



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-07	BOARD MEETING: July 24, 2018	PROJECT NO: 18-007	PROJECT COST: Original: \$1,472,051
FACILITY NAME: Dialysis Care Center Hickory Hills		CITY: Hickory Hills	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (Dialysis Care Center Hickory Hills, LLC and Dialysis Care Center Holdings, LLC) propose to establish a 12-station ESRD facility in 4,485 GSF of lease space at a cost of \$1,472,051. The expected completion date is July 31, 2020.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants propose to establish a 12-station ESRD facility in 4,485 GSF of lease space at a cost of \$1,472,051. The expected completion date is July 31, 2020.

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. No letters of support or opposition were received by State Board Staff.

SUMMARY:

- The State Board Staff notes there is an estimated need for 25 ESRD stations in the HSA VII ESRD Planning Area, per the June 2018 ESRD Inventory Update.
- **Board Staff identified 33** facilities within 30 minutes of the proposed facility operating at approximately 61%. Seven facilities are considered to be in ramp-up and not fully operational, and one (NxStage), failed to submit utilization data. Of the remaining 25 facilities the average utilization is approximately 75%.
- DCC Hickory Hills, LLC is a new entity and therefore no audited financial statements are available. Based on information at the Illinois Secretary of State Website it appears that the DCC Holdings, Inc. was formed in May of 2016 and the Board Staff does expect audited financial statements going forward. The financial information provided for DCC Holdings, LLC is not audited and the Applicants have stated that audited statements are not needed because they do not have any debt.
- The Applicants did provide projected financial ratios, income statement and balance sheet for DCC-Hickory Hills that indicated that the proposed facility will be profitable by year two of operation. In addition the Applicants provided historic financial ratios, income statement and balance sheet for DCC Holdings, LLC. Additionally the Board Staff spoke to Chase Bank and discussed with Chase Bank the letter received by the State Board in February 2018. That letter provided the account number and the amount of funds currently available (February 2018) to fund the dialysis projects. At that time the Applicants had in excess of \$10 million in that account. Chase Bank stated that the letter was prepared by the Bank’s attorney specifically for the certificate of need process. The December 31, 2017 balance sheet (unaudited) for DCC-Holdings, LLC indicates that there is in excess of \$10 million in cash.
- 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 referral letter did not include the zip code of residence of the 79-pre-ESRD patients that will utilize the proposed facility within two years after project completion. The Board Staff could not determine if there will be a sufficient number of patients to utilize the proposed number of stations.
77 ILAC 1110.234 (e) – Assurances 77 ILAC 1110.1430 (j) - Assurances	The Applicants’ referral letter failed to identify by zip code of residence the 79 pre-ESRD patients that will utilize the proposed facility. Therefore we were unable to determine if the Applicants will be able to achieve target occupancy.
77 ILAC 1110. 1430 (b) – Planning Area Need	The Applicants failed to provide the zip of residence of the 79 pre-ESRD patients that are to utilize the proposed facility within two years after project completion. The Board Staff could not determine if there will be a sufficient number of patients to utilize the proposed number of stations.
77 ILAC 1110.130 – Financial Viability	DCC Hickory Hills, LLC is not profitable in the first year of operation therefore the net margin percentage ratio was not met.
77 ILAC 1120.140 (c) – Reasonableness Project Costs	The contingencies costs exceed the State standard for new construction (10%) by 0.7%.

STATE BOARD STAFF REPORT
Project 18-007
Dialysis Care Center Hickory Hills

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	Dialysis Care Center Hickory Hills, LLC, Dialysis Care Holdings, LLC
Facility Name	Dialysis Care Center Hickory Hills
Location	8851 West 87 th Street Hickory Hills, Illinois
Permit Holder	Dialysis Care Center Hickory Hills, LLC, Dialysis Care Holdings, LLC
Operating Entity	Dialysis Care Center Hickory Hills, LLC
Owner of Site	87 th Plaza, LLC
Total GSF	4,485 GSF
Application Received	February 9, 2018
Application Deemed Complete	February 13, 2018
Review Period Ends	June 13, 2018
Financial Commitment Date	July 24, 2020
Project Completion Date	July 31, 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 propose to establish a 12-station ESRD facility in 4,485 GSF of lease space at a cost of \$1,472,051. The expected completion date is July 31, 2020.

