STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-05	BOARD MEETING: April 17, 2018	PROJECT NO: 17-061	PROJECT COST: Original: $1,519,570 Revised:$1,459,570
FACILITY NAME: Dialysis Care Center Elgin		CITY: Elgin	
TYPE OF PROJECT: Substantive			HSA: VIII

PROJECT DESCRIPTION: The Applicants (Dialysis Care Center Elgin, LLC and Dialysis Care Center Holdings, LLC) propose to establish a 14-station ESRD facility in 6,500 GSF of lease space at a cost of $1,459,570. The expected completion date is October 30, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Dialysis Care Center Elgin, LLC and Dialysis Care Center Holdings, LLC propose to establish a 14-station ESRD facility in 6,500 GSF of lease space at a cost of $1,459,570. The expected completion date is October 30, 2019.
- This Application was modified, removing the contingency costs of $60,000 on March 8, 2018. This was a Type B Modification not requiring an Opportunity for a Public Hearing.
- There are two additional projects in the HSA VIII ESRD Planning Area scheduled for the April 17, 2018 State Board Meeting.
    - 17-060 - FKC Waukegan Park establish a 12-station ESRD facility in Waukegan.
    - 17-066 – DaVita North Dunes establish a 12-station ESRD facility in Waukegan.

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)
- 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. **The Applicants submitted** letters of support for the proposed project. These letters were from residents of the community, current patients and care givers, public officials, a member of Congress and business/industry representatives. All of the letters urged the State Board to approve the proposed project *"because the new facility will help address the growing need for dialysis services in the area, easing the burden on staff at existing clinics that are currently operating at or above capacity and make it easier for area patients to get the appropriate treatment options."*
  No opposition letters were received by the State Board Staff.

SUMMARY:

- The State Board has determined that there **is a calculated excess of 24 ESRD stations in the HSA VIII ESRD Planning Area,** per the February 2018 ESRD Inventory Update.
- The Applicants have identified 69 patients that may require dialysis within two years after project completion. From the information the State Board Staff has reviewed there appears to be sufficient capacity within the 30 minute service area to accommodate the demand identified by this project.

Criteria	Reasons for Non-Compliance
77 ILAC 1110.1430 (c) (1) (2) (3) & (5) - Planning Area Need	**There is a calculated excess of 24 ESRD stations in the HSA VIII ESRD Planning Area** and there appears to sufficient capacity within the 30-minute service area to accommodate the demand identified by this project. By rule "*the number of stations to be established for in-center hemodialysis is in conformance with the projected station deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.*"
77 ILAC 1110.1430(d)(1), (2) & (3) – Unnecessary Duplication of Service, Mal-distribution of Service,	There appears to be sufficient capacity within this 30-minute service area to accommodate the

Criteria	Reasons for Non-Compliance
and Impact on Other Facilities	demand identified by this project. There are 16 ESRD facilities within 30-minutes of the proposed facility. Of these 16 facilities, 2 are not yet operational. Of the 14 remaining ESRD facilities the average utilization is 75.66%. These 14 facilities can accommodate the demand identified by this project.

STATE BOARD STAFF REPORT
Project 17-061
Dialysis Care Center Elgin

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	Dialysis Care Center Elgin, LLC, Dialysis Care Holdings, LLC
Facility Name	Dialysis Care Center Elgin
Location	995 North Randall Road, Elgin, Illinois
Permit Holder	Dialysis Care Center Beverly, LLC, Dialysis Care Holdings, LLC
Operating Entity	Dialysis Care Center Elgin, LLC.
Owner of Site	DYN Commercial Holdings, LLC
Total GSF	6,500 GSF
Application Received	November 3, 2017
Application Deemed Complete	November 7, 2017
Review Period Ends	March 7, 2018
Financial Commitment Date	October 30, 2019
Project Completion Date	October 30, 2019
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The Applicants (Dialysis Care Center Elgin, LLC and Dialysis Care Center Holdings, LLC) propose to establish a 14-station ESRD facility in 6,500 GSF of lease space at a cost of $1,459,570. The expected completion date is October 30, 2019.

