



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: I-04	BOARD MEETING: October 30, 2018	PROJECT NO: 17-066	PROJECT COST:
FACILITY NAME: North Dunes Dialysis		CITY: Waukegan	Original: \$3,428,482
TYPE OF PROJECT: Substantive			HSA: VIII

PROJECT DESCRIPTION: The Applicants (DaVita Inc. and Botkins Dialysis, LLC) propose to establish a 12-station ESRD facility in 7,095 GSF of leased space at a cost of \$3,428,482. The expected completion date is July 31, 2020.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (DaVita Inc. and Botkins Dialysis, LLC) propose to establish a 12-station ESRD facility in 7,095 GSF of leased space at a cost of \$3,428,482. The expected completion date is July 31, 2020.
- This Application for Permit received an Intent to Deny at the June 5, 2018 State Board Meeting.
- This project was deemed complete (December 7, 2017) before the new distance requirements (77 ILAC 1100.510(d)) became effective (March 7, 2018). Therefore, this Application is being reviewed with a Geographic Service Area (GSA) of 30 minutes, adjusted based on the location of the project.
- The Applicants submitted additional information to address the Intent to Deny on June 20, 2018. In part the Applicants stated:
 - There is a need for 94 additional dialysis stations in the HSA VIII ESRD Planning Area rather than a calculated excess of 43 stations in this planning area.
 - The number of ESRD patients in the proposed 30-minute GSA has grown by 7.1% compounded annually over the past four years.
 - The average utilization of the existing dialysis clinics within the proposed 30-minute GSA will exceed the target utilization of 80% by 2020 when the proposed facility will become operational. [See Additional Information submitted by the Applicants on June 20, 2018 for complete discussion]

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) based on the need to improve access to life sustaining dialysis services to the residents of Waukegan, Illinois and the surrounding area.
- 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 for the proposed project, but none was requested. **The Applicants submitted 15** letters of support for the proposed project. These letters were from residents of the community, other health care providers, and 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 because *“both Waukegan dialysis clinics are very busy and have limited ability to accommodate more patients. This creates access problems for Waukegan residents who require kidney treatments. Kidney disease continues to rise and for the foreseeable future, these services will be needed.”*
- **No letters of opposition** were received by the State Board Staff. There was opposition testimony at the June 5, 2018 Board meeting.

SUMMARY:

- The State Board has estimated **an excess of 43 stations in the HSA VIII ESRD Planning Area** by 2020. The proposed facility will be located in an economically disadvantaged area and an area where the residents are predominantly Hispanic and African American. The service area contains 5 existing ESRD facilities, and 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 116 pre-ESRD patients reside within the planning area as attested to by the Applicants. The Applicants addressed a total of 21 criteria and received negative findings for the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.1430(c)(1) – Planning Area Need	There is a calculated excess of <u>43-stations</u> in the HSA-VIII ESRD Planning Area. By rule <i>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.</i>
Criterion 1110.1430(d)(1), (2), (3) – Unnecessary Duplication/Mal-distribution of Service/Impact on Other Providers	There are five facilities in the proposed 30-minute service area. One of the five facilities is in ramp-up. One of the remaining four facilities is not at target occupancy. Average utilization of the five facilities is approximately 70%.

Supplemental
STATE BOARD STAFF REPORT
Project 17-066
DaVita North Dunes Dialysis

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	DaVita Inc., Botkins Dialysis, LLC.
Facility Name	DaVita North Dunes Dialysis
Location	3113 North Lewis Avenue, Waukegan, Illinois
Permit Holder	DaVita Inc., Botkins Dialysis, LLC.
Operating Entity	Botkins Dialysis, LLC.
Owner of Site	Vequity, LLC
Total GSF	7,095 GSF
Application Received	November 21, 2017
Application Deemed Complete	December 7, 2017
Review Period Ends	April 6, 2018
Financial Commitment Date	July 31, 2020
Project Completion Date	July 31, 2020
Intent to Deny	June 5, 2018
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The Applicants (DaVita Inc. and Botkins Dialysis, LLC) propose to establish a 12-station ESRD facility in 7,095 GSF of lease space at a cost of \$3,428,482. The expected completion date is July 31, 2020.

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

The applicants are DaVita Inc. and Botkins Dialysis, LLC. DaVita Inc, a Fortune 500 company, is the parent company of Botkins Dialysis, LLC. 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 Botkins Dialysis, LLC and the owner of the site is Vequity, LLC. Financial commitment will occur after permit approval.

The proposed facility will be located in the HSA-VIII Planning Area, in an area designated as a health professional shortage area, and a medically underserved area. This planning area includes the counties of McHenry, Lake and Kane. The State Board has **projected an excess of forty-three (43) ESRD stations by CY 2020**. The State Board has projected an increase in the population in this planning area of approximately 2% compounded annually and approximately 6.6% increase in the number of ESRD patients compounded annually in this ESRD Planning Area for the period 2015 to 2020.

TABLE ONE	
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

IV. Project Uses and Sources of Funds

The Applicants are funding the project with cash in the amount of \$2,338,702 and a FMV of a lease in the amount of \$1,089,780. The operating deficit start-up costs are \$2,562,190.

TABLE TWO
Project Costs and Sources of Funds

Project Cost	Reviewable	Non reviewable	Total	% of Total Cost
Modernization Contracts	\$829,084	\$427,828	\$1,256,912	36.6%
Contingencies	\$82,907	\$42,782	\$125,689	3.7%
Architectural/Engineering Fees	\$96,000	\$25,000	\$121,000	3.6%
Consulting and Other Fees	\$80,000	\$10,000	\$90,000	2.7%
Moveable and Other Equipment	\$644,079	\$101,022	\$745,101	21.7%
Fair Market Value of Leased Space	\$718,840	\$370,940	\$1,089,780	31.7%
Total Project Costs	\$2,450,910	\$977,572	\$3,428,482	100.00%
Cash	\$1,732,070	\$606,632	\$2,338,702	68.2%
FMV of Leased Space	\$718,840	\$370,940	1,089,780	31.8%
Total Sources of Funds	\$2,450,910	\$977,572	\$3,428,482	100.00%

V. 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 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. or Botkins Dialysis, LLC, during the three (3) years prior to filing the application. [Application for Permit page 72]
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 page 72]
3. Botkins Dialysis LLC will be the operator of North Dunes Dialysis. North Dunes Dialysis is a subsidiary of DaVita, 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 (Application, p. 27).
4. The site is owned by Vequity, 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 3113 North Lewis Avenue, Waukegan, IL 60087.
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*

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)

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.

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).*

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

VI. 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:

“The purpose of the project is to improve access to life sustaining dialysis services to the residents of Waukegan, Illinois. Waukegan lies 40 miles north of Chicago, and for over a century had a significant presence of manufacturing plants which created a swell in population and economic stability for many years. Over the past 40 years, however, it has seen a sharp decline in its manufacturing sector. Such economic changes have meant not only diminished employment opportunities, but stresses on the local tax base to finance school and municipal services. At the same time, public service requirements have grown with the city’s swelling population. Waukegan’s population expanded by 27% in the 1990s alone. The most significant change has been the rapid growth of its foreign-born population, which increased 148% between 1990 and 2000. Most of these immigrants are recent arrivals to the U.S. The patient service area for the proposed North Dunes Dialysis is 30% Hispanic. This minority population has a higher incidence and prevalence of chronic kidney disease (CKD) than the general population. Further, the patient service area is an area with many low-income patients. The North Dunes geographic services area (Waukegan GSA) has experienced explosive growth over the past three years, with patient census increasing 7% annually (or total increase of 21% from September 2014 to September 2017). Patient growth is anticipated to continue to increase for the foreseeable future, due to the demographics of the community. This planned facility will accommodate the patients of Dr. Omar Dalloul, who is currently treating 116 CKD patients who reside within the zip code of the proposed North Dunes Dialysis (60087), and in other nearby zip codes. Dr. Dalloul anticipates that at least 60 of these 116 patients will initiate in-center hemodialysis within 12 to 24 months following project completion. [Application for Permit page 74].

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, and the applicants state:
“*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, is included as part of the Applicants application (Application, pgs. 59-64). 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.*”

TABLE THREE

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 Status Quo/Do Nothing
2. Utilize Existing Facilities
3. Establish New Facility

1. The purpose of the proposed project is to meet the need of the community by providing access to life sustaining dialysis services to the residents of Waukegan, Illinois, which is a Health

Professional Shortage Area and Medically Underserved Area. The patient service area for the proposed facility is 30% Hispanic, a population that experiences a higher incidence and prevalence of kidney disease. The option to do nothing would not address the access issues the community currently faces, nor address the needs of Dr. Dalloul's 116 CKD patients. Based on the findings, this alternative was rejected. No cost was identified with this alternative.

2. The applicants cite the need for additional stations, based on the explosive population growth over the past three years, and the over utilization (85% average) at existing ESRD facilities in the service area. The utilization of existing facilities would exacerbate access issues at facilities in the service area, and not address the projected population growth in the service area. The applicants identified no project costs with this alternative, and this alternative was rejected.
3. The Applicants decision to establish a new facility was deemed most feasible, based on the current utilization at area facilities, the projected growth in the ESRD population in the North Dunes Dialysis GSA, and the need to increase access for a population considered most in need. **Cost of Chosen Alternative: \$3,428,482.**

VII. 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 4,680 GSF of clinical space or 390 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 (60) patients by the second year after project completion.

$$\begin{aligned} 60 \text{ patients} \times 156 \text{ treatments per year} &= 9,360 \text{ treatments} \\ \text{Twelve (12) stations} \times 936 \text{ treatments available} &= 11,232 \text{ treatments} \\ 9,360 \text{ treatments} / 11,232 \text{ treatments} &= 83.3\% \text{ }^3 \end{aligned}$$

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC 1110.234(b))

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

C) Criterion 1110.234(e) - Assurances

To demonstrate compliance with this criterion the applicants must submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.

The Applicants have provided the necessary attestation at pages 180-181 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 an excess of 43 ESRD stations in the HSA VIII ESRD Planning Area per the September 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 (Omar Dalloul, M.D. private practitioner from Libertyville) is currently treating 116 CKD patients, who reside within either the ZIP code of the proposed North Dunes Dialysis (60087) or 6 other nearby ZIP codes, all within 30 minutes of the proposed North Dunes 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. Dalloul anticipates that at least 60 of these 116 patients will initiate in-center hemodialysis within 12 to 24 months following project completion.

Zip Codes of Pre-ESRD Patients	
60087	14
60099	14
60085	33
60083	15
60031	14
60048	15
60046	11
Total	116

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 at least 60 of the 116 pre-ESRD patients from the 30-minute service area will require dialysis services within 12-24 months of project completion (application, p. 204).

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 28 ESRD facilities with 451 stations in the HSA VIII ESRD Planning Area as of December 2017.
 2. There has been no documentation provided that there are access limitations due to payor status of patients in the HSA VIII 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 service area is federally designated as a health professional shortage area, and a medically underserved area, resulting in access issues to services.⁴
5. There are five (5) facilities within 30 minutes of the proposed facility. Of these five facilities, one (1) is in ramp up/not fully operational. The average utilization at the four (4) remaining facilities is approximately 84%. (See Table Five).

