



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

<b>DOCKET NO:</b> H-03	<b>BOARD MEETING:</b> June 5, 2018	<b>PROJECT NO:</b> 18-001	<b>PROJECT COST:</b>
<b>FACILITY NAME:</b> Garfield Kidney Center		<b>CITY:</b> Chicago	Original:\$6,209,342
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA:</b> VI

**PROJECT DESCRIPTION:** The Applicants (DaVita Inc. and Total Renal Care Inc.) propose to discontinue a 16-station dialysis facility located at 3250 West Franklin Boulevard, Chicago, Illinois and establish a 24-station facility at 408 - 418 North Homan Avenue, Chicago, Illinois. The cost of the project is \$6,209,342 and the expected completion date is June 30, 2020.

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- The Applicants (DaVita Inc. and Total Renal Care Inc.) propose to discontinue a 16-station dialysis facility located at 3250 West Franklin Boulevard, Chicago, Illinois and establish a 24-station facility at 408 - 418 North Homan Avenue, Chicago, Illinois. The cost of the project is \$6,209,342 and the expected completion date is June 30, 2020.

### WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Applicants propose 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. **No letters of support or opposition** were received by the State Board Staff.

### SUMMARY:

- The State Board has estimated **a need for 43 stations in the HSA VI ESRD Planning Area** by 2020. In addition, the State Board is estimating a 6.6% growth compounded annually in the number of ESRD patients from 2015 to 2020 or approximately 33% for this five year period (Table Two). Garfield Kidney Center (16-stations) is currently operating 4-shifts per day with a utilization of approximately 105%. The existing facility cannot add stations because of the footprint of the existing building. Parking for patients and staff is limited and because of the high utilization (105%) the last dialysis patients do not finish until after midnight resulting in security concerns for both patients and staff.
- The proposed facility (24-stations) will be located in a health professional shortage area and a medically underserved area approximately 2 minutes from the existing location. There are 32 dialysis facilities within 30-minutes of the proposed facility. Two of the facilities are in ramp-up and not fully operational. The remaining 30 facilities are operating at approximately 73% utilization. It does not appear that an unnecessary duplication of service will result with the relocation and the addition of stations because there is a calculated need for stations in the planning area; the existing facility is operating at 105% and cannot expand, and there appears to be sufficient workload (demand) to accommodate the 24-stations being requested.
- The Applicants addressed a total of 22 criteria and have successfully addressed them all.

**STATE BOARD STAFF REPORT**  
**Project 18-001**  
**Garfield Kidney Center**

<b>APPLICATION/CHRONOLOGY/SUMMARY</b>	
Applicants	DaVita Inc and Total Renal Care, Inc.
Facility Name	Garfield Kidney Center
Location	408 - 418 North Homan Avenue, Chicago, Illinois
Permit Holder	DaVita Inc and Total Renal Care, Inc.
Operating Entity	Total Renal Care, Inc.
Owner of Site	Clark Street Real Estate LLC
Total GSF	10,450
Application Received	January 3, 2018
Application Deemed Complete	January 8, 2018
Review Period Ends	May 8, 2018
Financial Commitment Date	June 5, 2020
Project Completion Date	June 30, 2020
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	No

**I. Project Description**

The Applicants (DaVita Inc. and Total Renal Care Inc.) propose to discontinue a 16-station dialysis facility located at 3250 West Franklin Boulevard, Chicago, Illinois and establish a 24-station facility at 408 - 418 North Homan Avenue, Chicago. The cost of the project is \$6,209,342 and the expected completion date is June 30, 2020.

**II. Summary of Findings**

- A. State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

**III. General Information**

The Applicants are DaVita Inc. and Total Renal Care, Inc. DaVita Inc, a Fortune 500 company, is the parent company of Total Renal Care, Inc. DaVita Inc. is a leading provider of kidney care in the United States, delivering dialysis services to patients with chronic kidney failure and end stage renal disease. DaVita serves patients with low incomes, racial and ethnic minorities, women, handicapped persons, elderly, and other underserved persons in its facilities in the State of Illinois. The operating entity will be Total Renal Care, Inc, and the owner of the site is Clark Street Real Estate LLC. Financial commitment will occur after permit approval.