II. Summary of Findings

A. State Board Staff finds the proposed project does **not** appear 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

Dialysis Care Center Elgin, LLC and Dialysis Care Center Holdings, LLC are the Applicants. Dialysis Care Center Elgin, LLC and Dialysis Care Center Holdings, LLC are 100% physician owned and operated. The two physicians below own the two entities.

1. Morufu Alausa M.D. – 50%
2. Sameer M. Shafi M.D. – 50%

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

The Applicants have two outstanding projects:

Project #	Name	Purpose	Completion Date
#16-058	Dialysis Care Center McHenry	Establishment	03/31/2019
#17-052	Dialysis Care Center Beverly	Establishment	10/31/2019

The expected payor mix of the proposed facility is as follows:

TABLE ONE
Payor Mix

	Number of Patients	% of Patients
Medicare	55	64.00%
Medicaid	3	2.00%
Commercial	10	34.00%
# of Patients % of Revenues	69	100.00%

IV. Health Service Area

Dialysis Care Center Elgin, LLC will be located at 995 North Randall Road, Elgin, Illinois in the HSA-VIII ESRD planning area. HSA-VIII includes Kane, Lake, and McHenry counties. The State Board has **projected an excess of twenty-four (24) ESRD stations by CY 2020**. Additionally the State Board is projecting an increase in the population in this planning area of approximately 2% compounded annually and an increase of 6.6% in the number of ESRD patients compounded annually for the period 2015 to 2020.

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	451
Stations Needed-2018	427
Number of Stations in Excess	**24**

V. Project Costs and Sources of Funds

The Applicants are funding the project with cash of $496,100 and the FMV of leased space in the amount of $963,470. The operating deficit and start-up costs are $834,644. The Applicants provided the cost of the tenant build-out of the facility that is included in the calculation of the FMV of Lease of $616,500.

TABLE THREE
Project Costs and Sources of Funds

	Reviewable	Total	% of Total
Architectural and Engineering Fees	$45,000	$45,000	3.08%
Movable or Other Equipment	$451,100	$451,100	30.90%
FMV of Leased Space	$963,470	$963,470	66.01%
Total	$1,459,570	$1,459,570	100.00%
Cash		$496,100	36.60%
FMV of Leased Space		$963,470	66.01%
Total		$1,459,570	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 any *adverse action*[1] taken against 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 Dialysis Care Center Elgin LLC and Dialysis Care Center Holdings, LLC during the three (3) years prior to filing the application. [Application for Permit page 84-85]

[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)

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 the information submitted in connections the applicants' certificate of need to establish a twelve-station ESRD facility in Elgin. 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 84-85]

3. The site is owned by **DYN Commercial Holdings, LLC** and evidence of this can be found at page 36-70 of the application for permit in the Letter of Intent to lease the property at 995 North Randall Road, Elgin, Illinois 60123.

4. The applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.*

5. The proposed location of the ESRD facility is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects consider the preservation and enhancement of both State owned and non-State owned historic resources* (20 ILCS 3420/1).

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

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

These three (3) criteria are for informational purposes only.

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.

According to the Applicants:

"The purpose of this project is to create additional life-sustaining dialysis accessibility to the large, growing population of ESRD patients in the HSA 8 market area specifically Elgin and Kane County residents. The only two dialysis facilities in Elgin are both currently operating at a very high utilization, both above the state standards utilization rates. One of them is operating at 101.04% utilization and the other at 90.83% utilization. The only two ESRD Facilities in Elgin, IL are listed below.