Conclusion:

The State Board has estimated an **excess of 43 stations** in the HSA VIII ESRD Planning Area by 2020. The physician referral letter shows that 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 116 pre-ESRD patient reside within the planning area as attested to by the Applicants. However, there are excess stations in the planning area (43). Based on these findings, a negative finding results for this criterion.

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

TABLE FOUR
ESRD Facilities within 30 minutes of the Proposed Facility

Facility	Ownership	City	Time (1)	Stations (2)	Patients (3)	Utilization (4)	Star Rating (5)
Dialysis Center of America	DaVita	Waukegan	5.8	24	142	98.61%	3
FMC Waukegan Harbor	Fresenius	Waukegan	12.7	21	109	86.51%	3
Neomedica Gurnee	Fresenius	Gurnee	18.4	24	111	77.08%	5
FMC Lake Bluff	Fresenius	Lake Bluff	27.6	16	79	82.29%	4
Total Stations/Patients/ Average Utilization				85	441	86.12%	
FMC Zion*	Fresenius	Zion	5.8	12	1	1.39%	N/A
Total Stations/Patients/ Average Utilization				97	432	69.18%	

1. Time from MapQuest and adjusted per 77 IAC 1100.510 (d)
2. Stations as of July 2018
3. Patients as of June 30, 2018.
4. Utilization as of June 30, 2018
5. Star Rating taken from Medicare ESRD Compare Website
6. *Newly Established facility in ramp-up

⁴ Medically Underserved Areas/Populations are areas or populations designated by HRSA as having too few primary care providers, high infant mortality, high poverty or a high elderly population. Health Professional Shortage Areas (HPSAs) are designated by HRSA as having shortages of primary medical care, dental or mental health providers and may be geographic (a county or service area), population (e.g. low income or Medicaid eligible) or facilities (e.g. federally qualified health center or other state or federal prisons)

Primary Care Provider A physician (M.D. – Medical Doctor or D.O. – Doctor of Osteopathic Medicine), nurse practitioner, clinical nurse specialist or physician assistant, as allowed under state law, who provides, coordinates or helps a patient access a range of health care services. Source: Centers for Medicare and Medicaid

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 five facilities within 30 minutes of the proposed facility. Of these five facilities four are operational and one is in ramp-up. One of the four facilities is not at target occupancy. Average utilization of the four facilities is 86.12% and the utilization of the five facilities is 69.18%

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	370,924	97	1 Station per every 3,824 residents
State of Illinois (2015 est.)	12,978,800	4,850	1 Station per every 2,676 residents

The population in the 30-minute service area is 370,924 residents. The number of stations in the 30-minute service area is 97. The ratio of stations to population is one (1) station per every 3,824 residents. The number of stations in the State of Illinois is 4,704 stations (*as of September, 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 2,676 residents. 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 1,784 residents. Based upon this methodology there is not a surplus of stations in this service area.

3. The applicants identified five facilities in the 30-minute GSA. Of the five facilities, one (FMC Zion), is currently under construction, with a project completion date of December 2018. DaVita’s Waukegan Dialysis has operated in excess of the 100th percentile for the last two quarters, and Fresenius Waukegan Harbor has operated in excess of the 90th percentile for the last two quarters. FMC Gurnee is currently operating at 68th percentile. This is attributed to a recent expansion of 8 stations at the

facility, bringing the total station count to 24. The applicants supplied projected referral data from its referring physician (Dr. Rakhi Khanna, M.D) that projects the operational capacity of FMC Gurnee to surpass the 80th percentile (State standard) before the proposed DaVita North Dunes Dialysis is completed. FMC Lake Bluff has operated steadily in the mid to high 70th percentile for the past four quarters, and is expected to remain in this operational capacity for the foreseeable future. The applicants note FMC Lake Bluff is the farthest from the proposed North Dunes facility, and no projected North Dunes patients reside in Lake Bluff.

There is a calculated excess of 43 stations in this planning area. Based upon the information reviewed by the State Board Staff and outlined above the Applicants have not successfully addressed 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))

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: Dr. Omar Dalloul, M.D. will serve as the Medical Director for the propose facility. A copy of Dr. Dalloul’s curriculum vitae is attached at Attachment - 24C Application, p. 153).*
- b. *Other Clinical Staff: Initial staffing for the proposed facility will be as follows:*
 - Administrator (1.04 FTE)*
 - Registered Nurse (4.52 FTE)*
 - Patient Care Technician (4.53 FTE)*
 - Biomedical Technician (0.34 FTE)*
 - Social Worker (0.57 FTE)*
 - Registered Dietitian (0.58 FTE)*
 - Administrative Assistant (0.83 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. North Dunes Dialysis will maintain an open medical staff.” [Application for Permit pages 152-155]*

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 provided the necessary attestation as required at pages 164-166 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 provided the necessary signed transfer agreement with Vista Medical Center East And DaVita, Inc. d/b/a North Dunes Dialysis as required. [See pages 169-176 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 180-181 of the application for permit.

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

VIII. 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 \$2,338,702 and a FMV of a lease in the amount of \$1,089,870. A summary of the financial statements of the Applicants is provided below. The Applicants have sufficient cash to fund this project.

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

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

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 \$2,338,702 and a FMV of a lease in the amount of \$1,089,780. 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)

IX. 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 \$2,338,702 and a FMV of a lease in the amount of \$1,089,780. The lease is for ten years at a base rent of \$22.00/psf⁵ for years 1 through 5, and \$24.20/psf for years 6-10. 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))

⁵ Price per square foot

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.

Only Clinical Costs are reviewed in this criterion.

Modernization and Contingencies Costs are \$911,991 or \$194.86 per GSF for 4,680 GSF of clinical space. This appears reasonable when compared to the State Board Standard of \$200.71 per GSF, with 2019 listed as mid-point of construction.

Contingencies – These costs total \$82,907, and are 9.9% of the modernization costs identified for this project. This is in compliance with the State standard of 10%-15%.

Architectural Fees are \$96,000 and are 10.5% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 7.18% to 10.78%.

Consulting and Other Fees are \$80,000. The State Board does not have a standard for these costs.

Movable or Other Equipment – These costs are \$644,079 or \$53,673 per station (12 stations). This appears reasonable when compared to the State Board Standard of \$55,293 per station.

Fair Market Value of Leased Space and Equipment – These costs are \$718,840. The State Board does not have a standard for these costs.

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 \$273.74 operating expense per treatment.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED OPERATING COSTS (77 ILAC 1120.140(d))

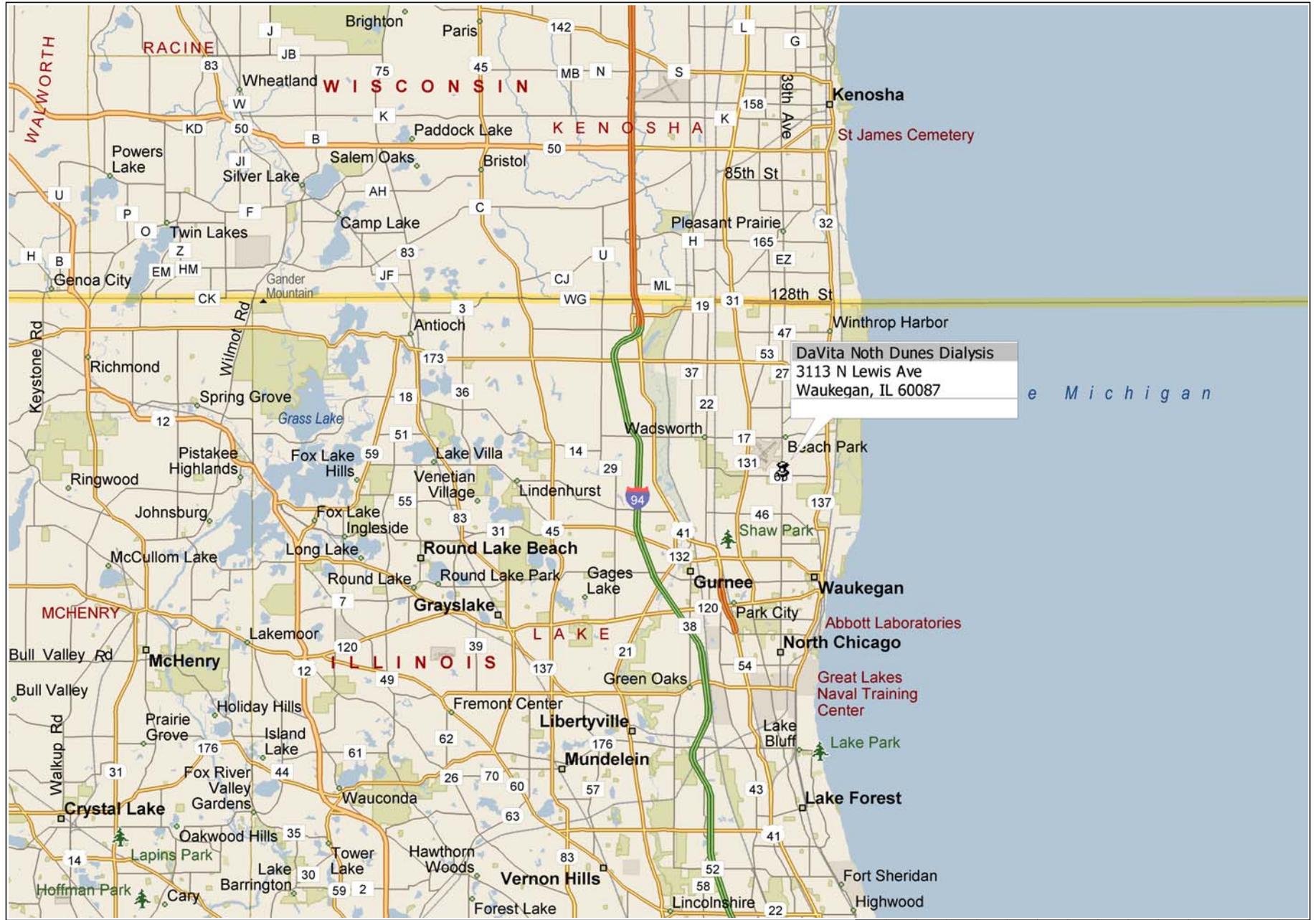
E) Criterion 1120.140(e) – Total Effect of the Project on Capital Costs

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 \$23.90 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))

17-066 DaVita North Dunes Dialysis - Waukegan



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June 19, 2018

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Via Federal Express

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Ms. Kathryn J. Olson, Chair
IL Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

**Re: DaVita North Dunes Dialysis (Proj. No. 17-066) ("Proposed Clinic")
Submission of Additional Information**

Dear Ms. Olson:

Polsinelli represents DaVita Inc. and Botkins Dialysis, LLC (collectively, the "Applicants") in the above-referenced proposal to establish a 12-station dialysis clinic in Waukegan, Illinois (the "Proposed Clinic"). In this capacity, we are writing to provide additional information subsequent to the Illinois Health Facilities and Services Review Board's (the "State Board") June 5, 2018 meeting where the Proposed Clinic received four favorable votes but did not pass. Pursuant to Section 1130.670 of the State Board's Procedural Rules, the Applicants respectfully submit supplemental information regarding the Proposed Clinic.

As the Applicants have previously described and as further discussed in this submission, the need for additional dialysis services in Waukegan is compelling. That need, however, was unfortunately overshadowed at the last meeting by the technical excess of dialysis stations in the planning area that is largely accounted for by the expansion of services in the Elgin area, roughly 90 minutes away. As we also detail in this submission, the need for dialysis services in HSA 8 is understated and there is an actual need for dialysis stations in the Planning Area (Lake County specifically), not an excess of stations.

