



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-02	BOARD MEETING: July 24, 2018	PROJECT NO: 17-070	PROJECT COST: Original: \$1,390,266 Modification:\$1,330,266
FACILITY NAME: Dialysis Care Center Rockford		CITY: Rockford	
TYPE OF PROJECT: Substantive			HSA: I

PROJECT DESCRIPTION: The Applicants (Dialysis Care Center Rockford, LLC and Dialysis Care Center Holdings, LLC) propose to establish a 12-station ESRD facility in 5,350 GSF of lease space at a cost of \$1,330,266. The expected completion date is December 30, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants propose to establish a 12-station ESRD facility in 5,350 GSF of lease space at a cost of \$1,330,266. The expected completion date is December 30, 2019.
- This project was deferred from the June 5, 2018 State Board Meeting to the July 24, 2018 meeting.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

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

PUBLIC HEARING/COMMENT:

A public hearing was offered in regard to the proposed project, but none was requested.

Letters of support were received from Thomas P. McNamara, Mayor of Rockford and Alderman Joseph Chiarelli both stating in part:

“It is my understanding that the new facility will help address the growing need for dialysis services in the area, easing the burden on staff at existing clinics that are currently operating at or above capacity and make it easier for area patients to get the appropriate treatment options. Studies have also shown that access and continuity of care are especially important for chronic care patients, and that having a medical “home” helps reduce health care costs as well as medical complications. There is an urgent need of the dialysis services to this area as most of the area’s population lack proper health insurance. This center will accommodate all patients regardless of their insurance status. Access to care is an important issue for me and my constituents. I am very attuned to our area’s health care issues and dedicated to providing our community with sufficient medical access and, when possible, a better quality of life. I believe local, community-based medical facilities are vital as they allow residents to be near their homes and spend more time at work, with their loved ones or otherwise enjoying productive lives.”

One letter of opposition was received from DaVita Inc. that stated in part:

“Dialysis Care Centers has presented five projects before the HFSRB. In its presentations, its representatives position its projects as “respite” facilities needed for patients who nearly exclusively use a home modality but need in-center care for limited reasons, noting “[a]t our core we’re a PD company; we’re a home dialysis company.” They claim a specialty dedicated facility is needed when their home peritoneal patients require in-center hemodialysis for a period of time whether due to infection or a home hemodialysis care giver needs a break. Further, they assert when temporarily placed at in-center dialysis facility their patients are told they cannot return to a home modality. This is patently false. DaVita embraces home modalities as optimal therapies both in terms of quality of care and life and cost. It is committed to home modalities and increasing the number of patients on peritoneal dialysis (“PD”) and home hemodialysis. In 2017, DaVita served over 23,000 home hemodialysis and PD patients, more than any other provider in the United States.” ... “Dialysis Care Centers is rapidly expanding in Illinois representing that it offers a unique method and high quality services. In fact, throughout its application, Dialysis Care Centers states that quality care is its first priority. Neither the application for DCC Rockford or the information on its website, however, discusses quality or innovative care models

for in-center dialysis. The company's public information is limited to the descriptions of types of machines used for the various dialysis modalities, function of the kidneys and why they fail, what is chronic kidney disease, signs of ESRD, and when dialysis is needed. DCC Rockford also suggests that it has a special mode of care called Staff Enhanced home hemodialysis. First, as indicated by its name the model is for home dialysis which Dialysis Care Centers already offers in Rockford. Further, staff assistance in the home is not covered by government payors and 90% of patients listed for HSA I in 2016 are covered by government sponsored insurance products.”

SUMMARY:

- The State Board Staff notes there is an estimated excess of 4 ESRD stations in the HSA I ESRD Planning Area, per the June 2018 ESRD Inventory Update.
- There are 7 facilities within 30 minutes of the proposed facility. Three of the facilities are in ramp-up and not fully operational. Of the remaining 4 facilities within 30 minutes the average utilization is approximately 80%. [See Table Four at the end of this report]
- This project (#17-070) did not include modernization or new construction costs. It is unclear how the build out of this facility is going to be accomplished to meet IDPH Design Standards. There is a concern that the Applicants are not including all of the capital costs for the proposed project.
- The applicants addressed a total of twenty one (21) criteria and have failed to adequately address the following:

Criteria	Reasons for Non-Compliance
77 ILAC 1110.234 (b) Projected Utilization	The Applicants are projecting 58 patients will be utilizing the proposed facility within two years after project completion. However the historical referrals (19 patients) do not justify the number of stations being requested by the Applicants. [By rule the number of projected referrals cannot exceed the number of historical referrals.
77 ILAC 1110.234 (e) – Assurances 77 ILAC 1110.1430 (j) - Assurances	While the Applicants did provide the necessary attestation that the proposed facility will be at target occupancy within two years after project completion as required the Applicants historical referrals did not support the Applicants reaching target occupancy within 2-years after project completion.
77 ILAC 1110.230(b)(1), (2), (3) & (5) - Planning Area Need	An <u>excess of 4 ESRD stations</u> exist in the HSA-I planning area. Additionally the number of projected referrals exceeds the number of historical referrals of the two nephrologists identified to be referring to the proposed facility.
77 ILAC 1120.130 – Financial Viability	The Applicants provided projected financial ratios for the new entity (DCC-Rockford) and the historical financial information for DCC – Holdings, Inc. as required as well as supporting information. The information is not audited and the Applicants have stated that audited statements are not needed because they do not have any debt. The Applicants do not meet all of the financial ratios for the new entity (DCC-Rockford) for the first year of operation. [See Table Five thru Nine at the end of this report]

STATE BOARD STAFF REPORT
Project 17-070
Dialysis Care Center Rockford

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	Dialysis Care Center Rockford, LLC, Dialysis Care Holdings, LLC
Facility Name	Dialysis Care Center Rockford
Location	657 Highgrove Place, Rockford, Illinois
Permit Holder	Dialysis Care Center Rockford, LLC, Dialysis Care Holdings, LLC
Operating Entity	Dialysis Care Center Rockford, LLC
Owner of Site	Perryville Center, LLC
Total GSF	5,350 GSF
Application Received	December 5, 2017
Application Deemed Complete	December 8, 2017
Review Period Ends	April 7, 2018
Financial Commitment Date	December 30, 2019
Project Completion Date	December 30, 2019
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The Applicants propose to establish a 12-station ESRD facility in 5,350 GSF of lease space at a cost of \$1,330,266. The expected completion date is December 30, 2019.

II. Summary of Findings

- A. State Board Staff finds the proposed project does **not** appear to be in conformance with the provisions of 77 ILAC 1100 (Part 1110).
- B. State Board Staff finds the proposed project does **not** appear to be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

Dialysis Care Center Rockford, LLC and Dialysis Care Center Holdings, LLC is 100% physician owned and operated. The two physicians below equally own the two entities.

1. Morufu Alausa M.D.
2. Sameer M. Shafi M.D.

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

Dialysis Care Center Holdings, LLC has been approved by the State Board for the following dialysis projects:

- **In October of 2016** the State Board approved Permit #16-020 – Dialysis Care Center Oak Lawn to establish an 11-station ESRD facility at a cost of the \$762,000. Dialysis Care Center Oak Lawn just had an Illinois Department of Health (IDPH) survey sent to Medicare for approval January of 2018.
- **In October of 2016** the State Board approved Permit #16-022 – Dialysis Care Center Olympia Fields to establish an 11-station ESRD facility at a cost of \$992,000. Dialysis Care Center Olympia Fields had an IDPH survey awaiting Plan of correction before recommending to Medicare.
- **In June of 2017** the State Board approved Permit #16-058 – Dialysis Care Center McHenry to establish a 14-station ESRD facility at a cost of \$1,215,000.
- **In February of 2018** the State Board approved Permit #17-052 – Dialysis Care Center Beverly to establish a 12-station ESRD facility at a cost of \$1,609,752.
In June of 2018 the State Board approved Permit #18-004 to establish a 14-station ESRD facility in Elgin.

IV. Health Planning Area

The proposed facility will be located in the HSA I ESRD Planning Area. This planning area includes the counties of Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago. As of June 2018 the State Board is estimating an excess of 4 stations in the planning area.

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

TABLE ONE	
Need Methodology HSA XI ESRD Planning Area	
Planning Area Population – 2015	673,500
In Station ESRD patients -2015	694
Area Use Rate 2015 ⁽¹⁾	.975
Planning Area Population – 2020 (Est.)	711,700
Projected Patients – 2020 ⁽²⁾	694
Adjustment	1.33x
Patients Adjusted	923
Projected Treatments – 2020 ⁽³⁾	143,991
Existing Stations	196
Stations Needed-2020	192
Number of Stations in Excess	4
<ol style="list-style-type: none"> 1. Usage rate determined by dividing the number of in-station ESRD patients in the planning area by the 2015 – planning area population per thousand. 2. Projected patients calculated by taking the 2020 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients. 3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient 	

V. Project Costs and Sources of Funds

The Applicants submitted TABLE THREE below. However contingency costs are only applicable to new construction and modernization costs and cannot be used for other than those two items. The applicants are funding the project with cash of \$496,000 and the FMV of leased space in the amount of \$865,266. The operating deficit and start-up costs are approximately \$834,644.