1. *DaVita Cobblestone Dialysis, Elgin, IL= Operating at 101.04%*
2. *Fresenius Elgin, IL= Operating at 90.83%*

As of September 27, 2017, the Illinois State Board has determined that there is an excess of 10 stations in HSA 8. However, to be proactive rather than reactive, we believe an additional ESRD facility would provide significant benefit to the health of this community. The proposed facility would provide 14 stations needed (including 1 isolation station) to accommodate ESRD patients. Dialysis Care Center Elgin would be providing quality, patient-centered healthcare and education to patients using our facility. It is our priority that every patient concern is addressed and resolved in a timely fashion. The complete physician ownership of our organization allows that our physicians have total independence to make crucial clinical decisions that maximize positive patient outcomes. Our organization recognizes that patient outcomes and satisfaction are the building blocks of successful healthcare, which is why we require that quality of care is our first priority over profitability concerns. The addition of Dialysis Care Center Elgin in this community will provide additional treatment options for patients in the specific market area, as well as for patients in Kane County overall, and other surrounding cities. The market area to be served by the applicant is approximately within a 20-mile radius of the proposed facility location. As of 2010, the total population of Kane County was 515,269 while the population of the City of Elgin was 108,188. Historically, these areas have seen a tremendous and concerning growth of ESRD patients, as indicated by the very high utilization of most ESRD facilities in the surrounding area. This project will aid in addressing the clear and crucial needs of this community for hemodialysis treatment options. It is an established criterion for patients who require chronic dialysis treatments to have convenient and adequate access to services, as these conditions result in fewer health complications for patients and reduce healthcare costs to patients and payers alike. The new in-center clinic, Dialysis Care Center Elgin, will allow patients increased access to dialysis services within a reasonable travel distances from home, while avoiding significant highway travel. It is expected that Dialysis Care Center Elgin, once operational, will meet and possibly exceed clinical outcome expectations set by the Renal Network and the Centers for Medicare and Medicaid Services. Such expectations address Kt/V Dialysis Adequacy, Access Type, the Standardized Transfusion Ratio (STrR) and Hypercalcemia." [Application for Permit page 86-87]

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 Impact Statement was provided as required. [See 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 considered three alternatives to the proposed project.

1. Do Nothing
2. Pursuing a joint venture for the establishment of a new facility
3. Using existing facilities

The **Do Nothing** alternative was rejected because it would not address the overutilization of the two facilities in Elgin, Illinois. **Pursuing a joint venture and utilizing existing facilities** were rejected because there are no physician owned ESRD facilities in the area where physicians have the independence they need to improve the quality indicators. It is expected that the facility will exceed the clinical outcomes that meet all network and Centers for Medicare and Medicaid Services clinical goals established.

The Applicants stated: *The project utilizes space that will be leased, as opposed to building a new facility from ground up. The cost of the proposed project is a fraction of the cost of developing a new facility. We expect to spend less than the average in renovation costs on a space of 6,500 sq. ft. Beyond that, the only additional cost would be to provide the equipment needed to provide dialysis services. We believe that this is a very substantial cost-effective alternative that will meet the need. This we believe is the most efficient long-term solution to maintaining access to dialysis services in the Elgin area, and to accommodate the need of the growing population in HSA 8. We believe that the proposed project meets the* [HFSRB] *goals of providing health care services in the most cost effective manner.*

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 14 station ESRD facility in 6,500 GSF of space or 465 GSF per station. This is within the State Board Standard of 650 GSF per station or a total of 9,100 GSF. The Applicants have successfully addressed this criterion.

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.

In the initial Application for Permit the Applicants stated there were 106 pre-ESRD patients with lab values indicative of active kidney failure who live in HSA VIII and surrounding areas. However the initial information did not identify specific individuals by zip code that will utilize the proposed facility. In additional information submitted by the Applicants 159 pre-ESRD patients were identified by the Applicants by zip code of residents that could possibly require dialysis within two years after project completion.

The Applicants are estimating that 80 pre-ESRD patients will require dialysis services within 12-24 months after the Dialysis Care Center Elgin facility begins operations. However the historical referrals identified by the three physicians total 69 historical referrals. By rule the expected referrals cannot exceed the historical referrals (77 ILAC 1110.1430 (c) (3)).