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

**TABLE ONE**  
**DaVita ESRD Projects Approved by the State Board**

<b>Project Number</b>	<b>Name</b>	<b>Project Type</b>	<b>Completion Date</b>
15-048	Park Manor Dialysis	Establishment	08/31/2018
15-054	Washington Heights Dialysis	Establishment	09/30/2018
16-015	Forest City Rockford	Establishment	06/30/2018
16-023	Irving Park Dialysis	Establishment	08/31/2018
16-033	Brighton Park Dialysis	Establishment	10/31/2018
16-036	Springfield Central Dialysis	Relocation	03/31/2019
16-037	Foxpoint Dialysis	Establishment	07/31/2018
16-040	Jerseyville Dialysis	Expansion	07/31/2018
16-041	Taylorville Dialysis	Expansion	07/31/2018
16-051	Whiteside Dialysis	Relocation	03/31/2019
17-032	Illini Renal	Relocation/Expansion	05/31/2019
17-040	Edgemont Dialysis	Establishment	05/31/2019
17-053	Ford City Dialysis	Establishment	08/31/2019
17-049	DaVita Northgrove Dialysis	Establishment	07/31/2019
17-063	DaVita Hickory Creek Dialysis	Establishment	04/30/2020
17-064	DaVita Brickyard Dialysis	Establishment	10/31/2019

**IV. Health Planning Area**

The proposed facility will be located at 408 - 418 North Homan Avenue, Chicago, Illinois 60624. This facility will be located in a designated health professional shortage area and a medically underserved area. This planning area includes the City of Chicago. As of April 2018 the State Board is estimating a need for an additional 43 stations. Additionally, the State Board is estimating that a total of 6,498 patients will need dialysis by 2020 in this planning area. This growth is an approximately 33% increase from 2015.

<b>TABLE TWO</b>	
<b>Need Methodology HSA VI ESRD Planning Area</b>	
Planning Area Population – 2015	2,713,100
In Station ESRD patients -2015	4,886
Area Use Rate 2015 <sup>(1)</sup>	1.907
Planning Area Population – 2020 (Est.)	2,562,700
Projected Patients – 2020 <sup>(2)</sup>	4,886
Adjustment	1.33
Patients Adjusted	6,498
Projected Treatments – 2020 <sup>(3)</sup>	1,013,747
Calculated Station Needed <sup>(4)</sup>	1,353
Existing Stations	1,310
<b>Stations Needed-2020</b>	<b>43</b>
1. Usage rate determined by dividing the number of in-station ESRD patients in the planning area by the 2015 – planning area population	

<b>TABLE TWO</b>	
<b>Need Methodology HSA VI ESRD Planning Area</b>	
	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
4.	$1,013,747/747 = 1,353$
5.	$936 \times 80\% = 747$ [Number of treatments per station operating at 80%]

**V. Project Costs and Sources of Funds**

The Applicants are funding this project with cash in the amount of \$2,855,436 the fair market value of a lease (FMV) of 2,854,670 and the book value of existing equipment of \$499,236

<b>TABLE THREE</b>			
<b>Project Costs and Sources of Funds</b>			
Uses of Funds	Reviewable	Total	% of Total
New Construction Contracts	\$1,935,298	\$1,935,298	31.16%
Contingencies	\$110,000	\$110,000	1.78%
Architectural/Engineering Fees	\$137,113	\$137,113	2.20%
Consulting and Other Fees	\$69,463	\$69,463	1.11%
Movable or Other Equipment (not in construction contracts)	\$603,562	\$603,562	9.72%
Fair Market Value of Leased Space or Equipment	\$2,854,670	\$2,854,670	45.97%
Other Costs To Be Capitalized (Net Book Value of Existing Equipment)	\$499,236	\$499,236	8.06%
<b>Total Uses of Funds</b>	<b>\$6,209,342</b>	<b>\$6,209,342</b>	<b>100.00%</b>
Sources of Funds	Reviewable	Total	% of Total
Cash and Securities	\$2,855,436	\$2,855,436	45.98%
Leases (fair market value)	\$2,854,670	\$2,854,670	45.96%
Other Funds and Sources (Net Book Value of Existing Equipment)	\$499,236	\$499,236	8.06%
<b>Total Sources of Funds</b>	<b>\$6,209,342</b>	<b>\$6,209,342</b>	<b>100.00%</b>

## VI. Discontinuation

### A) **Criterion 1110.130 (a) (b) (c) – Discontinuation**

To demonstrate compliance with this criterion the Applicants must document the reasons for the discontinuation and provide data that verifies the need for the proposed action.

