Waukegan, Illinois in the HSA-VIII ESRD planning area. HSA-VIII includes Kane, Lake, and McHenry counties. The State Board has **projected an excess of 43 ESRD stations by CY 2020**. This projected excess is based upon an estimated increase in the population in this planning area of approximately 9.92% and an approximate increase of 33% in the number of ESRD patients in this ESRD Planning Area for the period 2015 to 2020.

The five-year need determination is a short-term assessment that applies to the planning area need requirements in the 77 Ill. Adm. Code 1110 category of service review criteria. The in-center hemodialysis or end stage renal disease (ESRD) station need is a five-year projection from the base year. The need for additional treatment stations is projected utilizing the following methodology. [77 ILAC 1100.630 - In-Center Hemodialysis Category of Service]

| TABLE TWO | |
|---|-----------|
| Need Methodology HSA VIII ESRD Planning Area | |
| Planning Area Population – 2015 (Est) | 1,540,100 |
| In Station ESRD patients -2015 | 1,541 |
| Area Use Rate 2015 ⁽¹⁾ | .910 |
| Planning Area Population – 2020 (Est.) | 1,692,900 |
| Projected Patients – 2020 ⁽²⁾ | 1,541 |
| Adjustment | 1.33 |
| Patients Adjusted | 2,050 |
| Projected Treatments – 2020 ⁽³⁾ | 319,727 |
| Existing Stations | 470 |
| Stations Needed-2018 | 427 |
| Number of Stations in Excess | 43 |

V. Project Costs

The Applicants are funding this project with cash and securities in the amount of \$2,038,000 and the fair market value of leased space and equipment of \$3,825,604. The estimated start-up costs and the operating deficit are projected to be \$879,262.

TABLE THREE
Project Costs and Sources of Funds

| USE OF FUNDS | Reviewable | Non Reviewable | Total | % of Total |
|--|--------------------|-----------------------|--------------------|-------------------|
| Modernization Contracts | \$1,077,440 | \$305,760 | \$1,383,200 | 23.6% |
| Contingencies | \$106,560 | \$30,240 | \$136,800 | 2.4% |
| Architectural/Engineering Fees | \$117,000 | \$33,000 | \$150,000 | 2.5% |
| Movable or Other Equipment (not in construction contracts) | \$292,000 | \$76,000 | \$368,000 | 6.4% |
| Fair Market Value of Leased Space & Equipment | \$3,017,952 | \$807,652 | \$3,825,604 | 65.2% |
| TOTAL USES OF FUNDS | \$4,610,952 | \$1,252,652 | \$5,863,604 | 100.00% |
| SOURCE OF FUNDS | Reviewable | Non Reviewable | Total | % of Total |
| Cash and Securities | \$1,593,000 | \$445,000 | \$2,038,000 | 34.8% |
| Leases (fair market value) | \$3,017,952 | \$807,652 | \$3,825,604 | 65.2% |
| TOTAL SOURCES | \$4,610,952 | \$1,252,652 | \$5,863,604 | 100.00% |

Source: Page 6 of the Application for Permit.

VI. Purpose of Project, Safety Net Impact Statement and Alternatives

The following three (3) criteria are informational; there is no conclusion on the adequacy of the information submitted.

A) Criterion 1110.230(a) Purpose of the Project

“The proposed 12-station Fresenius Kidney Care Waukegan Park ESRD facility, to be located in a Federally Designated Medically Underserved Area/Population (MUA/P), of HSA-08 in Lake County, will address the unique access issues that hinder healthcare for the disadvantaged patients residing in Waukegan. Specifically a significant number of patients with income below the poverty level, that because of high area clinic utilization, do not have reasonable access to life saving dialysis services. The two dialysis providers located in Waukegan are operating at an average 97.17% utilization. Waukegan residents are 17% African American and 55% Hispanic. These minority populations are more likely to experience diabetes and hypertension leading to kidney failure. In addition, 22% of Waukegan residents live below the federal poverty level. The goal of Fresenius Kidney Care is to provide access to a medically underserved area of Lake County by establishing the Waukegan Park facility in Waukegan to directly address access issues where it is needed most.”