69 patients x 156 treatments per year = 10,764 treatments
14 stations x 936 treatments available = 13,104 treatments
12,480 treatments/13,104 treatments = 82.14% [2]

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

Based upon the information provided in the Application for Permit the Applicants have successfully addressed this criterion.

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 necessary attestation is provided at pages 129-131 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 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.

The State Board is **estimating an excess of 24 ESRD stations by 2020 in the HSA VIII** ESRD Planning Area per the February 2018 Inventory Update.

2) Service to Planning Area Residents

To demonstrate compliance with this sub-criterion the applicants must document that the primary purpose is to serve the residents of the planning area.

The Applicants stated that they "anticipate that well over 80% of Dialysis Care Center Elgin will be residents of Planning Area HSA VIII." From the information provided in the supplemental material it appears that approximately 90% of the patients will come from the HSA VIII ESRD Planning Area.

TABLE FOUR
Number of Stage 4 & 5 Patients within the 30 minute service area

Zip Code	Patient Count	City	Planning Area	Planning Area
60102	20	Algonquin	McHenry	HSA VIII
60110	15	Carpentersville	Kane	HSA VIII
60118	5	Carpentersville	Kane	HSA VIII
60120	36	Elgin	Kane	HSA VIII
60121	7	Elgin	Kane	HSA VIII
60123	37	Elgin	Kane	HSA VIII
60124	13	Elgin	Kane	HSA VIII

TABLE FOUR Number of Stage 4 & 5 Patients within the 30 minute service area				
Zip Code	**Patient Count**	**City**	**Planning Area**	**Planning Area**
60169	8	Hoffman Estates	Cook	HSA VII
60172	5	Roselle	Cook	HSA VII
60174	2	St Charles	DuPage & Kane	HSA VII
60177	11	Elgin	Kane	HSA VIII
Total	159			

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 State Board requires that the physician referral letters include the following information

i) The physician's total number of patients (by facility and zip code of residence) who have received care at existing facilities located in the area, as reported to The Renal Network at the end of the year for the most recent three years and the end of the most recent quarter;

ii) The number of new patients (by facility and zip code of residence) located in the area, as reported to The Renal Network, that the physician referred for in-center hemodialysis for the most recent year;

iii) An estimated number of patients (transfers from existing facilities and pre-ESRD, as well as respective zip codes of residence) that the physician will refer annually to the applicant's facility within a 24-month period after project completion, based upon the physician's practice experience. The anticipated number of referrals cannot exceed the physician's documented historical caseload;

iv) An estimated number of existing patients who are not expected to continue requiring in-center hemodialysis services due to a change in health status (e.g., the patients received kidney transplants or expired);

v) The physician's notarized signature, the typed or printed name of the physician, the physician's office address and the physician's specialty;

vi) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services; and

vii) Each referral letter shall contain a statement attesting that the information submitted is true and correct, to the best of the physician's belief.

The Applicants submitted one referral letter signed by Dr Farhan Bangash. The letter also included referral information for Dr. Ruchi Sood and Dr. Venkata Buddharaju. The historical referrals from Kristine Redmond APN (Advanced Practical Nurse) were not accepted. **State Board Staff Note**: Only referrals from physicians are accepted. A summary of this information is provided below.

TABLE FIVE Summary of Referrals by Year					
	Historical Referrals				
	CY 2014	CY 2015	CY 2016	CY 2017 (New Patients)	Total Historical Referrals
Dr Farhan Bangash	11	11	21	8	51
Dr. Ruchi Sood		6	5	5	16
Dr. Venkata Buddharaju				2	2
Total					**69**

The Applicants have identified 69 patients that may require dialysis within 12-24 months after 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 is no absence of the proposed service within the planning area as there are 28 existing dialysis facilities in the HSA VIII ESRD Planning Area.
2. There has been no evidence of the access limitations due to payor status of the patients.
3. There has been no evidence of restrictive admission policies of existing providers.
4. There has been no evidence that the area population and existing care system exhibits indicators of medical care problems.
5. There are 16 ESRD facilities within 30-minutes of the proposed facility. Of these 16 facilities, two are not yet operational. Six of the remaining 14 facilities are at target occupancy. The average utilization of these 14 facilities is approximately 76%.