TABLE TWO						
Project Costs and Sources of Funds						
	Reviewable	Total	% of Total	Reviewable	Total	% of Total
	Original Application			Modification		
Contingencies	\$60,000	\$60,000	4.30%	\$0	\$0	0.00%
Architectural and Engineering Fees	\$45,000	\$45,000	3.30%	\$45,000	\$45,000	3.30%
Movable or Other Equipment	\$420,000	\$420,000	30.20%	\$420,000	\$420,000	30.20%
FMV of Leased Space	\$865,266	\$865,266	62.20%	\$865,266	\$865,266	62.20%
Total	\$1,390,266	\$1,390,266	100.00%	\$1,330,266	\$1,330,266	100.00%
Cash		\$525,000	39.90%		\$496,000	39.90%
FMV of Leased Space		\$865,266	60.10%		\$865,266	60.10%
Total		\$1,390,266	100.00%		\$1,361,266	100.00%

State Board Staff Notes: Of the 62 facilities approved by the State Board for years 2014-2018 the average project cost was \$4.3 million. The average cost for the six facilities submitted by the Applicants (Permit #16-020, #16-022 #16-058, #17-052, #17-061, and #17-070) was \$1,232,598. On average over the past four years (2014-2018) the cost per station of the 62 ESRD facilities approved to be established was approximately \$309,000 per station. These numbers do not include the Applicants' facility. For the Applicants six facilities, the average cost per station was \$41,652.

VI. Background of the Applicants

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

An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. To demonstrate compliance with this criterion the applicants must provide

- A) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification and accreditation identification numbers, as applicable;
- B) A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility;
- C) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
- D) An attestation that the applicants have not had *adverse action*¹ taken against any facility they own or operate or a listing of all adverse action taken.

1. The applicants have attested that there has been no adverse action taken against any of the facilities owned or operated by Dialysis Care Center Rockford, LLC and Dialysis Care Center Holdings, LLC during the three (3) years prior to filing the application. [Application for Permit page 83-86]
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 connections the applicants' certificate of need to establish a twelve-station ESRD facility. The authorization includes, but is not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. [Application for Permit pages 85-86]
3. The site is owned by Perryville Center, LLC and evidence of this can be found at page 31-71 of the application for permit in the Letter of Intent to lease the property at 657 Highgrove Place, Rockford, Illinois.
4. The applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning*

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)

programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.

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

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

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

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

A) Criterion 1110.230 (a) – 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 purpose of this project is to create more life-sustaining dialysis accessibility to the large, growing population of ESRD patients in the HSA 1 market area - specifically, Rockford and Winnebago County residents. The sole provider of dialysis in Rockford, IL is DaVita Dialysis. Specifically considering the location we are proposing in central Rockford, there are no providers other than DaVita within a 30-minute drive. This monopoly in the Rockford area prevents dialysis-dependent individuals any agency in their healthcare. As most patients spend 12 hours per week on average dialyzing in-center, this restriction is significant as it denies patients a choice in where they are receiving treatment that will determine their quality and longevity of life. To allow this monopoly to continue in the Rockford area will negatively affect the health and wellness of this community. The addition of Dialysis Care Center Rockford in this community will provide additional treatment options for patients in the specific market area, as well as for patients in Winnebago County overall, and other surrounding cities. The market area to be served by the applicant is approximately within a 20-mile radius of the proposed facility location. [Application for Permit page 87]

B) Criterion 1110.230 (b) - Safety Impact Statement

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

A Safety Impact Statement was provided as required. [See end of this report]

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

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

The Applicants considered three alternatives to the proposed project.

1. Project of Greater or Lesser Size/Scope/Cost
 2. Pursuing a joint venture for the establishment of a new facility
 3. Using existing facilities
-
- 1) The option of a project of lesser scope/cost was initially considered, but was later rejected because of its inability to address the over-utilization of existing facilities in the Rockford area. This option would cause the existing facilities to reach and eventually exceed their operational capacities, resulting in access issues in the service area. The proposed facility is a shell ready facility. By using this site, the costs for the project is significantly lowered compared to other ESRD projects brought before the Board.
 - 2) The ownership of the proposed facility is structured to accommodate the option of joint ownership/joint venture in the future. The proposed facility will be owned/operated in its entirety by physicians practicing in the service area.
 - 3) The option of utilizing existing facilities was determined to be the least feasible alternative, with no possible outcomes to improve patient access/service. The growing ESRD population in the Rockford/HSA-01 service area requires the introduction of additional ESRD stations/facilities. There are no physician-owned ESRD facilities in the area where the physicians have the independence they need. It is expected that the facility will exceed the clinical outcomes that meet all network, Centers for Medicare and Medicaid Services clinical goals established.

Although the applicants gave equal consideration to the alternatives mentioned above, it was determined that the establishment of an additional 12-station ESRD facility (project cost: \$1,330,266), is the most practical and economical alternative for the service area. The applicants identified no project costs with the above mentioned alternatives.