Waukegan is located in a large and diverse planning area comprised of three of the collar counties of the Chicago metropolitan area (Kane, McHenry and Lake County). Despite 470 stations either operating or approved in the larger planning area, according to the most recently published State Board data, there are only 10 dialysis clinics operating in Lake County where over 700,000 people reside including in Waukegan which is the largest city in Lake County. Despite having close to the combined population of the two other planning area counties, the three CON permit applications approved by the Board for the planning area since the last

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Ms. Kathryn J. Olson
June 19, 2018
Page 2

inventory update was published have all been in Kane County in the Elgin area. These permits covered a total of 31 stations for FMC-South Elgin, (17-038), DCC-Elgin (17- 061) and FMC-Elgin (18-004). As they are all approximately 90 minutes away, none of these additional dialysis services are available for patients with kidney disease who reside in Waukegan.

After considering that data at a macro level, it is essential to carefully assess the target area to be served for a better understanding of the clear health planning rationale for the establishment of the Proposed Clinic. The key points of this submission are summarized as follows:

- As it is targeting Waukegan, a highly populated area, which is one of the most population dense areas of the planning area, the addition of the Proposed Clinic will help to properly distribute needed stations in the planning area.
- The Proposed Clinic would not create a maldistribution of stations based on the high utilization of existing providers and the total population to be served.
- There is a need for 94 more dialysis stations than the current Need Determination of State Board identifies (43 station excess) and, conservatively, a need for 43 stations in Lake County
- The growth rate of ESRD patients in the patient service area far outpaces growth of ESRD patients in the State of Illinois as a whole and also outpaces growth in the HSA and Lake County
- The rapid increase in utilization of dialysis clinics in the patient service area indicates that the average utilization of those clinics will well exceed 80% in 2020 when this clinic will come online
- Recognizing the demand for additional services, the Proposed Clinic is well supported by community stakeholders including by Vista Health System, which operates the only acute care hospital in Waukegan; Erie Family Health Centers, a leading provider of free health clinics in the Chicago area including Waukegan; State Rep. Rita Mayfield and Waukegan Mayor Sam Cunningham; and numerous physicians and business leaders

As discussed below, DaVita's primary competitor's business partner, the Fresenius affiliated nephrologists who are part of Nephrology Associates of Northern Illinois and Indiana, provided misleading comments in opposition to the Proposed Clinic. As you will see from the data provided in this letter, however, the project is fully justified by patient demand and will address one of the most significant and growing needs for additional dialysis services in the State of Illinois.

1. Proposed Clinic is well placed to meet Planning Area Demand

The planned site for the Proposed Clinic has extremely high population density when compared to other parts of the HSA 8 planning area. As shown in the table below, a substantial majority of the population of HSA 8 resides in Lake County. More specifically, Waukegan is among the most densely populated areas in Lake County.

HSA 8 Population Density			
	2017 Population Estimate ¹	% HSA 8 Population	Pop. per Square Mile
HSA 8	1,547,309		424
Lake County	703,520	45.5%	1,585
Waukegan	87,729	5.7%	3,724
Kane County	534,667	34.5%	1,028
McHenry County	309,122	20.0%	513

As you can see, Waukegan is nearly nine times denser from a population perspective than the planning area as a whole, so it is no surprise that the need for additional services would be focused in Lake County and Waukegan specifically.

Waukegan lies 40 miles north of Chicago, on the coast of Lake Michigan in Lake County. Over the past 40 years, Waukegan has seen a sharp decline in its manufacturing sector. In 1972, Waukegan had 10,100 manufacturing jobs; approximately 15.5% of its total work force. By 2002, manufacturing employment numbers had dropped down to 4,780, making up only about 5% of Waukegan's work force. Such economic changes have meant, not only diminished employment opportunities, but stresses on the local tax base to finance school and municipal services. At the same time, public service requirements have grown along with the city's swelling population. Waukegan's population expanded by 27% in the 1990s decade alone. The most significant change has been the rapid growth of its foreign-born population, which increased 148% between 1990 and 2000.

Unlike other towns in Lake County, Waukegan has not enjoyed rising prosperity. From 2000 to 2016, the median family income in Lake County increased 27% (from \$76,424 to \$97,079) whereas the median family income in Waukegan increased 12% (from \$47,341 to

¹ Source: U.S. Census Bureau, Census 2010, American Factfinder available at <https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml> (last visited June 14, 2018)

Ms. Kathryn J. Olson
June 19, 2018
Page 4

\$52,872).² As discussed further in the Applicants' February 28, 2018, income disparities create systematic health inequities. As a result, more individuals in Waukegan lack timely access to physicians and experience higher rates of hypertension and diabetes than other areas of Lake County. Importantly, hypertension and diabetes are two leading causes of kidney disease. The Proposed Clinic will be well-positioned to meet the growing need for dialysis services in Waukegan.

2. Need for Dialysis Clinic in Waukegan

In the June 2018 State Board Report, the Proposed Clinic received a single negative finding for Planning Area Need, but the reality is there is a need for 51 stations in HSA 8 and 43 stations in Lake County. Further, the State Board's new need numbers are not projected to be released until late summer/early fall of 2019. As discussed more fully below, there is an acute need for dialysis stations in Waukegan today. Patients should not have to wait two years for improved access to dialysis, particularly an economically challenged community like Waukegan that has more barriers to access health care than other more affluent communities.

a. Medically Underserved Area and Health Professional Shortage Area

As noted in the Proposed Clinic's certificate of need application, Waukegan is federally designated as *both* a Health Professional Shortage Area ("HPSA") and a Medically-Underserved Area ("MUA") by the Health Resources and Services Administration. Residents suffer from health inequities – differences in population health status and health conditions that are systemic, patterned, and actionable. Given the high rates of poverty and the high Hispanic population in Waukegan, these federal designations become even more concerning because many area residents lack the ability to travel elsewhere for care and face other issues, including language barriers, that further limit their access to health care services.

b. High Rates of Poverty/Disease Incidence

Waukegan has the highest number of persons living in poverty in Lake County and the poverty rates are worsening. From 2009 to 2016, the number of persons living below the Federal Poverty Level increased nearly 50%. Additionally, the percentage of Waukegan residents living in poverty³ is over twice the percentage of Lake County as a whole and 1.5 times greater than the State. The Lake County Health Assessment found a correlation between educational attainment and household income and overall rates of hypertension, obesity and diabetes – all three of

² U.S. Census Bureau, American Fact Finder, Selected Economic Characteristics (Employment, Commute, Income, Health Insurance, Poverty) *available at* https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml# (last visited Jun. 16, 2018).

³ These individuals live below 150% of the Federal Poverty Level, the metric frequently used to determine eligibility for government assistance programs and low-income data.

which are precursors to kidney disease. The application also cited higher rates of kidney disease incidence in the community due to the fact that a vast majority of the population, 71.3% is Hispanic or African-American. This high disease incidence is also reflected in the demographic mix of the two existing Waukegan clinics. Of 290 patients between the two clinics, 85% were either Hispanic or African-American.⁴

c. Waukegan Clinics are Highly Utilized

Both DaVita and Fresenius' existing clinics in Waukegan operate in excess of 90% utilization. As noted in the June 2018 State Board Report, the four fully operational clinics within 30 minutes of the Proposed Clinic are operating at 84.81%, well above the State Board Standard. The State Board Report appropriately concluded that the Proposed Clinic would not cause unnecessary duplication of services.

d. Planning Area Need

Based on the June 11, 2018 update to the inventory of hemodialysis stations, the State Board calculated an excess of 43 stations in HSA 8. As discussed more fully in the Applicants' April 30, 2018 submission, due to significant growth in patient census over the past four years and insufficient capacity among existing clinics within the North Dunes 30 minute GSA, there is a need for 51 dialysis stations in HSA 8, and more specifically 43 dialysis stations in Lake County. See Attachment – 1.

3. Response to Opposition

a. Existing Clinics are Underutilized

Several commenters at the June 5, 2018 State Board meeting claimed existing facilities within the 30 minute geographic service area ("GSA") are underutilized and adding stations would negatively affect existing clinics. As of March 31, 2018, there are five clinics within 30 minutes of the Proposed Clinic. As shown in the table on the following page, average utilization of the existing clinics was 74%; excluding Fresenius Medical Care Zion ("FMC Zion"), which is currently under construction, average utilization is 85%. Among the existing and approved clinics in the GSA, there is insufficient capacity to accommodate all of Dr. Omar Dalloul's projected patients. The two dialysis clinics in Waukegan are operating well over 90%, with the Applicant's clinic operating 4 shifts to accommodate patient need. Further, the other two operational dialysis clinics in the GSA will likely reach target utilization by the time the Proposed Clinic is operational. Finally, FMC Zion is not a viable option for patients whose kidneys fail. First, it is a 12 station dialysis clinic and can only accommodate 72 patients. Importantly, these stations are committed to a different patient base. Specifically, Dr. Omaiam

⁴ See IDPH End Stage Renal Dialysis 2016 Profiles for DaVita Waukegan and Fresenius Medical Care Waukegan.

Ms. Kathryn J. Olson
 June 19, 2018
 Page 6

Degani certified 69 of her chronic kidney disease patients would initiate dialysis by the second year of operation.⁵ Dr. Dalloul has identified 60 patients, so this clinic does not address his patients' needs. Finally, Fresenius Medical Care certified FMC Zion would achieve and maintain average utilization of 80% by the second year of operation.⁶ Accordingly, additional stations are needed to maintain access to life sustaining dialysis services in Waukegan.

North Dunes GSA Utilization							
Facility	Ownership	City	Distance	Adjusted Time	Number of Stations 03/31/18	Number of Patients 03/31/18	Utilization % 03/31/18
FMC Zion	Fresenius	Zion	3.0	5.8	12	-	0.00%
Waukegan Renal Center	DaVita	Waukegan	5.0	5.8	24	145	101%
FMC Waukegan Harbor	Fresenius	Waukegan	4.0	12.7	21	115	91 %
FMC Gurnee	Fresenius	Gurnee	6.5	18.4	24	97	67%
FMC Lake Bluff	Fresenius	Lake Bluff	11.4	27.6	16	75	78%
Total					97	432	74%
Total Facilities Operational > 2 Years					85	432	85%

Additionally, the Proposed Clinic's GSA experienced significant growth over the past four years. From March 2014 to March 2018, the Proposed Clinic's GSA experienced 32% growth (or 104 net patients). See Attachment – 2. This amounts to a compound annual growth rate ("CAGR") of 7.1% in this area during that four year period. If the current trend continues, the Applicants project there will be 496 in-center hemodialysis patients by Q1 2020 when the Proposed Clinic becomes operational, and the 97 existing and approved stations will operate at 85% utilization.

Finally, within the Proposed Clinic's smaller patient service area, which is an approximate 10 mile radius around the Proposed Clinic and aligns with the State Board's new travel radius rules, the growth is more pronounced than in either the 30 minute geographic service area or HSA 8. As shown in Attachment – 3, patient census at the clinics within 10 miles

⁵ See FMC Zion Application for Permit pp 66, 69-77 available at <https://www2.illinois.gov/sites/hfsrb/Projects/ProjectDocuments/2015/15-036/2015-07-30%2015-036%20APPLICATION.pdf> (last visited Jun. 16, 2018).