TABLE SIX
Facilities within 30 Minutes of the Proposed Facility

Name	City	Ownership	HSA	Stations	Adjusted Time	Star Rating	Utilization	Met Standard?
FMC Elgin	Elgin	Fresenius	8	20	5.75	4	96.67%	Yes
DaVita Carpentersville	Dundee	Davita	8	13	9.2	3	103.85%	Yes
Cobblestone Dialysis	Elgin	Davita	8	16	14.95	4	95.83%	Yes
ARA-South Barrington Dialysis	Barrington	ARA	7	14	14.95	3	59.52%	No
FMC - Hoffman Estates	Schaumburg	Fresenius	7	20	14.95	4	92.50%	Yes
USRC Streamwood Dialysis	Streamwood	USRC	7	13	21.95	3	61.54%	No
ARA- Crystal Lake Dialysis	Crystal Lake	ARA	8	16	25.3	2	37.50%	No
FMC Glendale Heights	Glendale Heights	Fresenius	7	29	26.45	5	78.16%	No
FMC Rolling Meadows1	Rolling Meadows	Fresenius	7	24	26.45	4	75.69%	No
RCG Arlington Heights	Arlington Heights	Fresenius	7	18	26.45	5	69.44%	No
FMC Elk Grove Village	Elk Grove Village	Fresenius	7	28	26.45	4	83.33%	Yes
Tri Cities Delnor	Geneva		8	18	27.6	4	60.00%	No
Crystal Springs Dialysis	Crystal Lake	Davita	8	16	28.75	3	64.58%	No
FMC of West Chicago	West Chicago	Fresenius	7	12	29.9	5	80.56%	Yes
Total Stations/Average Utilization				**257**			**75.66%**	
DaVita Huntley Dialysis	Huntley	Davita	8	12	28.75	NA	0.00%	NA
FMC South Elgin	South Elgin	Fresenius	8	12	12.65	NA	0.00%	NA
Total Stations/Average Utilization				**281**			**66.20%**	

1. **Utilization as of December 31, 2018**
2. **Star rating taken from Medicare Compare Website**

In summary, the State Board has calculated an excess of 24 stations in the HSA VIII ESRD Planning Area by 2020. Additionally, it appears there is sufficient capacity in this 30-minutes service area to accommodate the 69 patients identified to need dialysis services within two years after project completion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT <u>NOT</u> 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 determines if there is existing capacity to accommodate the demand identified in the Application for Permit. As identified above there is sufficient capacity within this 30-minute service area to accommodate the demand identified by this project.

2. To determine a **mal-distribution (i.e. surplus) of stations** in the 30-minute service area the State Board compares the ratio of the number of stations per population in the 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 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	986,503	281	1 Station per every 3,511 residents
State of Illinois (2015 est.)	12,978,800	4,704	1 Station per every 2,760 residents

The population in the 30-minute service area is 986.503 residents as attested to by the Applicants. The number of stations in the 30-minute service area is 281. The ratio of stations to population is one (1) station per every 3,511 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 (1) station per every 2,760 residents. To have a surplus of stations in this 30-minute service area the number of stations per population would need to be one (1) station per every 1,840 residents. Based upon this methodology there is not a surplus of stations in this service area.

The applicants stated the following regarding the **impact on other facilities**. "*The proposed dialysis facility will not have an adverse impact on existing facilities in the proposed geographic service area. All of the identified patients will be referrals from identified physicians and are on pre-ESRD list. No patients will be transferred from other existing dialysis facilities. The proposed dialysis facility will not lower utilization of other area providers that are operating below the target utilization standard.*"

As stated above there is existing capacity to accommodate the demand identified by this Application for Permit. Because of the underutilized facilities, a calculated excess of stations in the HSA VIII ESRD Planning Area, it does appear an unnecessary duplication of service will occur. The Applicants have not met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT 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. Dr. Farhan Bangash will be the medical director and his curriculum vitae has been provided as required. Additional staffed physicians: Dr. Buddharaju Krishna M.D., Dr. Ruchi Sood M.D., and Kristine Redmond APN (Advanced Practical Nurse).