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

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

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

The applicants are proposing a 12-station ESRD facility in 5,350 GSF of space or approximately 446 GSF per station. This is within the State Board Standard of 650 GSF per station or a total of 7,800 GSF.

The State Board Staff would expect to see a 12-station facility with the following:

- Reception Area 500 GSF
 - Patient Area 2,960 GSF
 - Support Area 2,100 GSF
 - Staff and Administrative Area 1,440 GSF
- Total 7,000 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 have identified 94 Stage IV pre-ESRD patients with lab values indicative of active kidney failure who live in the Rockford/HSA-01 service areas. The Applicants project that approximately 58 of these individuals will require dialysis services in the first two years after the Dialysis Care Center Rockford facility begins operations. However, the Applicants projected referrals exceed the historical referrals of 11 patients (see Table Five below). The Applicants have not met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC 1110.234(b))

C) Criterion 1110.120(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 necessary attestation has been provided at page 145 of the application for permit. However the State Board Staff was unable to accept the attestation as the number of historical referrals does not support the number of projected referrals.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.234(e))

IX. In-Center Hemodialysis Projects

A) Criterion 1110.1430 (b) (1) (2) (3) (5) - 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 4 ESRD stations by 2020 in the HSA-01 ESRD Planning Area per the June 2018 Inventory Update.

2) Service to Planning Area Residents

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

The Applicants have stated: *“Dialysis Care Center Rockford will be located in HSA-01, the sole provider of dialysis in Rockford, IL is DaVita Dialysis. Specifically considering the location we are proposing in central Rockford, there are no providers other than DaVita within a 30-minute drive. This monopoly in the Rockford area prevents dialysis-dependent individuals any agency in their healthcare. As most patients spend 12 hours per week on average dialyzing in-center, this restriction is significant as it denies patients a choice in where they are receiving treatment that will determine their quality and longevity of life. To allow this monopoly to continue in the Rockford area will negatively affect the health and wellness of this community.”*

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

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

The State Board requires that the projected referrals include the following information

- i) The physician's total number of patients (by facility and zip code of residence) who have received care at existing facilities located in the area, as reported to The Renal Network at the end of the year for the most recent three years and the end of the most recent quarter;
- ii) The number of new patients (by facility and zip code of residence) located in the area, as reported to The Renal Network, that the physician referred for in-center hemodialysis for the most recent year;
- iii) An estimated number of patients (transfers from existing facilities and pre-ESRD, as well as respective zip codes of residence) that the physician will refer annually to the applicant's facility within a 24-month period after project completion, based upon the physician's practice experience. The anticipated number of referrals cannot exceed the physician's documented historical caseload;
- iv) An estimated number of existing patients who are not expected to continue requiring in-center hemodialysis services due to a change in health status (e.g., the patients received kidney transplants or expired);
- v) The physician's notarized signature, the typed or printed name of the physician, the physician's office address and the physician's specialty;

- vi) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services; and
- vii) Each referral letter shall contain a statement attesting that the information submitted is true and correct, to the best of the physician's belief.

The Applicants submitted one referral letter signed by Dr. Talal Mahmood, M.D., containing referral information for both himself and his colleague, Dr. Krishna Manda M.D., attesting to the provision of care to 94 Stage 4 pre-ESRD patients through the Kidney Care Center, Rockford. It is estimated that approximately 58 of these patients will require in-center hemodialysis services by project completion (December 2019). Additional information provided shows the Applicants have referred patients to these facilities. As stated above the projected referrals cannot exceed the historical referrals. For this Application for Permit the projected referrals exceed the historical referrals.

TABLE THREE				
Facilities for Patient Referrals				
Facility	City	2016	2017	2018
Davita Rockford	Rockford	1	1	
DaVita Stonecrest	Rockford	2	5	
DaVita Rockton Ave.	Rockford	1	2	1
DaVita Roxbury	Rockford	1	1	1
DaVita Machesney Park	Machesney Park	1		
DaVita Belvedere	Belvedere			1
DaVita Churchview				1
TOTAL		6	9	4
Historical referrals from other than In-Stage Dialysis Clinics cannot be accepted. Revised June 29, 2018 in supplemental information.				

State Board Staff Notes: The Applicants identified 58 patients that are currently on Home Dialysis. The State Board Staff did not accept these patients as historical referrals and have not been considered when evaluating the need for this project.