II. Summary of Findings

- A. State Board Staff finds the proposed project does **not** appear to be in conformance with the provisions of 77 ILAC 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 Hickory Hills, 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. This facility is currently in ramp-up.
- **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. This facility is currently in ramp-up.
- **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 April of 2018** the State Board issued an Intent-to-Deny for Permit #17-061, Dialysis Care Center-Elgin, to establish a 14-station ESRD facility in Elgin. This project was approved at the June 2018 State Board Meeting.

IV. Health Planning Area

The proposed facility will be located in the HSA VII ESRD Planning Area. The HSA VII ESRD Planning Area includes Suburban Cook and DuPage County. As of June 2018 there is a calculated need for 25 ESRD stations in this ESRD planning area. As can be seen by the Table One below the State Board is projecting an increase in the population in this ESRD Planning Area of 1.22% and an increase in the number of dialysis patients of approximately 28% for the period 2015 thru 2020.

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

TABLE ONE	
Need Methodology HSA VII ESRD Planning Area	
Planning Area Population – 2015	3,466,100
In Station ESRD patients -2015	5,163
Area Use Rate 2013 ⁽¹⁾	1.472
Planning Area Population – 2020 (Est.)	3,508,600
Projected Patients – 2020 ⁽²⁾	5,163
Adjustment	1.33x
Patients Adjusted	6,590
Projected Treatments – 2020 ⁽³⁾	1,071,219
Existing Stations	1,405
Stations Needed-2020	1,430
Number of Stations Needed	25
<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 	

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- 1.33 for the total projected patients.
3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient
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V. Project Costs and Sources of Funds

The applicants are funding the project with cash of \$1,085,625 and the FMV of leased space in the amount of \$386,426. The operating deficit and start-up cost was listed in the application as \$2,500. However, the operating deficit as reported in Table Four at the end of this report was (\$724,656).

TABLE TWO
Project Costs and Sources of Funds

	Reviewable	Total	% of Total
New Construction Contracts	\$560,625	\$560,625	38%
Contingencies	\$60,000	\$60,000	4%
Architectural and Engineering Fees	\$45,000	\$45,000	3%
Movable or Other Equipment	\$420,000	\$420,000	28.5%
FMV of Leased Space	\$386,426	\$386,426	26.5%
Total	\$1,472,051	\$1,472,051	100.00%
Cash		\$1,085,625	73.5%
FMV of Leased Space		\$386,426	26.5%
Total		\$1,472,051	100.00%

State Board Staff Notes: Of the 62 ESRD 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. Staff is concerned that there are costs associated with the project that the applicants have not disclosed.

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 adverse action taken against facilities that they own.

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 Hickory Hills, LLC and Dialysis Care Center Holdings, LLC during the three (3) years prior to filing the application. [Application for Permit page 86-87]
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 page 86]
3. The site is owned by 87th Plaza, LLC and evidence of this can be found at page 31-69 of the application for permit in the Letter of Intent to lease the property at 8851 West 87th Street, Hickory Hills, Illinois.

¹ ¹ "Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations." (77 IAC 1130.140)

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

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

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

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

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

A) Criterion 1110.1430 (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 additional life-sustaining dialysis accessibility to the large, growing population of ESRD patients in the HSA 7 market area - specifically, Hickory Hills and Cook County residents. The project will address the current State Board determined need for additional hemodialysis stations needed in Planning area, HSA-07. Not only would Dialysis Care Center Hickory Hills simply be fulfilling a number of stations to provide dialysis, but would be providing quality, patient-centered healthcare and education to patients using our facility. The addition of Dialysis Care Center Hickory Hills in this community will provide additional treatment options for patients in the specific market area, as well as for patients in Cook County overall, and other surrounding cities. The market area to be served by the applicant is approximately within a 20-mile radius of the proposed facility location. As of 2010, the total population of Cook County was 5.195 million, while the population of the city of Hickory Hills was 14,049. Historically, these areas have seen a tremendous and concerning growth of ESRD patients, as indicated by the 70%-80% utilization of most ESRD facilities in the surrounding area. This project will aid in addressing the clear and crucial needs of this community for hemodialysis treatment options.” [Application for Permit page 88]