The Applicants stated the following:

"Upon opening, the facility will hire a Clinic Manager who is a Registered Nurse (RN). This nurse will have at least a minimum of twelve months experience in a hemodialysis center. Additionally, we will hire one Patient Care Technician (PCT). After we have more than one patient, we will hire another RN and another PCT. All personnel will undergo an orientation process, led by the Medical Director and experienced members of the nursing staff prior to participating in any patient care activities.

Upon opening we will also employ:
Part-Time Registered Dietician
Part-Time Registered Master Level Social
Worker (MSW) Part-Time Equipment
Technician
Part-Time Secretary

These positions will go full time as the clinic census increases. additionally, the patient care staff will increase to the following:

One Clinic Manager Registered
Nurse Four Registered Nurses
Ten Patient Care Technicians

All patient care staff and licensed/registered professionals will meet the State of Illinois requirements. Any additional staff hired must also meet these requirements along with completing an orientation training program. Annually all clinical staff must complete OSHA training, compliance training, CPR certification, skills competency, CVC competency, water quality training and pass the competency exam.

Dialysis Care Center Beverly will maintain at least a 4 to I patient-staff ratio at all times on the treatment floor. A RN will be at the facility at all times when the facility is operational."

The Applicants attested that they will maintain an open medical staff should the project be approved. [Application for Permit pages 113-118]

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 120 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 14-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))

F) Criterion 1110.1430(i) - Continuity of Care

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

The applicants have provided the necessary signed affiliation agreement with **Advocate Sherman Medical Center** as required at pages 123-127 of the application for permit.

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.

The necessary attestation has been provided at page 130 of the Application for Permit.

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

X. Financial Viability

Purpose of the Act *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.*

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 $496,100 and a lease with a FMV of $963,470. The lease is an operating lease to be paid over the life of the facility. The Applicants provided evidence that sufficient cash is available to fund the cash portion of this project with a letter from Chase Bank (dated February 14, 2018 that indicated that Dialysis Care Center Holdings LLC had over $10 million available in checking Account number ending in x0179 to fund this project.

Additionally the State Board Staff spoke to Andrew K. Gahan, Vice President Chase Bank on March 6, 2018 to verify the information submitted on February 14, 2018. Mr. Gahan confirmed that Chase's attorney's provided the letter submitted to the State Board and as February 16, 2016 Dialysis Care Center Holdings, LLC had in excess of $10 million.

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 document 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 $496,100 and a lease with a FMV of $963,470. Based upon the letter from Chase Bank the Applicants have qualified for the financial waiver[3]. Below is the pro-forma financial statement provided by the Applicants.

[3] 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.

TABLE SEVEN Dialysis Care Center Elgin Pro-forma Income Statement				
	Inception	Year 1	Year 2	Year 3
Patients	5	56	68	76
Treatments	726	8,131	9,874	11,035
Revenue	$224,153	$2,609,803	$3,295,150	$3,780,363
Average Rev/Treatment	$309	$321	$334	$343
Expenses				
Personnel	$556,000	$823,604	$991,136	$1,031,177
Total Supplies	$47,190	$540,156	$657,829	$737,372
Total Facilities Expenses	$386,959	$583,657	$670,210	$721,289
Total Initial Fees	$5,025	$0.00	$0.00	$0.00
Depreciation	$54,657	$49,457	$22,857	$0
Overheed-3% of Rev	$6,725	$78,294	$98,854	$113,411
Write Offs - 1% of Rev	$2,242	$26,098	$32,952	$37,804
Total Expenses	$1,058,797	$2,101,266	$2,473,837	$2,641,053
Income (Loss)	-$834,644	$508,537	$821,313	$1,139,310

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 $496,100 and a lease with a FMV of $963,470. The operating lease is considered debt financing under current State Board rule. The term of the lease is for ten years. The base rent is $21.95 and increased by 2.5% annually. The Applicants have stated that the build out of the building will be completed by the landlord and is included in the lease rent. The lease terms appear 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))

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.