B) Criterion 1110.230(b) - Safety Net Impact Statement

The Applicants stated the following:

“The proposed Fresenius Kidney Care Waukegan Park dialysis facility will not have any impact on safety net services in the Waukegan area of Lake County. Fresenius Medical Care is a for-profit, publicly traded company and is not required to provide charity care, nor does it do so according to the Board’s definition”. “However, Fresenius Medical Care provides care to all patients regardless of their ability to pay.” “There are patients treated by Fresenius who either do not qualify for or will not seek any type of coverage for dialysis services.” “These patients are considered self-pay patients.” “These patients are invoiced as all patients are invoiced, however payment is not expected and Fresenius does not initiate any collections activity on these accounts.” “These unpaid invoices are written off as bad debt.” “Fresenius notes that as a for-profit entity, it does pay sales, real estate, and income taxes.” “It also provides community benefit by supporting various medical education activities and associations, such as the Renal, National Kidney Foundation and American Kidney Fund.” (Application, p. 114)

The Applicants were asked to provide an update to concerns expressed at the April 17, 2018 State Board Meeting regarding their contract status with the following State of Illinois Managed Care Providers: *[Applicants response in Italics]*

For Option A – Statewide

- Blue Cross Blue Shield of Illinois *Yes, contracted with both the Medicaid and dual eligible*
- Harmony Health Plan *Limited direct contract (about 3 locations) but the plan is very responsive to single patient Letters of Agreement for both Medicaid and dual eligible*
- IlliniCare Health Plan *Yes, only contracted with the Medicaid product, no contract for dual eligible*
- Meridian Health *Yes, contracted with both the Medicaid and dual eligible*
- Molina Healthcare of IL *No contract*

For Option B – Cook County Only

- CountyCare Health Plan *Yes, contracted with Medicaid (only product offered)*
- NextLevel Health *Yes, contracted with Medicaid*

For DCFS Youth

- IlliniCare Health Plan *Yes, contracted*

TABLE FOUR ⁽¹⁾
SAFETY NET INFORMATION
Fresenius Medical Care Facilities in Illinois

| | 2014 | 2015 | 2016 |
|----------------------------------|----------------------|----------------------|----------------------|
| Net Revenue | \$411,981,839 | \$438,247,352 | \$449,611,441 |
| CHARITY | | | |
| Charity (# of self-pay patients) | 251 | 195 | 233 |
| Charity (self-pay) Cost | \$5,211,664 | \$2,983,427 | \$3,269,127 |
| % of Charity Care to Net Rev. | 1.27% | 0.68% | .072% |
| MEDICAID | | | |
| Medicaid (Patients) | 750 | 396 | 320 |
| Medicaid (Revenue) | \$22,027,882 | \$7,310,484 | \$4,383,383 |
| % of Medicaid to Net Revenue | 5.35% | 1.67% | .097% |

1. *Source: Pages 114-115 of the Application for Permit.*
2. *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].*

Note to Table Three as provided by the Applicants:

- 1) Charity (self-pay) patient numbers decreased however, treatments were higher per patient (application, p. 114).
- 2) Charity (self-pay) patient numbers continue to decrease as Fresenius Financial Coordinators assist patients in signing up for health insurance in the Healthcare Marketplace. Patients who cannot afford the premiums have them paid by the American Kidney Fund.
- 3) Medicaid number of patients is decreasing as Fresenius Financial Coordinators assist patients in signing up for health insurance in the Healthcare Marketplace. Patients who cannot afford the premiums have them paid by the American Kidney Fund.

C) Criterion 1110.230(c) - Alternatives to the Project

To demonstrate compliance with this criterion the Applicants must document all alternatives to the proposed project that were considered.

The Applicants considered the following three (3) alternatives to the proposed project.

1. Do Nothing/Project of Greater or Lesser Scope.
2. Pursuing a joint venture or similar arrangement
3. Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project.

Do Nothing/Project of Greater or Lesser Scope

The Applicants state the alternative of doing nothing would not address the over-utilization of existing ESRD clinics in Waukegan, and the ensuing lack of access. Furthermore, the FKC Zuion facility tht will be opening in 2018 is over 10 miles away and serves a separate medically underserved area and population. The identified patients for this application will bring that facility beyond 80% utilization within the next two years. The Applicants rejected this alternative, and there were no costs identified with this alternative.

Pursue a Joint Venture or Similar Arrangement

The Applicants note this application was filed as a joint venture. Project costs identified with this alternative: \$5,863,604.