5) Service Accessibility

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

- i) The absence of the proposed service within the planning area;
- ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;
- iii) Restrictive admission policies of existing providers;
- iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;
- iv) For purposes of this subsection (c) (5) only, all services within the 30-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

1. There is no absence of the proposed service within the planning area as there are 15 existing dialysis facilities in the HSA I ESRD Planning Area.
2. There has been no evidence of the access limitations due to payor status of the patients.
3. There has been no evidence of restrictive admission policies of existing providers.
4. There has been no evidence that the area population and existing care system exhibits indicators of medical care problems.
5. There are 7 facilities within 30 minutes of the proposed facility. Of these facilities, three are in ramp-up or not fully operational. The operating capacity at the remaining four facilities is 80%
(See Table at the end of this report)

In summary, the State Board has estimated an excess of 4 stations in the HSA I ESRD Planning Area by 2020. Additionally the Applicants have not documented sufficient historical referrals to warrant the number of stations being requested. Based on the State Board Staff's review of the information provided by the Applicants, it appears that the need for additional stations is based on the need to provide a choice of dialysis service providers in a perceived monopolized market held by DaVita. The Applicants have not met the requirements of this criterion.

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

B) Criterion 1110.1430 (c) - 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 seven facilities within 30 minutes of the proposed facility (See Table 7). Of these facilities, three are in ramp-up and the remaining four facilities the average utilization is approximately 80%.
 2. To determine a **mal-distribution (i.e. surplus) of stations** in the thirty (30) minute service area the State Board compares the ratio of the number of stations per population in the thirty (30) minute service area to the ratio of the number of stations in the State of Illinois to the population in the State of Illinois. To determine a surplus of stations the number of stations per resident in the thirty-minute service area must be 1.5 times the number of stations per resident in the State of Illinois.

	Population	Stations	Ratio
30 Minute Service Area	295,594	110	1 Station per every 2,687 residents
State of Illinois (2015 est.)	12,978,800	4,818	1 Station per every 2,694 residents

The population in the 30-minute service area is 295,594 residents. The number of stations in the 30-minute service area is 110. The ratio of stations to population is one (1) station per every 2,687 residents in this 30-minute service area. The number of stations in the State of Illinois is 4,818 stations (*as of June 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 2,694 resident. To have a surplus of stations in this thirty (30) minute service area the number of stations per population would need to be one (1) station per every 1,796 residents. Based upon this methodology there is no surplus of stations in this service area.

3. The applicants stated the following regarding the **impact on other facilities**. *“The proposed dialysis facility will not have an adverse impact on existing facilities in the proposed geographic service area. All the identified patients will be referrals from identified physicians and are on pre-ESRD list. **No patients will be transferred from other existing dialysis facilities.** The proposed dialysis facility will not lower utilization of other area providers that are operating below the target utilization standard.”* Board Staff reiterates that the facility will be in HSA-01 where there is an excess of four stations based on the monthly updates to the Inventory of Health Care Facilities and Services as of April, 2018.

In summary, there are seven facilities within 30 minutes with three facilities are in ramp up and the remaining four facilities are operating at 80% utilization. Based upon the State Board’s methodology there is no surplus of stations in this 30-minute service area. Based upon the information provided and reviewed by the State Board Staff, the Applicants have not met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE, MALDISTRIBUTION OF SERVICE IMPACT ON OTHER FACILITIES (77 ILAC 1110.230 (c) (1) (2) and (3))

C) Criterion 1110.230 (e) - Staffing

To demonstrate compliance with this criterion the applicants must document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and Joint Commission staffing requirements can be met.

The proposed facility will be staffed in accordance with all State and Medicare staffing requirements. Dr. Talal Mahmood M.D. will serve as the Medical Director for Dialysis Care Center Rockford, with Dr. Krishna Manda serving as staff physician. Physician curriculum vitas for both physicians were provided as required.

The Applicants stated the following:

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

Upon opening we will also employ:

- Part-Time Registered Dietician
- Part-Time Registered Master Level Social Worker (MSW)
- Part-Time Equipment Technician
- Part-Time Secretary

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

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

All patient care staff and licensed/ registered professionals will meet the State of Illinois requirements. Any additional staff hired must also meet these requirements along with completing an orientation training program. Annually all clinical staff must complete OSHA training, compliance training, CPR certification, skills competency, CVC competency, water quality training and pass the competency exam. Dialysis Care Center Rockford will maintain at least a 4 to 1 patient-staff ratio at all times on the treatment floor. A RN will be at the facility at all times when the facility is operational.”

DaVita Inc. expressed concern with this staffing plan and stated the following:

*“The Medicare Conditions of Participation require registered nurses to have "at least 12 months of experience in facility nursing, and [at least] an **additional 3 months of experience in providing nursing care to patients on maintenance dialysis**. Dialysis Care Centers has no in-center dialysis presence within Rockford or anywhere in Winnebago County. The only meaningful option to comply with the Medicare Conditions of Participation would be to recruit registered nurses from*

existing clinics in the area. In fact, Dialysis Care Center has already contacted DaVita teammates in the Rockford area about working at the proposed DCC Rockford facility.”