Garfield Kidney Center is currently operating at approximately 105% occupancy. Due to the size of the existing facility (7,705 GSF), there is no room to expand the facility within the current footprint of the building. The Applicants stated:

*“To accommodate the current demand for dialysis services, the facility operates four shifts six days a week rather than the more optimal care delivery model of three shifts per day, six days a week. This high occupancy results in the fourth shift of patients receiving treatment past midnight. This is suboptimal particularly considering that dialysis patients are suffering from a chronic illness and are often frail and elderly. It is also undesirable for patients, their transporters and staff, from a security perspective given the high crime rate in the City of Chicago. East Garfield Park has one of highest crime rates in the City of Chicago, and staff and patients are more vulnerable to becoming victims of a violent crime when arriving and departing the facility during evening and late night hours. When a fourth shift is operated, the dialysis facility operates nearly around the clock with staff opening the facility around 5:00 a.m. and closing it past midnight. Further, staffing a fourth shift is difficult for clinic personnel. Patients, many of whom rely on assistive devices, such as canes and walkers, are faced with additional safety hazards when arriving and departing the facility in the dark.”*

The Applicants own the building that houses the existing facility at 3250 West Franklin Boulevard, Chicago, Illinois 60624. Upon relocation of the existing facility operations to the replacement facility, the Applicants plan to sell the building, most likely to a nearby business to use the site as potential parking. Should the proposed project be approved all medical records will be transferred to the proposed new location. There will be no impact on access as the Applicants intent is to relocate the existing facility to 408 - 418 North Homan Avenue, Chicago, Illinois approximately 2-minutes from the existing site.

It would appear based upon the information submitted in the Application for Permit and reviewed by the State Board Staff the proposed discontinuation is warranted. [Application for Permit pages 51-52]

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION DISCONTINUATION (77 ILAC 1110.130)**

## VII. 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*<sup>1</sup> 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 Total Renal Care, Inc, during the three (3) years prior to filing the application. [Application for Permit page 63] A listing of all facilities owned and operated by the Applicants in Illinois has been provided at pages 59-62 of the Application for Permit.
2. The Applicants have authorized the Illinois Health Facilities and 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 discontinue an 18-station ESRD facility establish a 24-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 63]
3. Total Renal Care, Inc. will be the operator of Garfield Kidney Center. Total Renal Care, Inc. is a wholly owned subsidiary of DaVita Inc. 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. 30). Total Renal Care, Inc's Illinois Certificate of Good Standing has been provided at Application for Permit page 31.
4. The site is owned by Clark Street Realty, LLC and evidence of this can be found at pages 32-37 of the application for permit in the Letter of Intent to lease the property at 408 - 418 North Homan Avenue, Chicago, Illinois.
5. The Applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for*

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<sup>1</sup> "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)

*regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.*

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))**

## **VIII. Purpose of the Project, Safety Net Impact, Alternatives to the Project**

### **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.**

There is a need for 43 dialysis stations in the City of Chicago, the highest demand for additional dialysis stations in the entire State of Illinois. The purpose of the project is to meet this need and to improve access to life sustaining dialysis services to residents of East Garfield Park and the surrounding communities. The Applicants propose to discontinue the Existing Facility and establish a 24-station facility Replacement Facility 1/3 mile, or 2 minutes, away. The site of the Replacement Facility is located in a Health Professional Shortage Area (HPSA) and a low income Medically Underserved Area (MUA), as designated by the Health Resources & Services Administration. [Application for Permit pages 65-82]