Utilize Other Health Care Resources Available to Serve All or a Portion of the Population

The Applicants note the two clinics serving the Waukegan market are operating at a combined utilization rate of 97%, which is only seven patients away from cutting off all access to dialysis services in this area. The Applicants further note that while facilities within a 30-minute travel radius may be underutilized, much of the Waukegan patient base relies on public transportation, making trips to outlying facilities burdensome and expensive. The physicians do not want their patient base to experience access issues or incur additional travel costs, so this alternative was rejected. There were no project costs identified.

After considering each of the three above mentioned alternatives, the Applicants concluded that the optimal alternative for providing services to its patient base would be to establish a 12-station facility in Waukegan. Cost of the chosen alternative: \$5,863,604.

VII. In-Center Hemo-dialysis Projects

A) Criterion 1110.1430(b)(1) & (3) - Background of Applicants

To address this criterion the Applicants must provide a list of all facilities currently owned in the State of Illinois and an attestation documenting that no adverse actions have been taken against the Applicants by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities and Services Review Board or a certified listing of all adverse action taken; and authorization to the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of the application for permit.

The Applicants provided sufficient background information, to include a list of facilities and the necessary attestations as required by the State Board at *pages 39-45 of the application for permit*. The State Board Staff concludes the Applicants have met this criterion.

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

B) Criterion 1110.1430 (c)(1), (2), (3) & (5) - Planning Area Need

The Applicants must document the following:

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

To demonstrate compliance with this criterion the Applicants must document that the proposed number of stations do not exceed the calculated need for stations.

The proposed facility will be located in the HSA-VIII ESRD Planning Area. **There is calculated excess of 43 ESRD stations** in this planning area, per the State Board's June 2018 ESRD Inventory Update.

2) Service to Planning Area Residents

To demonstrate compliance with this criterion the Applicants must document that proposed dialysis facility will provide service to the proposed ESRD Planning Area.

The Applicants note the primary purpose of the project is to increase access to dialysis services for the residents of Waukegan (Lake County), Kane County, HSA-VIII, and address over-utilization at the neighboring ESRD facilities (FKC Waukegan Harbor and DaVita Waukegan). The Applicants note the service area's designation as a Federally Designated Medically Underserved Area/Population, and cite access issues for the patient base with the most need (new patients), due to the earlier mentioned over-utilization at the two nearby facilities. The referral population is broken down in Table Four by service area and zip code (see below). It does appear the proposed facility will serve the residents of the ESRD Planning Area.

| TABLE FIVE Patient Referral Base by Zip Code & Service Area | | | | |
|--|-------------|---------------|---------|---------|
| Zip Code | County | City | Stage 4 | Stage 5 |
| 60064 | Lake County | North Chicago | 12 | 0 |
| 60085 | Lake County | Waukegan | 49 | 15 |
| Total | | | 61 | 15 |

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

To demonstrate compliance with this criterion the Applicants must document the demand for the project by submitting physician referral letters.

Dr. Nino Alapishvili, M.D., and her associate Nephrologists from Nephrology Associates of Northern Illinois and Indiana, reports having treated approximately 349 patients in various stages of chronic kidney disease (Pre-ESRD) in the North Chicago/Waukegan market area. Of these patients, there are approximately 61 patients expected to begin dialysis at the proposed Waukegan Park facility in the first two years of operation. Pages 57-61 of the application contains zip code origins of historical patient referrals from the service area.

5) Service Accessibility

To demonstrate compliance with this criterion the Applicants must document that at least one of the following factors exists in the planning area:

1. The absence of the proposed service within the planning area;
2. 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;
3. Restrictive admission policies of existing providers;
4. 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;¹²

There are 28 ESRD facilities within the HSA VIII ESRD Planning Area. There does not appear to be access limitation due to payor status of patients or restrictive admission policies of existing providers. The proposed facility is in a medically underserved area which indicates a geographic area with a lack of access to primary care physicians.