⁶ Id. at 94.

Ms. Kathryn J. Olson
June 19, 2018
Page 7

of the Proposed Clinic grew by 40% from March 2014 to March 2018, which is a compound annual growth rate of 8.7%. Applying the 8.7% growth rate to the March 2018 patient census, the Applicants project there will be 422 dialysis patients in the 10 mile patient service area by Q1 2020, which will result in average utilization of 86.7% for the existing and approved clinics.

Importantly, this data shows there is an acute need for stations in Waukegan, where the Proposed Clinic will be located.

b. Excess Stations in HSA 8

One commenter stated the Proposed Clinic was not needed to due to an excess of stations in HSA 8. While there may be a technical excess of stations, the need calculation does not always accurately portray the need for dialysis stations or lack thereof, in all areas of an HSA, particularly those vastly populated over large geographic areas like HSA 8. HSA 8 encompasses 3 counties, totaling 1,567 square miles. It is important to understand the need calculation is largely based upon the ratio of dialysis patients to total population and assumes the dialysis stations are uniformly distributed throughout the HSA. When a maldistribution occurs, a calculated excess of stations may exist despite an actual need in some communities.

c. Fresenius Submitted Its Application Before DaVita

One commenter noted Fresenius submitted its application prior to DaVita, implying the Fresenius project should be approved over the Proposed Clinic. The Applicants have not yet opposed the Fresenius Waukegan Park project, but if the State Board members believe only one project should be approved, the Applicants believe their application is better positioned to address the need for dialysis services in Waukegan.

As shown in the table on the following page, there are 10 approved and operational clinics within the Waukegan Park GSA, compared to five clinics within the Proposed Clinic's GSA. Average utilization of the existing and approved clinics is 68% in the Proposed Clinic GSA, compared to 74% in the Proposed Clinic's GSA. Excluding FMC Zion, which is currently under construction, the Proposed Clinic's GSA utilization is significantly higher than the proposed Waukegan Park GSA utilization (85% to 73%). Further, the existing clinics in the Waukegan Park GSA, excluding FMC Zion, can accommodate 112 patients before reaching the State Board's 80% utilization standard, well above Dr. Nino Alapishvili's 61 projected patients. Finally, the 4 year CAGR is higher in the Proposed Clinic's GSA than the Waukegan Park GSA (7.1% to 6.1%). Applying the respective CAGRs to these proposed projects, the Proposed Clinic's GSA is projected to reach 85% by Q1 2020 whereas the Waukegan Park GSA will achieve 77% utilization, below the State Board's 80% utilization standard. Accordingly, the need for additional stations is more acute in the Proposed Clinic's GSA than Waukegan Park.

FMC Waukegan Park GSA Utilization							
Facility	Ownership	City	Time	Distance	Number of Stations 03/31/18	Number of Patients 03/31/18	Utilization % 03/31/18
Waukegan Renal Center	Davita	Waukegan	4	2.0	24	145	101%
FKC Waukegan Harbor	Fresenius	Waukegan	5	2.2	21	115	91%
FKC Gurnee	Fresenius	Gurnee	6	2.5	24	97	67%
FKC Lake Bluff	Fresenius	Lake Bluff	11	7.0	16	75	78%
FKC Deerfield	Fresenius	Deerfield	19.2	25.0	12	26	36%
Lake County Dialysis Center	Davita	Vernon Hills	21	13.8	16	66	69%
FKC Highland Park	Fresenius	Highland Park	21	14.0	20	49	41%
FMC Zion ¹	Fresenius	Zion	22	10.4	12	-	0.00%
FKC Round Lake	Fresenius	Round Lake	22	11.9	16	79	82%
FKC Mundelein	Fresenius	Mundelein	22	15.0	14	64	76%
Total					175	716	68%
Total Facilities Operational > 2 Years					163	716	73%

¹December 31, 2018 project completion date

4. Response to Other State Board Member Comments

a. Dialysis Government Coverage

Board members inquired as to whether age was a factor in Medicare eligibility for patients diagnosed with end-stage renal disease (“ESRD”). Most patients qualify for insurance coverage whether through an employer, Medicare or Medicaid. Medicare is the primary payor of dialysis, covering nearly 80% of ESRD patients.⁷ As discussed at the June 5, 2018, people of any age diagnosed with ESRD who need a transplant or dialysis, including children, may qualify for Medicare coverage, provided one of the following requirements is met:

⁷ United States Renal Data System. 2017 USRDS annual data report: Epidemiology of kidney disease in the United States 437. National Institutes of Health, National Institute of Diabetes and Digestive and Kidney Diseases, Bethesda, MD, 2017 available at https://www.usrds.org/2017/download/v2_c09_MedExp_17.pdf (last visited Jun. 18, 2018).

Ms. Kathryn J. Olson
June 19, 2018
Page 9

- Worked the required amount of time under Social Security,⁸ the Railroad Retirement Board (RRB), or as a government employee;
- Receiving or eligible for Social Security or Railroad Retirement benefits; or
- Spouse or dependent child of a person who meets either of the requirements listed above.

Patients who do not qualify for Medicare and are not covered by commercial insurance can generally obtain health benefits coverage through Medicaid. In Illinois, the Illinois State Chronic Renal Disease program assists Illinois residents diagnosed with ESRD and requiring a regular course of dialysis to maintain life. The program is for patients with chronic renal disease who require lifesaving care and treatment, but do not qualify for Medicaid or All Kids or cannot meet the spend down requirements.⁹

b. Home Support

At least one Board member inquired as to whether a technician could be provided by a dialysis provider to assist ESRD patients with home dialysis as a method of encouraging the home modality. Unless a patient pays separately for such service, under current federal law, this type of arrangement constitutes a beneficiary inducement is prohibited for Medicare and Medicaid patients who receive dialysis. Section 1128A(a)(5) of the Social Security Act provides for the imposition of civil monetary penalties against any person who offers or transfers remuneration to a Medicare or State health care program (including Medicaid) beneficiary that the provider knows or should know is likely to influence the beneficiary's selection of a particular provider, practitioner, or supplier of any item or service for which payment may be made, in whole or in part, by Medicare or a State health care program (including Medicaid). The provision of a technician to assist patients with home dialysis constitutes an impermissible beneficiary inducement as it could influence an ESRD patient's choice of dialysis provider. As such home support would provide ongoing one-to-one assistance, if it were integrated into payment program benefits, it does not appear to be a method that would generally reduce the cost of care compared to that provided in an in-center, staff-assisted setting where a higher ratio of patients' care can be overseen more cost effectively.

While the Applicants are prohibited from providing patient technicians from assisting patients with home dialysis, the Illinois Department of Human Services administers the Home Services Program, which provides services to individuals with severe disabilities so they can

⁸ Generally, 40 credits are required to qualify for Social Security disability benefits. Social Security work credits are based on total yearly wages or self-employment income. Individuals can earn up to four credits each year. See Social Security Administration, *How You Qualify* available at <https://www.ssa.gov/planners/disability/qualify.html#anchor2> (last visited Jun. 18, 2018).

⁹ See Department of Healthcare and Family Services, *State Chronic Renal Disease Program* available at <https://www.illinois.gov/hfs/medicalclients/renal/Pages/default.aspx> (last visited Jun. 18, 2018).



Ms. Kathryn J. Olson
June 19, 2018
Page 10

remain in their homes and be as independent as possible.¹⁰ Patients, who are eligible for this program,¹¹ may be able to obtain assistance with their home dialysis. The policy objective here is likely to reduce nursing home costs.

Thank you for your consideration of the additional information for North Dunes Dialysis. If you have any questions or need further information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Anne M. Cooper".

Anne M. Cooper

Attachments

Cc: Gaurav Bhattacharyya

¹⁰ Illinois Department of Human Services, Home Services Program *available at* <http://www.dhs.state.il.us/page.aspx?item=29738> (last visited Jun. 18, 2018).

¹¹ Eligibility criteria for the Home Services Program are: (1) Be under age 60 at the time of application unless in the AIDS or Brain Injury Medicaid Waiver Program; (2) Have a significant disability lasting 12 months or longer, or for the duration of life; (3) Be at imminent risk of nursing facility placement; (4) Have applied, cooperated and obtained a decision on Medicaid eligibility unless already on Medicaid or spend-down; (5) Require services in the home costing the same or less than nursing facility costs; (6) Be a State of Illinois resident with U.S. citizenship or show proof of legal entry into the United States; (7) Have assets under the asset limit which is different for individuals under age 18 and those 18 and older; (8) Have a physician's approval of the initial plan of care; and (9) Score the required points on the Determination of Need (DON). *See* Illinois Department of Human Services, Home Services Program *available at* <http://www.dhs.state.il.us/page.aspx?item=60122> (last visited Jun. 18, 2018).

Attachment – 1

	HSA 8	Kane County	Lake County	McHenry County
Population - 2015 ^{12,13}	1,540,100	525,044	702,017	313,039
In Station ESRD Patients - 2017	1,710	709	801	200
Use Rate 2017	1.11	1.35	1.14	0.64
Planning Area Population - 2020 (Est) ¹⁴	1,692,900	583,386	764,458	345,056
Projected Patients - 2020	1,880	788	872	220
Adjustment	1.33	1.33	1.33	1.33
Patients Adjusted	2,500	1,048	1,160	293
Projected Treatments - 2020	389,991	163,449	180,973	45,740
Existing Stations ¹⁵	470	177	199	94
Stations Needed - 2020	521	218	242	61
Number of Stations Needed	51	41	43	(33)

¹² Illinois Health Facilities and Services Review Board, Inventory of Other Healthcare Services (Sep. 27, 2017) available at <https://www2.illinois.gov/sites/hfsrb/InventoriesData/HealthCareFacilities/Documents/Other%20Services%20Inventory%202017.pdf> (last visited Apr. 30, 2018).

¹³ Illinois Health Facilities and Services Review Board, 12/31 ESRD Utilization Data.

¹⁴ Illinois Health Facilities and Services Review Board, Inventory of Other Healthcare Services (Sep. 27, 2017) available at <https://www2.illinois.gov/sites/hfsrb/InventoriesData/HealthCareFacilities/Documents/Other%20Services%20Inventory%202017.pdf> (last visited Apr. 30, 2018).

¹⁵ Illinois Health Facilities and Services Review Board, Update to Inventory of Other Health Services (includes ASTC, ESRD and Alternative Models) (Jun. 11, 2018) available at <https://www2.illinois.gov/sites/hfsrb/InventoriesData/MonthlyHCFInventory/Documents/OTHER%20SERVICES%20INVENTORY%20UPDATE%20June%2011%202018.pdf> (last visited Jun. 16, 2018).