### **B) Criterion 1110.230(b) - Safety Impact Statement**

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

A Safety Net Impact Statement has been provided as required. See 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 believe they had no other options in determining to relocate Garfield Kidney Center. The physical space is inadequate for overall operations and cannot accommodate expansion which is needed to address the demand in the HSA for an additional 43 stations. There is an inadequate number of parking spaces to accommodate all visitors and teammates. Further, the Garfield GSA has experienced significant growth over the past three years, with patient census increasing 3.3% annually (or total increase of 10% from September 2014 to September 2017). Assuming historical utilization trends continue, the existing facilities are anticipated to reach 80% utilization by the time the Replacement Facility comes online. Accordingly, the Replacement Facility is needed to ensure current and future ESRD patients in East Garfield Park have adequate access to dialysis services. [Application for Permit pages 83-84]

**IX. Size of the Project, Project Utilization, 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 the State Board Standards published in Part 1110 Appendix B.

The Applicants propose 24 stations in 10,450 GSF of space. The State Board Standard is 450-650 GSF per station or 15,600 GSF of space. The Applicants have successfully addressed this criterion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 ILAC 1110.234 (a))**

**B) Criterion 1110.234 (b) – Projected Utilization**

To demonstrate compliance with this criterion the Applicants must document that the proposed 24-stations will be at target occupancy of 80% within 2-years after project completion.

*The Applicants stated: “Ogbonnaya Aneziokoro, M.D., the Medical Director for the Existing Facility, anticipates all 106 current patients will transfer their care to the Replacement Facility particularly given the close proximity of the Replacement Facility to the Existing Facility. Furthermore, Dr. Aneziokoro is currently treating 92 CKD patients, who all reside within either the ZIP code of the Replacement Facility (60624), or 2 adjacent ZIP codes (60612 and 60644), with 41 coming from 60624, the ZIP code of the Replacement Facility. Conservatively, based upon attrition due to patient death, transplant, or return of function, it is projected that at least 18 of these 41 pre-ESRD patients from the 60624 ZIP code will require dialysis within the next 12 to 24 months. Thus, at least 124 patients will receive treatment at the Replacement Facility within 24 months of project completion.”*

If all 106 current patients transfer to the proposed new facility and 18 pre-ESRD patient require dialysis as predicted the proposed facility will be at target occupancy of 80% within 2-years after project completion. The Applicants have successfully addressed this criterion.

$$\begin{aligned} 124 \text{ patients} \times 156 \text{ treatments per year} &= 19,344 \text{ treatments} \\ 24 \text{ stations} \times 936 \text{ treatments per year} &= 22,464 \text{ treatments} \\ 19,344 \text{ treatments} \div 22,464 \text{ treatments} &= 86.11\% \end{aligned}$$

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

**C) Criterion 1110.234 (e) – Assurances**

To demonstrate compliance with this criterion the Applicants must attest that the proposed project will be at target occupancy within 2-years after project completion.

The Applicants have provided the necessary attestation at page 131 of the Application for Permit.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.234(e))**

**X. In-Center Hemodialysis Projects**

**A) Criterion 1110.1430 (b)(1) & (3)**

This criterion has been addressed earlier in this report.

**B) Criterion 1110.1430(c) - Planning Area Need**

**To demonstrate compliance with this criterion the Applicants must document that the number of stations to be established or added is necessary to serve the planning area's population.**

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

**To demonstrate compliance with this sub-criterion the Applicants must document that the number of stations to be established is in conformance with the projected station need.**

The State Board is estimating a calculated need for 43 ESRD stations in the HSA VI ESRD Planning Area per the April 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 purpose of the project is to meet this need and to ensure that the ESRD patient population of East Garfield Park in Health Service Area VI has access to life sustaining dialysis. Per the Applicants all 106 ESRD patients of the existing facility are expected to transfer their care to the replacement facility. The 41 pre-ESRD patients anticipated to initiate dialysis within two years of project completion reside in the ZIP code (60624) of the Replacement Facility.

### 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 18 of the 41 pre-ESRD patients from the 30-minute service area will require dialysis services within 12-24 months of project completion for a total of 124 patients receiving dialysis at the replacement facility.