¹ Medically Underserved Areas (MUAs) and Medically Underserved Populations (MUPs) identify geographic areas and populations with a lack of access to primary care services. MUPs are specific sub-groups of people living in a defined geographic area with a shortage of primary care health services. These groups may face economic, cultural, or linguistic barriers to health care. Examples include, but are not limited to, those who are: homeless; low-income; Medicaid-eligible; Native American; or migrant farm workers. Source: Health Resources and Services Administration

² Primary Care 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. Source: CMS Glossary

Summary

The State Board is estimating an excess of 43 stations in HSA VIII ESRD Planning Area by 2020. Based upon this calculated excess of stations the Applicants have not met the requirements of this criterion.

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

C) Criterion 1110.1430(d)(1), (2) and (3) - Unnecessary Duplication/Mal-distribution/ Impact on Other Facilities

- 1) **The Applicants shall document that the project will not result in an unnecessary duplication.**
- 2) **The Applicants shall document that the project will not result in maldistribution of services.**
- 3) **The Applicants shall document that, within 24 months after project completion, the proposed project will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100 and will not lower, to a further extent, the utilization of other area providers that are currently (during the latest 12-month period) operating below the occupancy standards.**

There are 10 ESRD facilities within 30-minutes of the proposed facility. One of the facilities is not operational and the remaining nine facilities are operating at approximately 72%. Table Four shows that there are underutilized facilities in the service area.

Board staff notes there are four (4) facilities within the closest proximity of the proposed facility, having an average utilization of 84%.

| Facility | City | Minutes | Stations | Utilization |
|---------------------|------------|---------|----------|-------------|
| DaVita Waukegan | Waukegan | 5 | 24 | 98.61% |
| FKC Waukegan Harbor | Waukegan | 6 | 21 | 90.48% |
| FKC Gurnee^ | Gurnee | 7 | 24 | 70.14% |
| FKC Lake Bluff | Lake Bluff | 13 | 16 | 76.04% |
| | | | | 83.82% |

The Applicants' state *"The physicians supporting this project admit and treat patients at most of the area facilities already, however prefer to maintain access to dialysis services for Waukegan residents in Waukegan to avoid creating unnecessary transportation problems and loss of continuity of care for their patients. There is no monetary cost to sending patients to other facilities, the only cost is to the patient and the healthcare system with increased hospitalizations due to missed treatments when services are not readily accessible."*

The ratio of ESRD stations to population in the zip codes within a 30-minute radius of FKC Waukegan Park is 1 station per 4,953 residents according to the U.S. Census

Bureau 2015 American Community Survey census. The State ratio is 1 station per 2,694 residents (based on State Board projections for 2015 of 12,978,800 Illinois residents and June 2018 State Board station inventory of 4,818). Based upon this methodology there is no surplus of stations in this 30-minute service area. [Application for Permit page 63]

| TABLE SIX | | | | | | |
|---|---------------|-------------|-----------------|-----------------------------|--------------------|----------------------|
| Facilities within thirty (30) minutes of the proposed facility and utilization | | | | | | |
| Facility | City | Time | Stations | Medicare Star Rating | Utilization | Met Standard? |
| DaVita Waukegan | Waukegan | 5 | 24 | 3 | 98.61% | Yes |
| FKC Waukegan Harbor | Waukegan | 6 | 21 | 3 | 90.48% | Yes |
| FKC Gurnee^ | Gurnee | 7 | 24 | 5 | 70.14% | No |
| FKC Lake Bluff | Lake Bluff | 13 | 16 | 4 | 76.04% | No |
| DaVita Lake County | Vernon Hills | 24 | 16 | 3 | 68.75% | No |
| FKC Highland Park | Highland Park | 24 | 20 | 4 | 40.83% | No |
| FKC Round Lake | Round Lake | 25 | 16 | 4 | 82.29% | Yes |
| FKC Mundelein | Mundelein | 25 | 14 | 5 | 76.19% | No |
| FKC Deerfield | Deerfield | 29 | 12 | 4 | 36.11% | No |
| Total Stations/Average Utilization | | | | | 71.05% | |
| FKC Zion* | Zion | 25 | 12 | NA | 0% | NA |
| Total Stations/Average Utilization | | | 175 | | 63.94% | |
| ^ Facility added 8 stations, June 2017 *Facility in Ramp-up, complete 12/31/18. Information from First Quarter ESRD patient information for 2018 NA – Not enough data to calculate a score | | | | | | |

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE/MADISTRIBUTION/IMPACT ON OTHER FACILITIES (77 ILAC 1110.1430(d)(1), (2) and (3))