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 ILAC 1110.230(e))

D) Criterion 1110.1430(f) - Support Services

To demonstrate compliance with this criterion the applicants must submit a certification from an authorized representative that attests to each of the following:

- 1) Participation in a dialysis data system;
- 2) Availability of support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and
- 3) Provision of training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training provided at the proposed facility, or the existence of a signed, written agreement for provision of these services with another facility.

The applicants have provided the necessary attestation as required at page 120 of the application for permit.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SUPPORT SERVICES (77 ILAC 1110.230(f))

E) Criterion 1110.1430(g) - 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 Rockford 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 1110.230(g))

F) Criterion 1110.1430(h) - Continuity of Care

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

The applicants have provided a signed transfer agreement with Swedish American Hospital, Rockford. A positive finding results for this criterion

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CONTINUITY OF CARE (77 ILAC 1110.230(h))

G) Criterion 1110.1430(j) - Assurances

To demonstrate compliance with this criterion the representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that:

- 1) By the second year of operation after the project completion, the applicant will achieve and maintain the utilization standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal; and
- 2) An applicant proposing to expand or relocate in-center hemodialysis stations will achieve and maintain compliance with the following adequacy of hemodialysis outcome measures for the latest 12-month period for which data are available:
≥ 85% of hemodialysis patient population achieves urea reduction ratio (URR) ≥ 65%
and ≥ 85% of hemodialysis patient population achieves Kt/V Daugirdas II 1.2.

The necessary attestation has been provided at page 145 of the application for permit. However the State Board Staff was unable to accept the attestation as the number of historical referrals does not support the number of projected referrals.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.230(j))

X. Financial Viability

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

A) Criterion 1120.120 – 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 of \$496,000 and the FMV of leased space in the amount of \$865,266. The lease is an operating lease to be paid over the life of the facility.

The Illinois Health Planning Act asks that Applicants have financial resources to adequately provide a proper service for the community. By rule an Applicant must provide evidence that they have sufficient resources to meet the purpose of the Act. To determine whether the Applicants for this project had sufficient financial resources the Board Staff contacted the Applicants Bank to verify that the information submitted in a Bank Letter. The Applicants did provide a letter from Chase Bank (see project file), attesting to the applicants banking history, and confirming the balance of a checking account on February 14, 2018. The Board Staff spoke to Chase Bank and discussed with the Bank the letter received by the State Board in February 2018. That letter provided the account number and the amount of funds currently available to fund the approved and proposed dialysis projects. At that time the Applicants had in excess of \$10 million in the account. Chase Bank stated that the letter was prepared by the Bank's attorney specifically for the certificate of need process.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 ILAC 1120.120)

B) Criterion 1120.130 - Financial Viability

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

The applicants are funding the project with cash of \$496,000 and the FMV of leased space in the amount of \$865,266. The Applicants stated that approximately 64% of the revenue for this facility will come from Medicare, 3% from Medicaid and the balance from commercial insurance (33%).

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

The Applicants provided projected financial ratios for the new entity (DCC-Rockford) and the historical information for DCC – Holdings, Inc. as required as well as supporting information. The information is not audited and the Applicants have stated that audited statements are not needed because they do not have any debt. The Applicants do not meet all of the financial ratios for the new entity for the first year of operation. Financial ratios and supporting documentation is provided at the end of this report.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 ILAC 1120.130)

XI. Economic Feasibility

A) Criterion 1120.140(a) – Reasonableness of Financing Arrangements

B) Criterion 1120.140(b) – Terms of Debt Financing

To demonstrate compliance with these criteria the applicants must document that leasing of the space is reasonable. The State Board considers the leasing of space as debt financing.

The applicants are funding the project with cash of \$496,000 and the FMV of leased space in the amount of \$865,266. The operating lease is considered debt financing under current State Board rule. The term of the lease is for ten years with no renewal options stated. The base rent is \$23.95 for the first year, with annual 2.5% increases for years six thru ten. The lease terms appears reasonable.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 ILAC 1120.140 (a)&(b))

C) Criterion 1120.140(c) – Reasonableness of Project Costs

To demonstrate compliance with this criterion the applicants must document that the project costs are reasonable by the meeting the State Board Standards in Part 1120 Appendix A.