### 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 66 ESRD facilities with 1,310 stations in the HSA VI ESRD Planning Area as of April 2018.
2. There has been no documentation provided that there are access limitations due to payor status of patients in the HSA VI ESRD Planning Area because all ESRD facilities approved by the State Board accept Medicare and Medicaid patients.
3. No documentation of restrictive admission policies of existing providers has been provided by the Applicants.
4. The service area is a federally designated as a health professional shortage area, and a medically underserved area, resulting in access issues to services.<sup>2</sup>
5. There are 32 facilities within 30 minutes of the proposed facility. Of these two facilities, are in ramp up and not fully operational. The average utilization of the 30 remaining facilities is approximately 73%. (See Table Five).

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<sup>2</sup> 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

**Summary:**

There is calculated need for 43 ESRD stations as of April 2018. The proposed facility will be located in a medically underserved area and it appears the proposed facility will have a sufficient workload (demand) to justify the number of stations (24 stations) being proposed. Based upon the above it appears the 24-station facility is needed.

**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 32 facilities within 30 minutes of the proposed facility. Of these 32 facilities two facilities are in ramp up and not fully operational. The average utilization of the 30 remaining facilities is approximately 73%.

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	2,013,966	696	1 Station per every 2,894 residents
State of Illinois (2015 est.)	12,978,800	4,745	1 Station per every 2,736 residents

The population in the 30-minute service area is 2,013,966 residents. The number of stations in the 30-minute service area is 696. The ratio of stations to population is one (1) station per every 2,894 residents. The number of stations in the State of Illinois is 4,745 stations (*as of April, 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 2,736 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 1,824 residents. Based upon this methodology there is not a surplus of stations in this service area.

3. The Applicants stated the following:  
*“The proposed dialysis facility will not have an adverse impact on existing facilities in the Garfield GSA All of the identified patients will either transfer from the Existing Facility or will be referrals of pre-ESRD patients. No patients will be transferred from other existing dialysis facilities. The proposed dialysis facility*

*will not lower the utilization of other area providers that are operating below the occupancy standards.”*

**Summary**

There is not a surplus of station in this 30-minute service area based upon the methodology documented above. While there are facilities in the 30-minute service area currently operating at less than target occupancy (average 73%); it does not appear that an unnecessary duplication of service will result with the relocation of this facility and the addition of six stations as the existing facility is operating 4-shifts per day at approximately 105% utilization. In addition based upon the calculated need for stations in the HSA VI ESRD Planning Area and the high utilization of the existing 16-station facility; it does not appear that the proposed relocation and addition of stations will have an adverse impact on existing facilities in the 30-minute service area.

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

**TABLE FOUR  
Facilities within 30-minutes of Proposed Facility**

<b>Facility</b>	<b>City</b>	<b>Stations (1)</b>	<b>Adjusted Drive Time (2)</b>	<b>Occupancy (3)</b>	<b>Star Rating (4)</b>
Garfield Kidney Center	Chicago	16	1.25	104.17%	5
FMC Dialysis Services of Congress Parkway	Chicago	30	3.75	61.67%	4
Fresenius Medical Care Chicago Dialysis Center	Chicago	21	8.75	50.79%	4
Austin Community Kidney Center	Chicago	16	10	62.50%	4
West Metro Dialysis Center	Chicago	12	10	48.61%	3
Circle Medical Management	Chicago	27	11.25	74.69%	1
Mt Sinai Hospital Med Ctr	Chicago	16	13.75	91.67%	4
West Suburban Hosp. Dialysis Unit	Oak Park	46	15	88.41%	5
John H. Stroger Jr. Hospital of Cook County	Chicago	9	16.25	42.59%	NA
Neomedica Loop East Delaware	Chicago	24	16.25	38.89%	4
Mar le Avenue Kidney Center	Oak Park	18	16.25	67.59%	2
University of Illinois Hospital	Chicago	26	17.5	86.54%	3
Loop Renal Center	Chicago	28	18.75	63.69%	3
Loyola Dialysis Center	Maywood	30	18.75	81.67%	4
Davita West Side	Chicago	12	20	50.00%	3
SAH Dialysis at 26th Street	Chicago	15	20	53.33%	5
FMC Berwyn	Berwyn	30	22.5	77.78%	4
Fresenius Medical Care River Forest	River Forest	22	22.5	65.91%	4
Davita Lawndale	Chicago	16	22.5	103.13%	3
Little Village Dialysis	Chicago	16	22.5	90.63%	5
Oak Park Dialysis Center	Oak Park	12	22.5	91.67%	4
Fresenius Medical Care Logan Square	Chicago	12	23.75	86.31%	5
Logan Square Dialysis	Chicago	28	25	86.31%	5
Fresenius Medical Care West Belmont	Chicago	17	27.5	85.29%	4