North Dunes 2020 Projected Utilization

Facility	Ownership	Address	City	Distance	Adjusted Time	Number of Stations 03/31/18	Number of Patients 03/31/18	Utilization % 03/31/18
FMC Zion	Fresenius	1920 North Sheridan	Zion	3.0	5.8	12	-	0.00%
Dialysis Center of America - NCDC	Davita	1616 North Grand Avenue	Waukegan	5.0	5.8	24	145	100.69%
Fresenius Medical Care Waukegan Harbor	Fresenius	110 N. West Street	Waukegan	4.0	12.7	21	115	91.27%
Neomedica - Gurnee	Fresenius	40 Tower Court in Gurnee	Gurnee	6.5	18.4	24	97	67.36%
Fresenius Medical Care of Lake Bluff	Fresenius	101 Waukegan Road	Lake Bluff	11.4	27.6	16	75	78.13%
Total						97	432	74.23%
Total Facilities Operational > 2 Years						85	432	84.71%

March 2014 to March 2018 31.7%

4 Year CAGR 7.1%

2019 Projected Patients 463

2020 Projected Patients 496

2020 Projected Utilization 85.2%

North Dunes 2020 Projected Utilization

Facility	Ownership	Address	City	Distance	Adjusted Time	Number of Stations 03/31/18	Number Patients 03/31/18	Utilization % 03/31/2018
FMC Zion	Fresenius	1920 North Sheridan	Zion	3.0	5.8	12	-	0.00%
Dialysis Center of America - NCDC	Davita	1616 North Grand Avenue	Waukegan	5.0	5.8	24	145	100.69%
Fresenius Medical Care Waukegan Harbor	Fresenius	110 N. West Street	Waukegan	4.0	12.7	21	115	91.27%
Neomedica - Gurnee	Fresenius	40 Tower Court in Gurnee	Gurnee	6.5	18.4	24	97	67.36%
Total						81	357	73.46%
Total Facilities Operational > 2 Years						69	357	86.23%

March 2014 to March 2018 39.5%

4 Year CAGR 8.7%

2019 Projected Patients 388

2020 Projected Patients 422

2020 Projected Utilization 86.7%



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Transcript of Open Session Meeting

Date: June 5, 2018

Case: State of Illinois Health Facilities and Services Review Board

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1 ILLINOIS DEPARTMENT OF PUBLIC HEALTH
2 HEALTH FACILITIES AND SERVICES REVIEW BOARD

3
4 OPEN SESSION

5
6 Bolingbrook, Illinois 60490

7 Tuesday, June 5, 2018

8 9:28 a.m.

9
10
11 BOARD MEMBERS PRESENT:

12 KATHY OLSON, Chairwoman

13 RICHARD SEWELL, Vice Chairman

14 BRAD BURZYNSKI

15 BARBARA HEMME

16 JOHN MC GLASSON, SR.

17 RON MC NEIL

18 MARIANNE ETERNO MURPHY

19
20
21
22 Job No. 167323B

23 Pages: 1 - 181

24 Reported by: Paula Quetsch, CSR, RPR

Transcript of Open Session Meeting

Conducted on June 5, 2018

1 EX OFFICIO MEMBERS PRESENT:

2 BILL DART, IDPH

3 ARVIND K. GOYAL, IHFS

4

5 ALSO PRESENT:

6 JEANNIE MITCHELL, General Counsel

7 COURTNEY AVERY, Administrator

8 MICHAEL CONSTANTINO, IDPH Staff

9 ANN GUILD, Compliance Manager

10 GEORGE ROATE, IDPH Staff

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Transcript of Open Session Meeting

Conducted on June 5, 2018

	C O N T E N T S	
		PAGE
1		
2		
3	CALL TO ORDER	6
4	ROLL CALL	6
5	EXECUTIVE SESSION	6
6	COMPLIANCE ISSUES/SETTLEMENT ARRANGEMENTS/	
7	FINAL ORDERS	
8	Referrals to Legal Counsel	7
9	APPROVAL OF AGENDA	8
10	APPROVAL OF TRANSCRIPTS	8
11	PUBLIC PARTICIPATION	
12	DaVita Rutgers Park Dialysis	9
13	DaVita North Dunes Dialysis	12
14	DaVita Salt Creek Dialysis	14
15	DaVita Rutgers Park	18
16	DaVita Salt Creek Dialysis	21
17	DaVita North Dunes Dialysis	23
18	Alden Estates of New Lenox	27
19	DaVita North Dunes Dialysis	28
20	Alden Estates of New Lenox	30
21	Six Corners Same Day Surgery	32
22	Rutgers Park/Salt Creek Dialysis	35
23	ITEMS APPROVED BY THE CHAIRWOMAN	33
24		

Transcript of Open Session Meeting

Conducted on June 5, 2018

4

1	C O N T E N T S C O N T I N U E D	
2	ITEMS FOR STATE BOARD ACTION	
3	PERMIT RENEWAL REQUESTS	43
4	EXTENSION REQUESTS	43
5	EXEMPTION REQUESTS	43
6	ALTERATION REQUESTS	43
7	DECLARATORY RULINGS AND OTHER BUSINESS	
8	Six Corners Same Day Surgery Center	43
9	HEALTH CARE WORKER SELF-REFERRAL ACT	49
10	STATUS REPORTS ON CONDITIONAL/CONTINGENT	50
11	PERMITS	
12	APPLICATIONS SUBSEQUENT TO INITIAL	
13	REVIEW	
14	DaVita Auburn Park Dialysis	50
15	DaVita North Dunes Dialysis	53
16	DaVita Garfield Kidney Center	86
17	Fresenius Medical Care Elgin	90
18	DeKalb County Rehab and Nursing Center	94
19	Alden Estates in New Lenox	100
20	Blessing Hospital	111
21		
22		
23		
24		

Transcript of Open Session Meeting
Conducted on June 5, 2018

1	C O N T E N T S C O N T I N U E D	
2	APPLICATIONS SUBSEQUENT TO INTENT TO DENY	
3	DaVita Rutgers Park Dialysis	122
4	DaVita Salt Creek Dialysis	141
5	Proctor Hemodialysis Center	145
6	FKC Waukegan Park	157
7	Dialysis Care Center of Elgin	157
8	RULES DEVELOPMENT	
9	Part 1110 Amendments	173
10	UNFINISHED BUSINESS	174
11	OTHER BUSINESS	
12	Legislative Update	174
13	Bed Changes	176
14	Employee Handbook	176
15	Questionnaire Revisions	177
16	Intergovernmental Agreement Review	178
17	ADJOURNMENT	180
18		
19		
20		
21		
22		
23		
24		

1 these projects will have an adverse impact on
2 patient choice and an adverse impact upon
3 established independent providers.

4 We ask that the Board give these applications
5 a final denial today.

6 CHAIRWOMAN OLSON: Thank you.

7 Next.

8 DR. DEGANI: Good morning. My name is
9 Dr. Omaima Degani. I'm a nephrologist with NANI,
10 and I am here to testify in opposition to the
11 proposed DaVita North Dunes dialysis facility.

12 As a medical director of Fresenius Antioch,
13 which is a mere 25 miles from the proposed facility,
14 I can attest that the utilization of the existing
15 facilities is under capacity. As the Board well
16 knows, in 2015 the Board approved a unit in Zion
17 which currently has not even been built yet. So
18 between Antioch being underutilized and Zion not
19 even being built, there's no need at this time for
20 further dialysis chairs in the Waukegan area.

21 The most important thing as a practitioner
22 in this area is to meet the needs of the patients.
23 As part of NANI, we put patients first more than
24 anything else, and regardless whether it's a

1 DaVita facility or a Fresenius facility, we will
2 always put patients first and put their best
3 interests first.

4 By adding another dialysis unit, we would
5 be spreading the care for these patients, which is
6 not in the patients' best interests. Having been
7 in practice in this area for 10 years, it is an
8 underserved area, and we certainly feel that the
9 current dialysis facilities are adequate to meet
10 the needs of the patients, and there's no further
11 need for more chairs in the Waukegan area.

12 The most important thing, as I said, is to
13 put patient care first and do what's best for the
14 patients. Currently where the patients are
15 receiving dialysis is sufficient to meet the needs
16 of our area.

17 At NANI the culture of our organization
18 has always been to focus on patient care, and
19 whether it's with Fresenius or with DaVita, as I
20 stated, we put patients first.

21 I thank you for your time and willingness
22 to consider my comments as you vote on this
23 project. I respectfully request that you vote no
24 on the DaVita North Dunes project as there is no

1 need for further stations in this area.

2 CHAIRWOMAN OLSON: Thank you, Doctor.

3 Next.

4 MR. BRENNAN: Hello. My name is Bill
5 Brennan. I'm a long-time NANI employee. I'm here
6 to oppose the two DMG DaVita projects.

7 As you know, within the last 12 months
8 DaVita/DMG has submitted eight projects totaling
9 84 dialysis stations. There are good reasons why
10 the Board has already voted no on every one of
11 these projects. The applicant has played games
12 with the rules, repeatedly deferring consideration
13 of applications trying to salvage these poorly
14 planned projects. Regardless of how much they try
15 to manipulate the process, you can be confident
16 nothing has changed when you consider these
17 projects today.

18 Over the last nine months, again, the
19 Board has voted to deny these applications. Since
20 then the applicant has hired new consultants. The
21 consultants submitted additional information that,
22 to their credit, admits incorrect and inaccurate
23 information was previously submitted, confirming
24 what we've been saying all along. The applicants

1 Medicare program and flood the area with unnecessary
2 stations that can only be utilized by plundering
3 patients from existing providers. All of this to
4 pad the DMG bottom line.

5 MR. ROATE: Two minutes.

6 DR. ROHAIL: We don't come here to protect
7 ourselves from competition --

8 CHAIRWOMAN OLSON: Please conclude.

9 DR. ROHAIL: We would ask you to deny this
10 project, respectfully.

11 CHAIRWOMAN OLSON: Thank you.

12 DR. SUJATA: Good morning. My name is
13 Leon Sujata, L-e-o-n S-u-j-a-t-a, and I'm a
14 nephrologist with NANI. I'm here to oppose the
15 DaVita North Dunes dialysis facility.

16 I'm the current medical director of another
17 DaVita facility, DaVita Lake County in Vernon Hills,
18 which is located approximately 10 miles from the
19 proposed North Dunes site.

20 Like my colleagues, Dr. Din and Dr. Degani,
21 I'm already working with patients and other existing
22 facilities in the HSA, and I can confidently state
23 here today that there's no need for additional
24 stations in Waukegan.

1 I have worked in this community for almost
2 four years, and I've developed a strong relationship
3 with my patients in surrounding communities. As a
4 NANI nephrologist, I am fortunate to work with
5 colleagues whose only focus is patient care.

6 I too support the findings of your State
7 Board staff report which show an excess of
8 24 stations in the has. There's simply not enough
9 patients to support another facility in the has,
10 let alone Waukegan.

11 I work with DaVita Lake County in Vernon
12 Hills in cases where it is in the best interests
13 of my patients. I have other patients that I
14 refer to Fresenius facilities because that's what's
15 best for them. I hope this Board can appreciate
16 the commitment that physicians have for patients
17 and their well-being.

18 I believe that the plan process works because
19 without it you would not have an opportunity to
20 hear from physicians like myself who are working
21 in the community caring for these patients day in
22 and day out.

23 I thank you for your time and willingness
24 to consider my comments as you vote on this

1 project. I respectfully request that you vote no
2 on DaVita North Dunes project in Waukegan, as
3 there's no need for additional stations in the
4 area. Thank you.

5 CHAIRWOMAN OLSON: Thank you.

6 DR. DIN: Good morning. My name is
7 Dr. Salima Din, and I'm a nephrologist at NANI and
8 the medical director of the DaVita Waukegan facility
9 located a short 5 miles from the proposed facility,
10 and I'm here to testify in opposition to the
11 proposed DaVita North Dunes facility.