B) Criterion 1110.1430 (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 1110.1430 (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 need for additional ESRD stations in HSA-07. This option would cause the existing facilities to reach and eventually exceed their operational capacities, resulting in access issues in the service area.
- 2) The applicants deemed this alternative inapplicable. The proposed facility will be 100% owned and operated by physicians practicing in the service area. This is unique in the sense that there are no facilities in the service area that are solely physician owned. The applicants have chosen this model to allow the physicians the independence needed to make quality patient care decisions for the benefit of the patient.
- 3) The option of utilizing existing facilities was considered, but there is no alternative. The applicants reiterate that there are no physician-owned facilities in the service area, which allow the physician/owners the independence to make clinical decisions that improve patient access/service, and clinical outcomes. The growing ESRD population in the Hickory Hills/suburban Cook County/HSA-07 service area requires the introduction of additional ESRD stations/facilities.

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: \$1,472,051), 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 4,485 GSF of space or approximately 374 GSF per station. This is within the State Board Standard of 650 GSF per station or a total of 7,800 GSF.

State Board Staff Notes: While the Applicants are in compliance with this criterion the size of this 12-station dialysis facility is extremely small. For a 12-station facility we would expect to see a total gross square feet of approximately 7,000 GSF for both clinical and non-clinical space.

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
7,000 GSF

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 ILAC 1110.120 (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 98 Stage III and IV pre-ESRD patients with lab values indicative of active kidney failure who live in the Hickory Hills/HSA-VII service areas. The Board Staff accepted historical referral data that indicates 39 patients were referred from the Kidney Care Center to area facilities in 2014, 44 patients in 2015, and 46 patients in 2016 (application, pgs. 208-210). The applicants also expect to refer 79 of its current pre-ESRD patients to the proposed facility, after project completion. If those 79-patients materialize the Applicant will be at target occupancy 2-years after project completion which is July 2022.

$$\begin{aligned} 79 \text{ patients} \times 156 \text{ treatments per year} &= 12,324 \text{ treatments} \\ 12 \text{ stations} \times 936 \text{ treatments per station per year} &= 11,232 \text{ treatments} \\ 12,324 \text{ treatments} \div 11,232 \text{ treatments} &= 109.7\% \end{aligned}$$

However these 79-pre-ESRD patients were not identified by zip code of residence as required by rule; therefore a positive finding cannot be made.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC 1110.120(b))

C) Criterion 1110.234 (e) - Assurances

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

The necessary attestation is provided at page 132 of the application for permit.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE
WITH CRITERION ASSURANCES (77 ILAC 1110.120(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 a need for 25 ESRD stations by 2020 in the HSA-VII 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: *“the primary purpose of this project is to ensure that the ESRD patient population of the greater Hickory Hills area, market area, and planning area HSA-07 has access to life sustaining dialysis. We anticipate that well over 80% of Dialysis Care Center Hickory Hills will be residents of the planning area HSA-07.”*

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 (with the Original Application for Permit) that was signed by Dr. Hani Al-Sharif, M.D., containing referral information for both himself and

his colleagues, attesting to the provision of care to 98 Stage 3-4 pre-ESRD patients. As part of this original submittal, the Applicants estimate 79-patients will require in-center hemodialysis services by 2-years after project completion. However, these 79 pre-ESRD patients were not identified by zip code as required by rule. The Applicants submitted a second referral letter attesting that the information had not been used for any other pending or approved certificate of need application for permit. The applicants will continue to refer patients to other area facilities, in accordance with the patient's place of residence, and choice.

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 78 existing dialysis facilities in the HSA VII 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 33 facilities within 30 minutes of the proposed facility with an average utilization of 61%. Seven of the facilities are in ramp-up or not yet operational, and one facility (Nx Stage), did not report any utilization data. The remaining 25 facilities have an average utilization of approximately 75%. (See Table at the end of this report)

There is a calculated need for 25-stations in this planning. However the referral letter failed to identify the 79 pre-ESRD patients by zip code of residence that will utilize the proposed facility within two-years after project completion as required.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC 1110.230(b) (1) (2) (3) and (5))

B) Criterion 1110.1430 (c) (1) (2) (3) - 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 33 facilities within 30 minutes of the proposed facility with an average utilization of 61%. Seven of the facilities are in ramp-up or are not yet operational and one facility did not report utilization data for the first quarter of 2018. The remaining 25 facilities the average utilization is approximately 75%. (See Table at the end of this report).