**TABLE FOUR**  
**Facilities within 30-minutes of Proposed Facility**

Facility	City	Stations (1)	Adjusted Drive Time (2)	Occupancy (3)	Star Rating (4)
North Avenue Dialysis Center	Melrose Park	24	28.75	86.81%	5
Fresenius Medical Care Northcenter	Chicago	16	28.75	54.17%	5
Lincoln Park Dialysis Center	Chicago	22	28.75	66.67%	4
Fresenius Medical Care Melrose Park	Melrose Park	18	28.75	74.07%	3
Fresenius Medical Care Elmhurst	Elmhurst	28	30	66.07%	5
RCG MidAmerica - Prairie	Chicago	24	23.75	70.83%	4
Total Stations/Average Occupancy		<b>631</b>		<b>72.42%</b>	
Fresenius Medical Care of Chicago - West	Chicago	31	22.5	33.33%	NA
FMC Humboldt Park	Chicago	34	3.75	57.84%	NA
Total Stations/Average Occupancy		<b>696</b>		<b>70.74%</b>	
<ol style="list-style-type: none"> <li>1. Number of Stations as of April 2018</li> <li>2. Adjusted Drive taken from MapQuest and adjusted per 77 ILAC 1100.510 (d)</li> <li>3. Occupancy as of March 31, 2018</li> <li>4. Star Rating taken from the Medicare ESRD Compare Website [See End of Report for narrative of Star Rating]</li> </ol>					

**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.**

- a. The proposed facility will be staffed in accordance with all State and Medicare staffing requirements. Dr. Ogbonnaya Aneziokoro, M.D will serve as the Medical Director for the propose facility. A copy of Dr. Ogbonnaya Aneziokoro, M.D curriculum vitae is attached at Application for Permit pages 99-103).
  
- b. All clinical staff will transfer to the new facility if the proposed project is approved.
  
- 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. The facility will maintain an open medical staff." [Application for Permit pages 98-111]*

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

**E) Criterion 1110.1430(g) - Support Services**

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

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

The Applicants have provided the necessary attestation as required at pages 113-114 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 24-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 must document that a signed, written affiliation agreement or arrangement is in effect for the provision of inpatient care and other hospital services. Documentation shall consist of copies of all such agreements.

The Applicants have provided the necessary signed transfer agreement with Saint Anthony Hospital and Total Renal Care, Inc. as required. [See pages 117-128 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(j) – Relocation of Facilities**

To demonstrate compliance with this criterion the Applicants must document the following:

- 1) That the existing facility has met the utilization targets detailed in 77 Ill. Adm. Code 1100.630 for the latest 12-month period for which data is available; and
- 2) That the proposed facility will improve access for care to the existing patient population.

The Applicants have averaged over 100% utilization over the past 12-month period and have been operating a 4<sup>th</sup> shift. The proposed new facility will be located approximately 2-minutes from the existing facility in the same HSA VI ESRD Planning Area. It appears from the information provided in the Application for Permit, the proposed relocation is warranted.

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

**I) 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 130-132 of the application for permit.

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

**XI. 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 \$2,855,436, the FMV (Fair Market Value) of a lease in the amount of \$2,854,670 and the book value of existing equipment in the amount of \$499,236. A summary of the financial statements of the Applicants is provided below. The Applicants have sufficient cash to fund this project.

	<b>2017</b>	<b>2016</b>
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 \$2,855,436, the FMV (Fair Market Value) of a lease in the amount of \$2,854,670 and the book value of existing equipment in the amount of \$499,236. 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)**

**XII. 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 \$2,855,436, the FMV (Fair Market Value) of a lease in the amount of \$2,854,670 and the book value of existing equipment in the amount of \$499,236. The lease<sup>3</sup> is for 15-years at a base rent of \$29.63/psf<sup>4</sup> for years 1 through 5, with a 10% increase every 5years. 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))**

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<sup>3</sup> The lease is an operating lease and the lease expense is paid over the life of the lease and not depreciated.