Some State Board Standards are not applicable to this project. The Applicants have submitted an Application for Permit that did not include costs for new construction or modernization. Contingency and Architectural and Engineering Fees are a percentage of

new construction and modernization costs, and their applicability to the State Board standard is contingent upon New Construction/Modernization 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 \$248.05 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 \$6.38 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))

SAFETY NET IMPACT STATEMENT

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

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

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

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

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

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

For Option A – Statewide

- Blue Cross Blue Shield of Illinois – *Yes, Contracted with both Medicaid and dual eligible*
- Harmony Health Plan – *Yes, submitted contracting application on 3/29/18; awaiting on approval from plan*
- IlliniCare Health Plan – *Yes, submitted contracting application on 3/26/18; awaiting on approval from plan*
- Meridian Health – *Yes, submitted contracting application on 3/28/18; awaiting on approval from plan*
- Molina Healthcare of IL – *Yes, submitted contracting application on 3/29/18; awaiting on approval from plan*

For Option B – Cook County Only

- CountyCare Health Plan – *Yes, submitted contracting application on 5/7/18; awaiting on approval from plan*
- NextLevel Health. *Yes, submitted contracting application on 3/27/18; awaiting on approval from plan*

For DCFS Youth

- IlliniCare Health Plan – *N/A as we do not currently accept Pediatric patients*

TABLE FOUR
Facilities within 30 minutes of proposed facility

Facility	Ownership	City	Adjusted Time ⁽¹⁾	Stations ⁽²⁾	Occupancy ⁽³⁾	Star Rating ⁽⁴⁾	Met Standard?
Churchview Dialysis	Davita	Rockford	3.45	24	59.03%	4	No
Roxbury Dialysis	Davita	Rockford	4.6	16	87.50%	5	Yes
Stonecrest Dialysis	Davita	Rockford	12.65	12	98.61%	5	Yes
Rockford Memorial Hospital	DaVita	Rockford	23	22	73.48%	N/A	Yes
					79.66%		
Forest City Rockford	DaVita	Rockford	28.75	12	22.22%	N/A	No
Machesney Park Dialysis (10/2018)	Davita	Machesney Park	16.1	12	62.50%	N/A	No
Belvidere Dialysis	Davita	Belvidere	11.5	12	44.44%	N/A	No
Totals/Averages				110	63.97%		
<ol style="list-style-type: none"> 1. Adjusted time per MapQuest 2. Stations as of March 31, 2018 3. Occupancy as of March 31, 2018 4. Star Rating taken from the M 							

**TABLE FIVE
DCC-Rockford LLC
Projected Ratios**

		State Standard	Inception	YE1	YE2
Current Ratio	$\frac{\text{Current Asset}}{\text{Current Liabilities}}$	2.0	11.5	7.2	8.1
Net Margin %	$\frac{\text{Net Revenue}}{\text{Net Patient Revenue}}$	3.5%	-383.3%	2.83%	11.91%
LTD to Capitalization	$\frac{\text{LTD}}{\text{LTD} + \text{Equity}}$	<50%	0	0	0
Projected Debt Service	$\frac{\text{NI} + \text{Dep} + \text{Interest}}{\text{Principle Payment} + \text{Interest Expense}}$	>1.75	0	0	0
Days Cash On Hand	$\frac{\text{Cash} + \text{Investments}}{\text{Operating Expense} - \text{Dep Expense}/365 \text{ days}}$	>45 Days	349	220	247
Cushion Ratio	$\frac{\text{Cash} + \text{Investments}}{\text{Principle Pay} + \text{Interest Expense}}$	>3.0	0	0	0

TABLE SIX
DCC-Rockford, LLC
Pro-forma Income Statement

	Inception	Year 1	Year 2
Patients	5	45	58
Treatments	726	6,534	8,422
Revenue	\$202,155	\$1,883,106	\$2,512,682
Average Rev/Treatment	\$279	\$288	\$298
Expenses			
Personnel	\$556,000	\$823,604	\$991,136
Total Supplies	\$47,190	\$434,054	\$561,089
Total Facilities Expenses	\$307,019	\$443,099	\$506,925
Total Initial Fees	\$5,025	\$0.00	\$0.00
Depreciation	\$53,690	\$53,690	\$53,690
Overhead-3% of Rev	\$6,065	\$56,493	\$75,380
Write Offs - 1% of Rev	\$2,022	\$18,831	\$25,127
Total Expenses	\$977,011	\$1,829,771	\$2,213,347
Income (Loss)	-\$774,856	\$53,335	\$229,335

**TABLE SEVEN
DCC-Holdings, LLC
Financial Ratios**

		State Standard	2016	2017
Current Ratio	$\frac{\text{Current Asset}}{\text{Current Liabilities}}$	2.0	18.5	50.7
Net Margin %	$\frac{\text{Net Revenue}}{\text{Net Patient Revenue}}$	3.5%	9.5%	11.29%
LTD to Capitalization	$\frac{\text{LTD}}{\text{LTD} + \text{Equity}}$	<50%	49.8%	52.01%
Projected Debt Service	$\frac{\text{NI} + \text{Dep} + \text{Interest}}{\text{Principle Payment} + \text{Interest Expense}}$	>1.75		
Days Cash On Hand	$\frac{\text{Cash} + \text{Investments}}{\text{Operating Expense} - \text{Dep Expense}/365 \text{ days}}$	>45 Days	870	400
Cushion Ratio	$\frac{\text{Cash} + \text{Investments}}{\text{Principle Pay} + \text{Interest Expense}}$	>3.0		