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	2,618,150	622	1 Station per every 4,209 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 2,618,150 residents. The number of stations in the 30-minute service area is 622. The ratio of stations to population is one (1) station per every 4,209 residents. 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 resident. Based upon this methodology there is not a 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-VII where there is a need for an additional 25 stations based on the monthly updates to the Inventory of Health Care Facilities and Services as of June, 2018.

There is no surplus of stations in this 30-minute service area based upon the State Board's methodology and the average utilization of the operating 25-facilities in the 30-minute service area is approximately 76%. Given these facts and the calculated need for stations in the HSA VII ESRD Planning Area, the Applicants have successfully addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT 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 1110.1430 (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. Hani Al-Sharif M.D. will serve as the Medical Director for Dialysis Care Center Hickory Hills. A physician curriculum vitae for Dr. Alsharif is 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 Hickory Hills will maintain at least a 4 to 1 patient-staff ratio at all times on the treatment floor. An RN will be at the facility at all times when the facility is operational.”

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 122 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 Chicago-Naperville-Joliet 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 the necessary signed affiliation agreement with Advocate Christ Medical Center, Oak Lawn. A copy of the affiliation agreement is located in the project file. A negative 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 127 of the application for permit.

**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 this project with cash in the amount of \$1,085,625 and a lease with a FMV of \$386,426. 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 IS 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, or they meet the State Board’s financial ratio standards for the past three (3) fiscal years or the project will be funded from internal resources.

The Applicants are funding this project with cash in the amount of \$1,085,625 and a lease with a FMV of \$386,426. The Applicants stated that approximately 64% of the revenue for this facility will come from Medicare, 2% from Medicaid and the balance from commercial insurance (34%).

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.

Even if the proposed project is not immediately profitable, it appears that the facility will have sufficient income to absorb losses until profitability can be achieved. However the Applicants are not in compliance with all of the financial ratios for the new entity (DCC-Hickory Hills, LLC)

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

XI. Economic Feasibility

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

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

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

The Applicants are funding this project with cash in the amount of \$1,085,625 and a lease with a FMV of \$386,426. The operating lease is considered debt financing under current State Board rule. The term of the lease is for seven (7) years with two (2) five (5) year renewal options stated. The base rent is \$16.35 for the first year, with annual 3% increases through year 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 meeting the State Board Standards in Part 1120 Appendix A.

Only Clinical Costs are reviewed in this criterion.

New Construction and Contingencies Costs are \$560,625 or \$125.00 per GSF for 4,485 GSF of clinical space. This appears reasonable when compared to the State Board Standard of \$286.54 per GSF, with 2019 listed as mid-point of construction.

Contingencies – These costs total \$60,000, and are 10.7% of the new construction costs identified for this project. This is **not** in compliance with the State standard of 10%.

Architectural Fees are \$45,000 and are 7.2% of new construction and contingencies. This appears reasonable when compared to the State Board Standard of 7.36% to 11.06%.

Movable or Other Equipment – These costs are \$420,000 or \$35,000 per station (12 stations). This appears reasonable when compared to the State Board Standard of \$55,293 per station.

Fair Market Value of Leased Space and Equipment – These costs are \$386,426. The State Board does not have a standard for these costs.

The contingencies costs exceed the State standard for new construction by .7%, resulting in a negative finding for this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT 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 \$245.45 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 \$10.81 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))