<sup>4</sup> 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. The Applicants are proposing 10,450 GSF of clinical space.

TABLE SIX Reasonableness of Project Costs						
Item	Project Costs		State Standard		Difference [Project Costs-State Standard]	Met Standard?
New Construction Contracts <sup>(1)</sup>	\$2,045,298	\$195.72 per GSF	\$2,994,239	\$286.53 per GSF	-\$948,941	Yes
Contingencies <sup>(2)</sup>	\$110,000	5.68%	\$193,530	10.00%	-\$83,530	Yes
Architectural/Engineering Fees <sup>(3)</sup>	\$137,113	6.70%	\$191,031	9.34%	-\$53,918	Yes
Movable or Other Equipment (not in construction contracts) <sup>(4)</sup>	\$603,562	\$25,148 per Station	\$1,327,032	\$55,293 per Station	-\$723,470	Yes
Consulting and Other Fees	\$69,463					
Fair Market Value of Leased Space or Equipment	\$2,854,670			No Standard		
Other Costs To Be Capitalized (Net Book Value of Existing Equipment)	\$499,236					

1. The New Construction and Contingency State Board Standard is \$254.58 (CY 2015) and inflated by 3% to the midpoint of construction (CY 2019).
2. Contingency Standard is 10% of New Construction Costs of \$1,935,298.
3. Architectural and Engineering Fee Standard is 9.34% of new construction and contingency costs
4. Equipment Costs Standard is \$39,945 per station (CY 2008) inflated by 3% to the midpoint of construction (CY 2019)

**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 \$207.10 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 \$12.40 per treatment.

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

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

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

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

➤ Best Treatment Practices

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

➤ Hospitalization and Deaths

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

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

**TABLE SEVEN  
SAFETY NET IMPACT STATEMENT**

	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 <sup>(1)</sup>	\$2,477,363	\$2,791,566	\$2,400,299
<b>% of Charity Care/Net Patient Revenue</b>	<b>0.93%</b>	<b>0.90%</b>	<b>0.68%</b>
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
<b>% of Medicaid to Net Patient Revenue</b>	<b>3.23%</b>	<b>2.36%</b>	<b>1.33%</b>

<sup>(1)</sup> 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].

**TABLE SEVEN  
DaVita, Inc.  
(Updated)**

	2015	2016	2017
Net Patient Revenue	\$311,351,089	\$353,226,322	\$357,821,315
Amt of Charity Care (charges)	\$2,791,566	\$2,400,299	\$2,818,603
Cost of Charity Care	\$2,791,566	\$2,400,299	\$2,818,603
% of Charity Care/Net Patient Revenue	0.90%	0.68%	.78%
Number of Charity Care Patients	109	110	98
Number of Medicaid Patients	422	297	407
Medicaid	\$7,381,390	\$4,692,716	\$9,493,634
% of Medicaid to Net Patient Revenue	2.36%	1.33%	2.65%

1. 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].

The Applicants stated the following:

*“This criterion is required for all substantive and discontinuation projects. DaVita Inc. and its affiliates are safety net providers of dialysis services to residents of the State of Illinois. DaVita is a leading provider of dialysis services in the United States and is committed to innovation, improving clinical outcomes, compassionate care, education and Kidney Smarting patients, and community outreach. A copy of DaVita's 2016 Community Care report, which details Davita's commitment to quality, patient centric focus and community outreach, was included as part of its Illini Renal CON application (Proj. No. 17-032). As referenced in the report, DaVita led the industry in quality, with twice as many Four- and Five-Star centers than other major dialysis providers. DaVita also led the industry in Medicare's Quality Incentive Program, ranking No. 1 in three out of four clinical measures and receiving the fewest penalties. DaVita has taken on many initiatives to improve the lives of patients suffering from CKD and ESRD. These programs include Kidney Smart, IMPACT, CathAway, and transplant assistance programs. Furthermore, DaVita is an industry leader in the rate of fistula use and has the lowest day-90 catheter rates among large dialysis providers. During 2000 - 2014, DaVita improved its fistula adoption rate by 103 percent. Its commitment to improving clinical outcomes directly translated into 7% reduction in hospitalizations among DaVita patients. DaVita accepts and dialyzes patients with renal failure needing a regular course of hemodialysis without regard to race, color, national origin, gender, sexual orientation, age, religion, disability or ability to pay. Because of the life sustaining nature of*