TABLE EIGHT
DCC-Holdings LLC
For the Period Ended December 31
Income Statement
(unaudited)

INCOME	2016	2017
Fee for Service	\$19,295,839	\$47,089,727
Insurance Returns	\$0	\$0
Total Income	\$19,295,839	\$47,089,727
EXPENSES		
Auto & Travel Expenses	\$261,158	\$358,494
Charitable contribution	\$9,207	\$579,975
Compensation, Related Taxes & Benefits	\$236,998	\$8,113,968
Computer & IT Cost	\$5,145,487	\$276,358
Equipment Rentals	\$179,473	\$1,166,519
Insurance	\$20,606	\$77,456
Legal & Professional Fee	\$480,685	\$174,511
Medical Services	\$53,946	\$753,492
Medical Supplies	\$256,344	\$8,676,385
Office Supplies	\$244,310	\$384,891
Other Expenses	\$5,549,792	\$191,601
Rent	\$310,395	\$1,113,541
Repairs	\$80,665	\$125,372
Telephone Expense	\$838,108	\$132,383
Provision for Bad Debt	\$49,207	\$15,962,414
Utilities	\$2,492,788	\$90,188
Total Expenses	\$153,678	\$38,177,548
EARNINGS BEFORE TAXES & DEPRECIATION	\$16,362,847	\$8,912,179
IL Corporation Tax	\$129,344	\$346,910
Interest	\$0	\$0
Depreciation	\$154,880	\$189,860
NET PROFIT	\$2,648,769	8,375,409
Non-Controlling Interest	\$816,447	\$3,059,793
Profit	\$1,832,323	\$5,315,616

TABLE NINE
DCC Holdings, LLC
Balance Sheet
(unaudited)
As of

		<u>12/31/2016</u>	<u>12/31/2017</u>
Current Assets			
Bank	\$6,182,596		\$10,851,261
Prepayment	\$0		\$43,632
Account Receivables	<u>\$5,962,414</u>		<u>\$14,742,759</u>
		\$12,145,010	\$25,637,652
Fixed Assets			
Assets	\$1,762,147		\$1,943,826
Depreciation	<u>-\$867,888</u>		<u>-\$1,018,785</u>
		\$894,259	\$925,041
Other Assets			
Deposit	\$101,387		\$24,553
Transfers	<u>\$783,352</u>		<u>\$1,630,239</u>
		\$884,739	\$1,654,792
Total Assets		\$13,924,008	\$28,217,485
Current Liabilities			
Accounts Payable	\$528,783		\$142,975
Income Tax	<u>\$129,344</u>		<u>\$363,162</u>
		\$658,127	\$506,137
Long Term Liabilities ⁽¹⁾			
BCBS	\$6,606,545		\$14,412,145
Transfers	<u>\$0</u>		<u>\$0</u>
		\$6,606,545	\$14,412,145
Capital			
HD5 Holdings	-\$9,399,212		-\$7,501,711
Non Controlling	-\$979,729		-\$1,552,980
Retained Earnings	\$15,205,955		\$17,038,278
Net Income	<u>\$1,832,323</u>		<u>\$5,315,616</u>
		\$6,659,337	\$13,299,203
Total Liabilities & Partners Capital		\$13,924,008	\$28,217,484

1. BCBS refers to Blue Cross and Blue Shield. In discussions with the Applicants it is the Staffs understanding that BCBS the Applicants bill at the charge rate and then BCBS pays at the negotiated rate.

TABLE TEN
Explanation of Financial Ratios

Ratio	Formula	State Standard	Explanation
Current Ratio	Current Asset	2	For every \$1 in current liabilities there is \$2 in current assets
	Current Liabilities		
Net Margin %	Net Income	3.50%	For every \$1 in revenue there is 3.5 cents in net profit
	Net Patient Revenue		
LTD to Capitalization	Long Term Debt	<50%	For every \$1 in Long Term Debt there must be \$2 in Long Term Debt + Equity
	Long Term Debt + Equity		
Projected Debt Service	NI+Dep+Interest	>1.75	For every \$1 in Principle and Interest there must be \$1.75 of Cash
	Principal Payment + Interest Expense		
Days Cash on Hand	Cash + Investments	>45 Days	An Applicant must have sufficient cash to pay operating expenses without receiving any additional revenue for 45 days.
	Operating Expense-Dep Expense/365 days		
Cushion Ratio	Cash + Investments	>3	For every \$1 in Principle and Interest there must be \$3 in Cash and Investments
	Principal Payment + Interest Expense		

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