TABLE THREE

Facilities within 30 minutes of the proposed facility

Facility	Ownership	City	Adjusted Time	Stations (1)	Occupancy	Star Rating ⁽⁴⁾	Met Standard?
DaVita Chicago Ridge	DaVita	Worth	15	16	51.04%	3	No
Palos Park Dialysis	DaVita	Orland Park	16	12	73.61%	3	No
DaVita Stony Creek	DaVita	Oak Lawn	16	14	97.62%	3	Yes
FMC Midway	Fresenius	Chicago	17	12	81.94%	4	Yes
USRC-Scottsdale	USRC	Chicago	19	36	55.09%	3	No
Concerto Dialysis		Crestwood	19	9	40.10%	1	No
FMC Crestwood	Fresenius	Crestwood	20	24	61.11%	3	No
FMC Alsip	Fresenius	Alsip	20	20	68.33%	5	No
FMC Dialysis Burbank	Fresenius	Burbank	21	26	76.28%	3	No
West Lawn Dialysis	DaVita	Chicago	21	12	98.61%	4	Yes
Country Hills Dialysis	DaVita	Country Club Hills	23	24	63.19%	3	No
FMC Berwyn	Fresenius	Berwyn	24	26	77.78%	4	No
FMC Willowbrook	Fresenius	Willowbrook	24	20	60.00%	4	No
FMC Westchester	Fresenius	Westchester	24	22	56.06%	5	No
FMC Orland Park	Fresenius	Orland Park	25	18	73.61%	5	No
DaVita - Harvey	DaVita	Harvey	25	16	72.22%	3	No
FMC Cicero	Fresenius	Cicero	25	16	73.96%	5	No
FMC Merrionette Park	Fresenius	Merrionette Park	27	24	93.75%	4	Yes
DaVita Mt. Greenwood	DaVita	Chicago	27	16	95.83%	4	Yes
Beverly Dialysis Center	DaVita	Chicago	27	16	106.25%	3	Yes
FMC Blue Island	Fresenius	Blue Island	28	28	66.67%	3	No
Loyola Dialysis Center	Loyola	Maywood	28	30	81.67%	4	Yes
FMC Oak Forest	Fresenius	Oak Forest	28	12	80.56%	3	Yes
FMC South Side	Fresenius	Chicago	30	39	83.33%	2	Yes
FMC Elmhurst	Fresenius	Elmhurst	30	28	66.07%	5	No
Total Stations/Average Utilization				516	74.19%		

TABLE THREE
Facilities within 30 minutes of the proposed facility

Facility	Ownership	City	Adjusted Time	Stations (1)	Occupancy	Star Rating ⁽⁴⁾	Met Standard?
US Renal Care Hickory Hills	USRC	Hickory Hills	8	13	0.00%	N/A	
FMC Summit	Fresenius	Summit	12	12	41.60%	N/A	
Ford City Dialysis	DaVita	Chicago	18	12	0.00%	N/A	
DCC Oak Lawn	DCC	Oak Lawn	18	11	43.94%	N/A	
FMC Evergreen Park	Fresenius	Evergreen Park	23	30	25.00%	N/A	
FMC Lemont	Fresenius	Lemont	26	12	34.72%	N/A	
FKC Woodridge	Fresenius	Woodridge	30	12	0.00%	N/A	
NxStage Oak Brook	Nx Stage	Oak Brook	30	8	0.00%	N/A	
				110	60.60%		

SAFETY NET IMPACT STATEMENT

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

Dialysis Care Center Hickory Hills 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 Hickory Hills 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 Hickory Hills will not refuse any patients. Medicaid patients wishing to be served at Dialysis Care Center Hickory Hills 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 Hickory Hills is to provide services to all patients regardless of race, color, national origin. Dialysis Care Center Hickory Hills 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 Hickory Hills 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 Hickory Hills 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
DCC-Hickory Hills LLC
Projected Ratios

		State Standard	Inception	YE1	YE2
Current Ratio	$\frac{\text{Current Asset}}{\text{Current Liabilities}}$	2.0	5.9	4.5	5.9
Net Margin %	$\frac{\text{Net Revenue}}{\text{Net Patient Revenue}}$	3.5%	-352.47%	4.04%	11.30%
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	179	137	178
Cushion Ratio	$\frac{\text{Cash} + \text{Investments}}{\text{Principle Pay} + \text{Interest Expense}}$	>3.0	0	0	0

TABLE FIVE
DCC-Hickory Hills, 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	\$207,017	\$382,932	\$485,041
Total Initial Fees	\$5,025	\$0.00	\$0.00
Depreciation	\$53,690	\$53,690	\$53,690
Amortization of Leasehold Improvements	\$37,375	\$37,375	\$37,375
Overhead-3% of Rev	\$6,065	\$56,493	\$75,380
Write Offs - 1% of Rev	\$2,022	\$18,831	\$25,127
Total Expenses	\$914,583	\$1,806,979	\$2,228,838
Income (Loss)	-\$712,429	\$73,126	\$283,844

TABLE SIX
DCC-Holdings, LLC
Financial Ratios

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

TABLE SEVEN
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 EIGHT
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 NINE
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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