Architectural and Engineering Fees are $45,000. No modernization costs or contingency costs were submitted with the cost for this project. Architectural fees are based upon the percentage of modernization and contingency costs.

Movable of Other Equipment is $451,100 or $32,222 per station. This is below the State Board Standard of $53,683 per station.

FMV of Leased Space is $963,470. The State Board does not have a standard for this cost.

The Applicants have submitted an Application for Permit that did not include new construction or modernization costs. Contingency Standards are a percentage of new construction and or modernization costs. Architectural and Engineering Fees are a percentage of new construction and or modernization and contingency costs. The Applicants have met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 ILAC 1120.140 (c))

For the two criteria below the State Board does not have standards. The Applicants are required to submit the information requested and if the Applicants do so they have successfully addressed the criterion.

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 $229.60 operating expense per treatment. [Application for Permit page 185]

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 $5.54 per treatment. [Application for Permit page 186]

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

Centers for Medicare & Medicaid Services (CMS) Star Ratings

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

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

- Best Treatment Practices

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

- Hospitalization and Deaths

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

The Dialysis Facility Compare website currently reports on 9 measures of quality of care for facilities. These measures are used to develop the star rating. Based on the star rating in each of the two categories, CMS then compiles an 'overall rating' for the facility. As with the separate categories: the more stars, the better the rating.

SAFETY NET IMPACT STATEMENT

A safety net impact statement shall describe, if reasonably known by the applicant, all of the following information:

A) *The project's material impact, if any, on essential safety net services in the community;*

B) *The project's impact on the ability of another provider or health care system to cross-subsidize safety net services;* and

C) *How the discontinuation of a facility or service might impact the remaining safety net providers in a given community.*

The establishment of Dialysis Care Center Elgin will not have any impact on safety net services in the Elgin area. Outpatient dialysis facilities services are not typically considered or viewed as "safety net" services. As a result the presence of Dialysis Care Center Elgin as a provider is not expected to alter the way any other healthcare providers function in the community.

Dialysis Care Center Elgin has no reason to believe that this project would have any adverse impact on any provider or health care system to cross-subsidize safety net services.

Dialysis Care Center Elgin will be committed to providing ESRD services to all patients with or without insurance or patients to no regards for source of payment. Dialysis Care Center Elgin will not refuse any patients. Medicaid patients wishing to be served at Dialysis Care Center Elgin will not be denied services. Because of the Medicare guidelines for qualification for ESRD, a few patients' with ESRD are left uninsured for their care.

The policy of Dialysis Care Center Elgin is to provide services to all patients regardless of race, color, national origin. Dialysis Care Center Elgin will provide services to patients with or without insurance and as well as patients who may require assistance in determining source of payment. Dialysis Care Center will not refuse any patient. Medicaid patients wishing to be served will not be denied services. Through Medicare guidelines, patients who are prequalified for ESRD or for the few that are currently ESRD status and are left uninsured, Dialysis Care Center will be committed to providing continued care.

Dialysis Care Center Elgin will be committed to work with any patient to try and find any financial resources and any programs for which they may qualify for. Dialysis Care Center will be an "open dialysis unit" meaning through our policy, any nephrologist will be able to refer their patients and apply for privileges to round at the facility, if they desire. Dialysis Care Center will participate in American Kidney Fund (AKF) to assist patients with insurance premiums which will be at no cost to the patient. Currently as Dialysis Care Center Elgin will be a new entity there is no current Charity documentation that can be provided to the board, however the Charity policy is attached.