12 You may be asking yourself why the medical
13 director of a fellow DaVita facility would oppose
14 the establishment of another DaVita facility in
15 the area. The answer is simple. I do not work
16 for DaVita; I work with them to get my patients
17 the care they need. As a medical director already
18 working in Waukegan, I can confidently state today
19 that there is no need for additional stations in
20 Waukegan.

21 At NANI the culture of our organization
22 has always been to focus on patient care. We will
23 work with any provider who is dedicated to improving
24 the quality of life of our patients. It doesn't

1 matter to us if the facility is operated by DaVita,
2 or Fresenius, or US Renal Care because patient
3 care is our only concern. That is the reason we
4 are part of the ESCO. That is why we are strong
5 supporters of organizations like National Kidney
6 Foundation and why so many patients choose NANI
7 doctors.

8 I can personally attest to the findings of
9 your State Board staff report which indicates
10 there's no calculated need for the stations in
11 this has. By virtue of its location alone, this
12 facility cannot succeed without affecting other
13 existing facilities. In this has there are
14 four operating facilities and a fifth one that is
15 not operational yet. There are shifts and
16 stations that are available for new patients. For
17 anyone to sit here and state otherwise would be a
18 misrepresentation of the facts.

19 I thank you for your time and willingness
20 to consider my comments as you vote on this
21 project, and I respectfully request that you vote
22 no on the DaVita North Dunes project in Waukegan,
23 as there's no need for additional stations in the
24 area. Thank you.

1 That's 7 votes in the affirmative.

2 CHAIRWOMAN OLSON: The motion passes.

3 MS. FRIEDMAN: Thank you very much.

4 CHAIRWOMAN OLSON: Next is Project 17-066,

5 DaVita North Dunes Dialysis.

6 May I have a motion to approve
7 Project 17-066, DaVita North Dunes Dialysis to
8 establish a 12-station ESRD facility in Waukegan?

9 MEMBER MC GLASSON: So moved.

10 MEMBER MURPHY: Second.

11 CHAIRWOMAN OLSON: Okay. Somebody joined
12 us at the table.

13 (Witness sworn.)

14 CHAIRWOMAN OLSON: Mr. Constantino, your
15 report.

16 MR. CONSTANTINO: Thank you, Madam Chair.
17 The applicants propose to establish a 12-station
18 ESRD facility in approximately 7100 gross square
19 feet of lease space at a cost of approximately
20 \$3.4 million. The expected completion date
21 April 30th, 2020.

22 There was no public hearing requested, and
23 there's no opposition to this project. There is
24 an excess of 24 stations in this planning area,

1 and the average utilization of the existing
2 facilities within 30 minutes is 84 percent.

3 Thank you, Madam Chair.

4 CHAIRWOMAN OLSON: There was opposition to
5 this project in public.

6 MR. CONSTANTINO: We didn't receive any
7 opposition letters.

8 CHAIRWOMAN OLSON: All right. But there
9 was opposition?

10 MR. CONSTANTINO: Yes. That's correct.

11 CHAIRWOMAN OLSON: Okay. Comments for the
12 Board, please.

13 MR. BHATTACHARYYA: My name is Gaurav
14 Bhattacharyya. I'm the vice president for DaVita
15 here in Chicago. With me today is Dr. Dalloul,
16 our planned medical director for our facility in
17 Waukegan, as well as our legal counsel, Kara
18 Friedman and Anne Cooper.

19 I would like to thank Board staff for their
20 review of the planned clinic and the generally
21 positive State Board report. We'll touch on the
22 single negative finding in the report in a moment.

23 I would like to take this time to make
24 three points here today. The first is that Waukegan

1 is a highly medically underserved community with
2 all the associated socioeconomic indicators. Two,
3 Waukegan needs more dialysis services capacity, as
4 we'll talk about in a second. And three, this
5 proposed clinic is broadly supported by community
6 stakeholders.

7 So on the first point, underserved
8 community, Waukegan is by far the largest
9 community in Lake County. It is also the poorest
10 and has been designated as a medically underserved
11 community and a health professional shortage area.
12 As you see on the map here, the darkest shade of
13 green represents higher incidence of poverty, and
14 Waukegan County on the far right there as you can
15 see is -- sorry, Waukegan Township -- and that's
16 where this clinic is proposed to be established.

17 As I was saying, it's also a medically
18 underserved community and a health professional
19 shortage area, and the poverty and health care
20 access issues indicate that Waukegan deserves due
21 consideration from this Board as your service
22 accessibility rules for ESRD care provide.

23 As I think many of you know, people living
24 in poverty are 50 percent more likely to experience

1 hypertension and over twice as likely to be diagnosed
2 with diabetes, and both of those conditions are
3 the two leading causes of kidney failure which
4 then requires dialysis for treatment.

5 I'd also like to comment on the red herring
6 statement that our competitor made today around
7 the ESCOs. Representatives of NANI emphasize that
8 this ESCO is a reason to set aside our proposal.
9 I think it would be helpful to note that DaVita
10 also participates in the same ESCO program around
11 the country. The goal of the ESCOs is really to
12 derive better clinical outcomes at lower cost, as
13 Brian mentioned. And in Chicagoland DaVita is the
14 provider with the highest percentage of clinics with
15 three stars or more under CMS's five-star program.
16 It's also the top performing provider under CMS's
17 quality incentive program.

18 In addition, DaVita is leading an effort
19 in Congress right now on the Patient Act, which if
20 passed would provide integrated value-based care
21 for a much larger segment of the ESRD population.
22 So our focus on quality in outcomes is in no way
23 limited to the CMS initiatives here. We support
24 our patients with our innovative programs,

1 including Kidney Smart disease education program
2 that's free and open to anyone in the public, a
3 Fistula First initiative, an impact program, and
4 most recently we collaborated with the University
5 of Chicago on data sharing technology to help
6 patients with the kidney transplant wait list
7 program.

8 The second point on the need, as we
9 documented in our submission revising the use rates
10 to account for the December 2017 patient census,
11 there's a need for an additional 70 stations in this
12 planning area by 2020, which as Mr. Constantino
13 said is when this project will get online, and
14 33 of those stations are needed in Lake County.
15 This need methodology is not disputed and provides
16 a more current picture of the needs of this
17 community. However, due to the delay in data
18 reporting, the Board report reflects outdated service
19 need figures based on a two-year-old snapshot.

20 There are four clinics within a 30-mile
21 drive of this proposed location, and the average
22 utilization of those clinics today is 84 percent,
23 as Mr. Constantino said. Importantly, as indicated
24 in this chart that Anne is holding up, both clinics

1 located in Waukegan are actually operating above
2 90 percent today. So there clearly is a need for
3 these patients to get treatment.

4 Given the Board's rules providing special
5 consideration to clinics which are in health care
6 professional shortage areas or medically underserved
7 areas and with increasing use rates, we feel that
8 this clinic proposal is exactly where we should be
9 locating services. With area clinics highly
10 utilized beyond the target of 80 percent, this
11 clinic warrants approval.

12 I'd also like to comment on the public
13 testimony as mentioned today. NANI and FMC oppose
14 this project based on a lack of need, though we
15 should say that they themselves have a project in
16 the same service area on this agenda later today.
17 This incongruous messaging is exactly what both
18 FMC and NANI have been doing with this Board over
19 the last several months really in an attempt to
20 confuse the issue. Based on their testimony today
21 I can only assume that they're going to either
22 withdraw their own application because they don't
23 believe there's a need, or they're going to
24 retract their false statements.

1 Finally, I would like to end with the
2 support. This proposal received significant
3 community support, including Vista Health System
4 which operates the only acute care and hospital in
5 Waukegan, the Erie Family Healthy Centers, a leading
6 provider of free health clinics in the Chicago area
7 including Waukegan, State Representative
8 Rita Mayfield, and Waukegan Mayor Sam Cunningham,
9 as well as numerous physicians and business
10 leaders, and we really appreciate their input in
11 the process.

12 So with that I'd like to hand it over to
13 Dr. Dalloul, our planned medical director who has
14 taken time from his duties to be here today.

15 DR. DALLOUL: Good morning. I'm
16 Dr. Dalloul, D-a-l-l-o-u-l. I'm board certified
17 in internal medicine/nephrology and in practice in
18 the Waukegan area for the last 20 years, completing
19 my fellowship at Northwestern University.

20 My patients in the Waukegan are the most
21 socioeconomically disadvantaged. I participate in
22 the plan that allows transplants for managed care
23 patients in Lake County, and I provide free care for
24 specialties for patients of Lake County Department

PLANET DEPOS

1 of Health. I'm also in the process of working to
2 develop a free clinic in Waukegan. Through this
3 work and my practice I'm very engaged in improving
4 the health care access issues facing these residents
5 in Waukegan.
6 Families with fewer financial resources
7 obviously have less access to health care and face
8 difficult lifestyle choices. Many of my Waukegan
9 patients work two jobs, travel outside of their
10 community to work, and have difficulty arranging
11 for childcare, too. Cooking nutritious meals and
12 getting appropriate exercise is usually out of
13 reach of these patients. They also do not get the
14 same preventive health care as my patients who are
15 more affluent because they lack insurance and
16 financial resources or they cannot afford to take
17 time off from work.
18 As a result, kidney disease, which is
19 asymptomatic until the later stages, is frequently
20 not diagnosed until kidney failure is imminent.
21 In the last few years more nephrologists, about
22 10 of them now in Waukegan, have established
23 office hours in Waukegan, so many more patients in
24 the community are getting an early diagnosis.

1 Patients who do not crash into dialysis are
2 much more likely to survive. This improved
3 physician access is prolonging the life of those
4 with kidney disease and is part of what is driving
5 demand for these services. My own dialysis patient
6 population has increased about 50 percent over the
7 last three years.

8 Given language, and income, and education
9 barriers, residents of Waukegan face increasing
10 health care resources at the preventive stage.
11 This trend will continue. Because of this and as
12 noted in the Board report, the two existing
13 facilities in Waukegan are full, and patients are
14 having difficulty scheduling their dialysis. These
15 access issues are hurting patients because
16 patients are more likely to skip sessions when
17 there is limitation of appointments available. As
18 a result, more of my patients are ending up in the
19 hospital, and then I have to catch them up on
20 dialysis treatment. This seriously hurts their
21 long-term prognosis. Without more facilities in
22 Waukegan there are no private treatment options
23 for my patients in Waukegan.

24 Finally, I really appreciate the support

1 of the medical community in Waukegan. In my
2 practice I depend on free health clinics and our
3 only acute care hospital to provide other types of
4 care for these patients. Their expression of
5 support for this clinic and support of other
6 stakeholders in the community should help to drive
7 home just how essential this proposal is.

8 Thank you for your time.

9 CHAIRWOMAN OLSON: Thank you.

10 MS. FRIEDMAN: Thank you.

11 Listening to the testimony earlier I just
12 wanted to note that there were two different
13 nephrologists who spoke of the facilities in the
14 area. One of them mentioned Lake County Dialysis.
15 That clinic is not within 30 minutes of Waukegan,
16 along with some other facilities that are located
17 more than 30 minutes away where those physicians
18 were, which they apparently expect would be an
19 appropriate alternative for a facility Waukegan
20 proper. It's also a little confusing as to why a
21 Waukegan medical director would indicate that
22 there's not a need for service given that our
23 dialysis clinic is operating at 98 percent
24 utilization and operating a fourth shift, and

1 their dialysis clinic is also operating at 98 percent
2 utilization, and, of course, as Gaurav stated,
3 they have an application pending.