dialysis, federal government guidelines define renal failure as a condition that qualifies an individual for Medicare benefits eligibility regardless of their age and subject to having met certain minimum eligibility requirements including having earned the necessary number of work credits. Indigent ESRD patients who are not eligible for Medicare and who are not covered by commercial insurance are eligible for Medicaid benefits. If there are gaps in coverage under these programs during coordination of benefits periods or prior to having qualified for program benefits, grants are available to these patients from both the American Kidney Foundation and the National Kidney Foundation. If none of these reimbursement mechanisms are available for a period of dialysis, financially needy patients may qualify for assistance from DaVita in the form of free care. The Replacement Facility will not impact the ability of other health care providers or health care systems to cross-subsidize safety net services. The Garfield GSA has experienced significant growth over the past three years, with patient census increasing 3.33% annually (or total increase of 10% from September 2014 to September 2017). Excluding Rush University Medical Center, which is a pediatric facility, and FMC Humboldt Park,<sup>17</sup> utilization of area dialysis facilities was 76%, as of September 30, 2017. Given the historical utilization trends, the existing facilities will reach 80% by September 2020, the year the Replacement Facility is projected to come online. Ogbonnaya Aneziokoro, M.D., the Medical Director for Garfield Kidney Center, anticipates all 106 current patients will transfer their care to the Replacement Facility. Furthermore, Dr. Aneziokoro is currently treating 92 CKD patients, who all reside within either the ZIP code of the Replacement Facility (60624), or 2 adjacent ZIP codes (60612 and 60644), with 41 coming from 60624, the ZIP code of the Replacement Facility. See Appendix 1. Conservatively, based upon attrition due to patient death, transplant, or return of function, it is projected that at least 18 of these 41 pre-ESRD patients from the 60624 ZIP code will require dialysis within the next 12 to 24 months. Thus, at least 124 patients will receive treatment at the Replacement Facility within 24 months of project completion. Accordingly, the Replacement Facility will not impact other general health care providers ability to cross-subsidize safety net services.”

### **State of Illinois Managed Care Contracts**

The Applicants provided the following:

All patients who have worked the requisite number of quarters (equivalent to 10 years) are eligible for Medicare if they are diagnosed with end stage renal disease (ESRD). Consistent with that fact, the published HFSRB data for 2016 for DuPage County shows that the 10 Fresenius/NANI clinics operating in DuPage County treated a total of 15 Medicaid patients or an average of 1.5 patients per year per clinic compared with 862 Medicare patients in those 10 clinics for the same period.

- DVA = DaVita Inc
- DMG = DuPage Medical Group

#### **For Option A – Statewide**

- Blue Cross Blue Shield of Illinois (Both DVA and DMG participate)
- Harmony Health Plan (DVA participates)
- IlliniCare Health Plan (DVA participates)
- Meridian Health (DVA participates)
- Molina Healthcare of IL (DVA in negotiations to participate)

**For Option B – Cook County Only**

- CountyCare Health Plan (DVA participates)
- NextLevel Health. (Neither DVA or DMG participates)

**For DCFS Youth**

- IlliniCare Health Plan (DVA participates)

*Each of DaVita and DMG participate in a range of insurance plans, including Medicare and Medicaid plans (HealthChoice Illinois and Medicare-Medicaid Alignment Initiative Plans (MMAI)) as identified above. While DMG providers do not participate in all Medicaid managed care plans, the plan it does participate in reflects the population it serves and the plan that is most in demand in DuPage County. Just under half of the HealthChoice beneficiaries residing in DuPage County are enrolled in the Blue Cross Medicaid products that DMG is enrolled in. Further, in their provision of services at the various area hospitals, DMG physicians regularly treat Medicaid patients who are not routinely seen by them as assigned patients without expectation of reimbursement for providing that care. [Source: Email dated 5/8/2018]*

# 18-001 DaVita Garfield Kidney Center - Chicago