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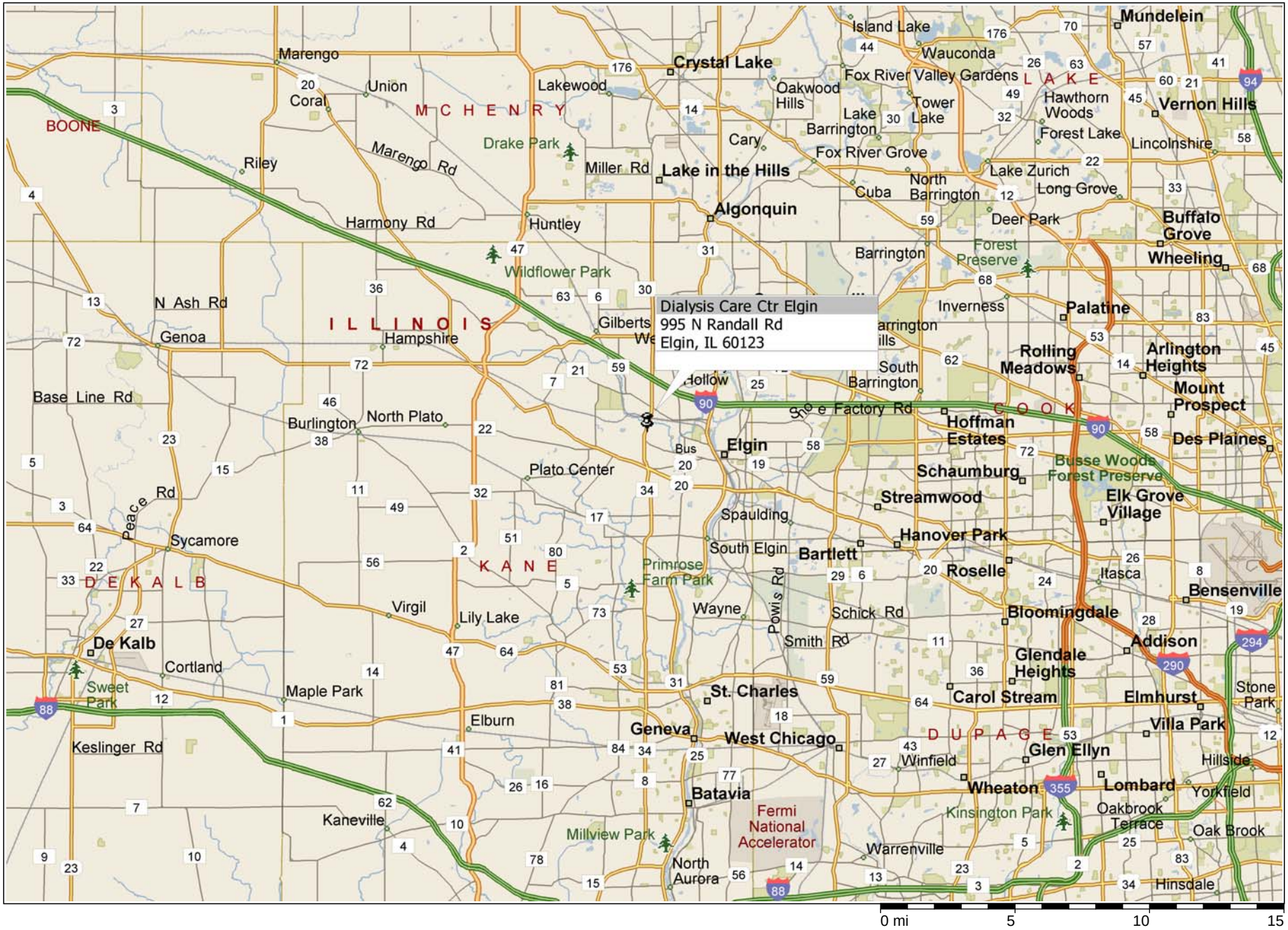

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