4 Of the 21 criteria that the Board applied
5 to this clinic proposal, it successfully met all
6 except for a single finding based on a calculated
7 excess of stations in Lake County, McHenry, and
8 Kane County. That's an area that has a population
9 of about 1.5 million people. So the needs of one
10 single community like Waukegan are hard to parse
11 out when you're looking at health planning from a
12 three-county area, but that's why we're here today
13 to talk more specifically about what the
14 challenges to these patients are.

15 As we documented in the materials that we
16 submitted, Waukegan is one of the poorest
17 communities in Lake County, and it's also one of
18 the largest communities. It has several indicators
19 of health care disparities contributing to a
20 higher incidence of kidney disease, and for that
21 reason dialysis clinics are full in Waukegan.

22 With regard to health disparities based on
23 demographic and socioeconomic indicators in access
24 to adequate level of health care services, the

1 Federal government designates Waukegan as needy
2 from a health care access perspective. Waukegan
3 has two specific designations. One is medically
4 underserved population in area, and the other is a
5 health care professional shortage area for primary
6 care. These are important details under your
7 service accessibility details -- excuse me --
8 under your rules.

9 Specific to renal care, with lack of access
10 to primary care and health screenings there's a
11 larger incidence of hypertension, diabetes, and
12 kidney disease in low-income communities because
13 these diseases are undetectable by the patient
14 until the late stages when it's often too late to
15 stop or slow the disease progression, and then
16 those patients will require dialysis.

17 The demographic data for this area supports
18 the need, which is why this project is positive on
19 most of the Part 1110 criteria despite the technical
20 excess of patients in the larger planning area.
21 Over the past four years the census at the clinics
22 within 30 minutes of North Dunes Dialysis
23 increased over 30 percent, or an annual growth
24 rate of 7 percent, which is faster than the older

1 data predicted it to grow. This trend must be
2 expected to continue, and projections show that
3 there will be average utilization of the clinic at
4 the time that the clinic opens well over 90 percent
5 target utilization.

6 Because dialysis services utilization in
7 Waukegan is so high and churning up quickly, the
8 Board staff made a favorable Part 1110/1430 finding
9 that this clinic will not duplicate other area
10 services or have a negative impact on other
11 providers.

12 The DaVita clinic, as I said before, is
13 operating at 99 percent utilization. Since the
14 beginning of the year it's been operating on
15 four shifts. With four shifts some of the patients
16 are on a treatment schedule -- which is really
17 incredible to me to think of like one of my
18 80-year-old parents going to dialysis in the
19 middle of the night -- that requires them to leave
20 the facility around 1:00 in the morning.

21 The other clinic in Waukegan is at
22 90 percent, as well, or well over the 80 percent
23 utilization target. Patients who need access to
24 services have to travel more than 30 minutes to

1 find a clinic with any meaningful capacity, and
2 traveling this far places an undue hardship on
3 patients as well as their family or other
4 caregivers.

5 Thank you for your consideration. We ask
6 for your approval and can answer any questions.

7 CHAIRWOMAN OLSON: Thank you.

8 Questions. Let's start with Mr. Sewell.
9 Then I'll go to the doctor.

10 MEMBER SEWELL: Two things. In the State
11 agency report on page 9, it looks like they have a
12 direct quote from your application about the
13 patients who are eligible for ESRD services on
14 Medicare because they've achieved the requisite
15 number of quarters to qualify.

16 Isn't it true that the age issue is not a
17 factor if you have a diagnosis of ESRD? I know it
18 was at one time. Is that the still the case?

19 MS. FRIEDMAN: That is --

20 MR. SEWELL: I mean, a 15-year-old could
21 qualify for Medicare.

22 MS. FRIEDMAN: Basically, effectively
23 10 years you have to work in order to be --

24 MEMBER SEWELL: I'm suggesting that's not

1 true, that anyone can qualify for Medicare
2 coverage regardless of age, regardless of the
3 quarters if they have a diagnosis of ESRD. That
4 law was passed in '72.

5 MS. FRIEDMAN: I do not --

6 MR. SEWELL: Did something change?

7 MS. FRIEDMAN: I believe so because --
8 what you're referencing would have had to have
9 occurred in more recent years because I -- my most
10 recent knowledge from looking this up was pretty
11 recent, actually about a week ago, and the
12 10 calendar -- excuse me -- the 10 quarters were
13 cited in the materials I was looking at. Now, we
14 do have an All Kids program in the state, so I
15 expect them to be able to get coverage.

16 MEMBER SEWELL: This isn't really relevant
17 to the vote on the issue. I was just trying to
18 correct the record. But you're saying that this
19 is correct?

20 MS. FRIEDMAN: We'll follow up. I think
21 we actually printed some of those CMS materials,
22 so we can share those with Mr. Constantino.

23 MEMBER SEWELL: The other question I have,
24 do poor people in the immediate area have difficulty

1 accessing the services at the existing ESRD
2 facilities? Is that why you showed us the chart
3 on location and where the poverty areas are in and
4 around Waukegan? Do they have difficulty accessing
5 the existing services even though there's excess
6 capacity according to our calculations?

7 MS. FRIEDMAN: There's only two facilities
8 in Waukegan. One of them DaVita is operating at
9 98 percent, which results in them operating in the
10 four shifts. Your Board standards indicate that
11 facilities should operate on three shifts. The
12 other facility is operating at 90 percent. It's a
13 competitor facility, so we don't know exactly how
14 they're managing that 90 percent level.

15 So anytime you're really going over like
16 72 percent people have issues accessing dialysis
17 services because they're trying to find a spot
18 that the works with their caregiver's schedule and
19 the rest of that.

20 Then beyond Waukegan proper there's only
21 two other facilities and those are --

22 MEMBER SEWELL: Within the travel time?

23 MS. FRIEDMAN: Within the 30 minutes, right.

24 MEMBER SEWELL: So their access is limited

1 because of more high occupancy than their poverty
2 status?

3 MS. FRIEDMAN: With respect to dialysis
4 service, I would say that's right. With respect
5 to primary care services, to the extent that you
6 have a poor community, it's not as easy to attract
7 independent physicians to come to the community to
8 provide physician services. It's similarly
9 designated as a dental medically underserved area
10 because it's difficult to have dentists come to
11 the area.

12 MEMBER SEWELL: And the final thing, it
13 seems that you're asking this Board to approve
14 this in spite of the excess capacity because our
15 data is old, and I don't know if you used a
16 different method than we did or just more recent
17 data when you stated that by 2020 I think it was
18 that there would be a need for 70 stations. You
19 did say that, didn't you?

20 MS. FRIEDMAN: That's right. And we did
21 not adopt a different methodology; we just used
22 more recent data than 2015.

23 MEMBER SEWELL: And ours is old, Mike,
24 because of late reporting?

1 MR. CONSTANTINO: No, it's based on the
2 2015 population estimates and 2015 utilization
3 data to come up with the excess of 24 stations
4 by 2020.

5 MEMBER SEWELL: But that's the way we're
6 required to do it?

7 MR. CONSTANTINO: Yes. That's the current
8 methodology, yes.

9 MEMBER MC NEIL: Okay. We can look at this
10 in a macro level at which a number of people
11 testified on. DaVita has 2500-plus units around
12 the country, 237 internationally, 78,000 employees;
13 I can tell you your CEO's salary. That's at a
14 macro level. So you have the business side of it.

15 What we really look at is the need, the
16 access, and what it does for the patient. So let's
17 focus on that rather than the competitive issues.

18 If there's more competition, will it drive
19 the \$97,500 charge per year down -- or thereabouts --
20 because you're talking about a competitive
21 environment.

22 MS. FRIEDMAN: When you're referring to
23 97,500, what are you referring to?

24 MEMBER MC NEIL: That's normally the cost

1 per year for a dialysis patient in an OCC, about
2 that; is that true? Yep. And about 60,000 in-
3 home, but I'll come to that in a minute.

4 MS. FRIEDMAN: Well, my experience is that
5 that has already occurred. The composite rate
6 reimbursement for dialysis services has gone down
7 substantially over the last several years.

8 MEMBER MC NEIL: Would you explain how much?
9 Because this is what I'm driving at. This is a
10 huge need. These patients normally live about
11 five years if they don't get a kidney transplant --
12 I'll come back to you on that -- and that's 3.1 or
13 3.6 years before they get that. But let's talk
14 about the price going down because this is
15 availability and an absolute need or the patient
16 dies very quickly. We all die as far as I know.

17 MR. BHATTACHARYYA: I'm sorry, sir; what's
18 the question?

19 MEMBER MC NEIL: The question is, how much
20 has the price gone down, the 97,500, 98,000?
21 Where we are now from where we use to be?

22 MR. BHATTACHARYYA: I don't have the
23 specific numbers there, but we did look at across
24 disease states, and when you look at dialysis

1 versus the other major chronic disease states,
2 cancer, diabetes, et cetera, dialysis over the
3 last 10 years showed the highest improvement in
4 clinical qualities and the highest reduction in
5 cost, system cost relative to those disease states.
6 I don't have those specific numbers, but I do have
7 that comparison.

8 MEMBER MC NEIL: So it's gone down and
9 that's the competitive environment and the ability
10 to offer services. What percentage of your
11 patients do you refer where they do it in home?
12 And I understand there are patients that don't
13 want the stent, don't want to do it at home, and
14 are afraid to do it. But the percentage --
15 because they tend to do it maybe six times a week,
16 and your normal inpatient does it about three?

17 MR. BHATTACHARYYA: Yes. We at DaVita
18 Chicago are at about 10 or 11 percent, and that's
19 true for the broader industry across the country,
20 as well. We would love for that percentage to be
21 significantly higher. And as you mentioned, there's
22 a patient choice element here in terms of the
23 burden that they choose to take on to do it
24 themselves at home.

1 From our perspective the clinical outcomes
2 are better and patients live longer and resume
3 their renal function a lot better at home. So we
4 have a lot of initiatives about promoting in-home
5 to both our medical directors and our patients,
6 but ultimately it's whether it's the patient's
7 right choice.

8 DR. DALLOUL: What I can say about home
9 modality for those patients, it's very difficult
10 to find a patient who agrees to do it at home
11 first even if he is fit like medically to practice
12 that in home safely. The two modalities are
13 offered in DaVita widely, and we talk to every
14 patient there about those modalities.

15 For example, last week I had a patient who
16 was fitting perfectly well to that option for him,
17 and he refused it because he doesn't want his
18 wife -- to overburden with the machine, with the
19 fluid. So a lot of factors interfere with the
20 modality choice at home when the patient is fitting
21 to that modality.

22 But we offer it up front, and I talk to my
23 patients up front like about all modalities
24 possible. And, of course, they would need like

1 the training, which would take about six to
2 eight weeks and the training for the PD, also. So
3 multiple factors playing with home choice.

4 MEMBER MC NEIL: One thing we could think
5 about would be technicians to go to homes to help.
6 That's another way of dealing with it. It doesn't
7 take an MD but a nurse practitioner, whatever from
8 a legal standpoint to take care of it. That's one
9 issue.

10 What percentage of your patients get
11 kidney transplants?

12 MR. BHATTACHARYYA: I think it's about
13 5 to 7 but I --

14 MR. MC NEIL: That's the only way out, and
15 I recommend everybody sign up for organ donation.
16 It is essential. I have a friend, I've been to
17 dinner with him, at 11:00 at night he'll go do a
18 kidney transplant when one is flown in. It is
19 essential.

20 So we're dealing in an underserved area in
21 the sense of people without a lot of education,
22 money, those things that lead to home care more
23 where they can provide for themselves, all of
24 that. We're setting up a competitive environment,

1 we're giving additional access, and we want to see
2 the cost come down.

3 I suggest you do more with a medical
4 technician to go into the home and help because
5 the outcomes, as you said, are better.

6 DR. DALLOUL: That's true.

7 MR. BHATTACHARYYA: Absolutely.

8 MEMBER GOYAL: My name is Arvind Goyal,
9 and I represent Medicaid on this Board, and I do
10 not vote, so you're safe, but I do have multiple
11 comments to make, and I apologize for the length
12 of them.

13 First of all, Professor Sewell when he
14 raised the issue of your statement on page 9, I
15 want to respectfully submit that he's correct and
16 you're not. And the reason I say that is that
17 dialysis services are carved out under Medicare.
18 They have been since the program's inception, and
19 for those people who do not qualify for Medicare
20 for whatever reason, they're on Medicaid.

21 The only people who fall through the
22 cracks at this time are undocumented people. And,
23 fortunately, in Illinois we have a law that allows
24 undocumented people to get transplants on a fast

1 road if people were to refer them. And, again,
2 one of the conditions is a family donation. If that
3 happens, the first day of cost of dialysis is equal
4 to lifetime cost of dialysis. I think he made
5 that point very eloquently. So I wanted to put
6 that behind us so you recognize what the deal is.

7 I think a question was asked of you, and I
8 will modify it a little bit. Can you indicate to
9 me what percentage of your patients are listed for
10 kidney transplant? Not how many get them, how
11 many are listed. Because the average median for a
12 life expectancy with a transplant is almost equal
13 to a normal person who never had kidney disease
14 versus dialysis where the median is about four to
15 eight years.

16 So could you answer that?

17 MR. BHATTACHARYYA: Sure. I don't have
18 the percentage, but what I can tell you is anytime
19 a new patient starts on dialysis, their first day
20 we have a program called Start Smart where we go
21 through all the factors that we think will help them
22 be more successful on dialysis and to continue their
23 quality of life, and getting them on the transplant
24 list is a component of their Start Smart program.

1 So we do it for all of our patients that
2 start. Some of them, as you mentioned, Dr. Goyal,
3 may not be eligible, and so they would come off.
4 But the assumption is that every one of our patients
5 is given a chance to be on a transplant list.

6 MEMBER GOYAL: So they are all listed at
7 some point if they qualify for listing?

8 MR. BHATTACHARYYA: I'm sorry. Could you
9 repeat that, please?

10 MEMBER GOYAL: What you just said, does
11 that mean that all those patients who meet the
12 criterion for transplant, they will all be listed?

13 MR. BHATTACHARYYA: Correct. And I
14 mentioned we just created a partnership with
15 University of Chicago to make sure that the patients
16 that are on the transplant list stay on the
17 transplant list. Because as you can imagine,
18 there's lots of criteria that they have to make on
19 an ongoing basis, and as patients get dialysis, they
20 go to treatment, they often miss some of their
21 doctors' appointments, and they have some other
22 issues that could cause them to get off that list.

23 So we're working very hard to make sure
24 that we optimize their likelihood of getting that

1 transplant by making sure that they continue to
2 meet all those criteria and are sharing that data
3 on a continual basis with the hospital to make
4 sure that those patients have the best chance.

5 MEMBER GOYAL: Thank you. My last
6 question --

7 MS. FRIEDMAN: Before we go on to the next
8 question, with respect to the Medicare/Medicaid
9 issue -- and I have to say I couldn't quite hear
10 whether you were saying "care" or "aid" at the end
11 of that -- I want to clarify that I don't believe
12 that we have a disagreement with anyone, but after
13 this consideration we will be sharing the
14 information that we have about payer program
15 eligibility to confirm that we're all on the same
16 page about that because I don't want there to be a
17 misconception that we're trying to misrepresent
18 anything.

19 MEMBER GOYAL: Thank you for double-
20 checking it and we always welcome that. However,
21 I can say this to you that without knowing exactly
22 what your percentage would be at this new facility,
23 the biggest payers for you would be the Medicare
24 or Medicaid.

1 MR. BHATTACHARYYA: Absolutely.

2 MEMBER GOYAL: Given that you're competing
3 with the same type of population, poor,
4 socioeconomically less fortunate, and people in
5 communities like Waukegan where the disease burden
6 may be higher.

7 MR. BHATTACHARYYA: Completely agree. We
8 consider serving those patients, not competing for
9 them but yes.

10 MEMBER GOYAL: My next question has to do
11 with the comment you made about three stars. Now,
12 that's three out of five?

13 MR. BHATTACHARYYA: Correct.

14 MEMBER GOYAL: The last time I looked at
15 the star ratings about year and a half ago at the
16 beginning of 2017, at that time DaVita's ratings
17 generally were no superior to your competitors.

18 MR. BHATTACHARYYA: If you look at the
19 most recent one that came out I believe a month or
20 so ago, 95 percent of our clinics are three stars
21 or above relative to 85 percent for the rest of
22 the industry.

23 MEMBER GOYAL: That's great and I didn't
24 mean to imply that DaVita is any less competent or

1 any less qualified to provide services, but I just
2 didn't want to put down your competitors based on
3 star ratings.

4 MR. BHATTACHARYYA: No, sir. But we do
5 have a 10-point incremental benefit that we're
6 providing, and I don't want that to be lost,
7 either.

8 MEMBER GOYAL: Thank you.

9 CHAIRWOMAN OLSON: Other questions or
10 comments?

11 MEMBER SEWELL: I want to make a comment
12 about context in reference to what Dr. McNeil
13 said. I think if we had a health economist here,
14 I think they would say that this association
15 between competition, more competition and lowering
16 costs in the health care field is weak or absent
17 depending on the service. That needs to be said.

18 We can't think of this as commodities that
19 are out in the general economy. So I don't think
20 we want to make -- we want to say a priori that
21 competition drives down costs. The answer is sort
22 of "it depends." That's all I was going to say.

23 MR. BHATTACHARYYA: I think our point,
24 Dr. Sewell, would be that competition here is

1 providing patient access; it's not actually a cost
2 issue.

3 MEMBER MC NEIL: And I would add new
4 technologies and the home care -- that's the
5 reason I emphasized it -- is the big determinate.
6 The outcomes are better but it's getting patients
7 to do that.

8 The profit margin for DaVita is about
9 6.7 percent this year. They lost 48 percent last
10 year. I've already looked that up. So it's not
11 like -- and they reinvested a lot of money, and
12 all of their competitors are doing the same thing.
13 So there is a cost factor and that kind of margin --
14 I know how we play with numbers as accountants,
15 but having said that, it's not excessive.

16 CHAIRWOMAN OLSON: I have a question. And
17 I know you've sort of addressed it. But I've been
18 here for quite a while, and I've never had a
19 situation where two employees would come up and
20 say there is no need for this in Waukegan.

21 And trust me, I know there's another
22 Waukegan application on the agenda here today.
23 Zion is not open. How far is Zion from Waukegan?
24 I'm not familiar with that area. Because Zion is

1 not even open. Because over 90 percent utilization
2 is pretty full in the two Waukegan facilities, but
3 I'm perplexed as to why --

4 MS. FRIEDMAN: I think it's about 6 miles
5 north.

6 CHAIRWOMAN OLSON: And that's not open yet?

7 MS. FRIEDMAN: No. That's assuming that
8 that facility is dedicated to CKD patients of
9 NANI.

10 And, Gaurav, did you want to explain the
11 relationship between NANI and --

12 MR. BHATTACHARYYA: I guess it's a good
13 question for them as to why they would oppose it
14 given that they're medical directors of a facility
15 at 100 percent. My only hypothesis would be that
16 economic interests of their employer being a joint
17 venture partner of those clinics has overridden
18 their judgment.

19 CHAIRWOMAN OLSON: Thank you.

20 Other questions or comments from Board
21 members.

22 (No response.)

23 CHAIRWOMAN OLSON: Seeing none, I would
24 ask for a roll call vote.

1 MR. ROATE: Thank you, Madam Chair.

2 Motion made by Burzynski, seconded by Murphy.

3 Senator Burzynski.

4 MEMBER BURZYNSKI: First of all, evidently
5 I've been added to the roll since I got here after
6 the roll was taken.

7 CHAIRWOMAN OLSON: Yes, you have. Thank
8 you for joining us.

9 MEMBER BURZYNSKI: It's just a little -- I
10 digress but it took eight cycles of the stoplight
11 to get off of 55 onto whatever that road is there.

12 CHAIRWOMAN OLSON: Everybody in the state
13 is traveling today.

14 MEMBER BURZYNSKI: Anyway, this has been
15 an interesting education for me this morning, but
16 I'm going to vote in support of the facility in
17 spite of the fact that we have one finding
18 relative to excess -- an excess of stations.

19 I think you've demonstrated the need based
20 on the demographics of the area, the service -- the
21 people that you're going to serve, and certainly I
22 do believe it could be an access issue, so I
23 vote yes.

24 MR. ROATE: Thank you.

1 Ms. Hemme.

2 MEMBER HEMME: I vote no. Knowing the area
3 up there and how close the Zion facility will be
4 when it opens, I think it will reduce down that
5 rate. And I'd like to encourage you to do the
6 home instruction. It's got better outcomes and it
7 would lower the cost of just capital costs that
8 are overriding in our health care system today.

9 MR. ROATE: Thank you.

10 Mr. McGlasson.

11 MEMBER MC GLASSON: Firstly, this is a
12 conversation that I've been waiting for since I've
13 first come on this Board. It's fascinating and as
14 the Senator said, I've learned quite a lot, and I
15 hope I'll have opportunities to learn a lot more.

16 I do find in the immediate sense that the
17 fact that this is such an underserved area very
18 compelling and I will vote yes.

19 MR. ROATE: Thank you.

20 Dr. McNeil.

21 MEMBER MC NEIL: Having looked at this, I
22 encourage you to do and really have a technician
23 for the home support as well as those who will be
24 the majority that cannot do it. And I have no

1 problem with -- it's an underserved area, four shifts
2 a day, the people that need this help really are
3 not in the health necessarily to show up at 6:00 in
4 the morning or 8:00 at night. There are all of
5 these things, so I vote yes based on the staff
6 recommendation and the discussions.

7 MR. ROATE: Thank you.

8 Ms. Murphy.

9 MEMBER MURPHY: Thank you. Based on the
10 project's substantial compliance with the State
11 Board standards, I vote yes.

12 MR. ROATE: Thank you.

13 Mr. Sewell.

14 MEMBER SEWELL: I vote no. I think the
15 new data that will allow us to calculate those use
16 rates will be out soon this year, and the applicant
17 in my opinion can come back, and we can see if
18 they'll change the need to 70 additional stations,
19 but for now I vote no.

20 MR. ROATE: Thank you.

21 Madam Chair.

22 CHAIRWOMAN OLSON: I vote no as well, for
23 the reasons that Mr. Sewell just stated, and I
24 also think once the Zion facility comes online