



# STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET NO:</b> H-08	<b>BOARD MEETING:</b> July 24, 2018	<b>PROJECT NO:</b> 18-011	<b>PROJECT COST:</b>
<b>FACILITY NAME:</b> DaVita Vermilion County Dialysis		<b>CITY:</b> Danville	Original: \$1,223,611
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA: IV</b>

**PROJECT DESCRIPTION:** The Applicants (Total Renal Care, Inc., Genesis KC Development LLC, and DaVita, Inc.) propose to add 4-stations to its existing 8-station End Stage Renal Dialysis (ESRD) facility located at 26 East West Newell Road, Danville, Illinois. The cost of the project is \$1,223,611. The expected completion date is July 31, 2020.

## EXECUTIVE SUMMARY

### **PROJECT DESCRIPTION:**

- The Applicants (Total Renal Care, Inc., Genesis KC Development, LLC, and DaVita, Inc.) propose to add 4 stations to its existing 8-station ESRD facility located at 26 East West Newell Road, Danville, Illinois. The cost of the project is \$1,223,611. The expected completion date is July 31, 2020.

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

- The project is before the State Board because the project proposes a substantial change in scope as defined at 20 ILCS 3960.
- 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]

### **PURPOSE OF THE PROJECT:**

- The purpose of the project is to meet the growing need for dialysis services in Danville and the surrounding communities.

### **PUBLIC HEARING/COMMENT:**

- A public hearing was offered but was not requested. The project file contains no letters of opposition. A letter of support was received from The Carle Hospital.

### **SUMMARY:**

- To add stations to an existing facility the State Board does not consider the need or excess of stations in the ESRD Planning Area or the number of existing ESRD facilities and their utilization.
- The State Board requires a facility that is proposing to add stations to be at target utilization or above for the past 24-months and have a sufficient number of pre-ESRD patients that reside in the ESRD Planning Area that will require dialysis within 12-24 months after the additional stations are added. The existing facility first started reporting operational capacities in March 2017, has reported data for the last 5 quarters, and averaged 52% utilization over the past 5 quarters. The last two quarters have seen a significant increase in utilization (72.9%), and the census increased to 35 patients. The Applicants anticipate this trend to continue and have identified 76 pre-ESRD patients from the Danville service area, and anticipates 30 pre-ESRD patients needing dialysis from the existing facility within 12-24 months after project completion. In additional information the Applicants stated the facility had 42 patients and was at 87.5% utilization as of June 25, 2018.
- The Applicants have addressed a total 18 criteria and have successfully addressed them all.

**STATE BOARD STAFF REPORT**  
**Project #18-011**  
**DaVita Vermilion County Dialysis, Danville**

<b>APPLICATION/CHRONOLOGY/SUMMARY</b>	
Applicants(s)	Total Renal Care, Inc., Genesis KC Development LLC, DaVita, Inc.
Facility Name	Vermilion County Dialysis
Location	26 East West Newell Road, Danville, Illinois
Permit Holder	DaVita, Inc.
Operating Entity	Total Renal Care, Inc.
Owner of Site	Genesis KC Development, LLC
Description	Addition of 4-ESRD Stations
Total GSF	5,800
Application Received	March 9, 2018
Application Deemed Complete	March 12, 2018
Review Period Ends	July 10, 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 (Total Renal Care, Inc., Genesis KC Development, LLC, and DaVita, Inc.) propose to add 4-stations to its existing 8-station facility located at 26 East West Newell Road, Danville, Illinois. The cost of the project is \$1,223,611. The expected completion date is July 31, 2020.

**II. Summary of Findings**

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

**III. General Information**

The Applicants are Total Renal Care, Inc., Genesis KC Development, LLC, and DaVita, Inc. 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 Genesis KC Development, LLC. Financial commitment will occur after permit approval.



**TABLE TWO**  
**Project Uses and Sources of Funds**

<b>Project Uses of Funds</b>	<b>Reviewable</b>	<b>Total</b>
Modernization Contracts	\$2,660	\$2,660
Contingencies	\$250	\$250
Consulting & Other Fees	\$5,000	\$5,000
Movable or Other Equipment (not in construction contracts)	\$122,555	\$122,555
Fair Market Value of Leased Space or Equipment	\$1,093,146	\$1,093,146
<b>Total Uses of Funds</b>	<b>\$1,223,611</b>	<b>\$1,223,611</b>
<b>Source of Funds</b>	<b>Reviewable</b>	<b>Total</b>
Cash	\$130,465	\$130,465
FMV of Leased Space	\$1,093,146	\$1,093,146
<b>Source of Funds</b>	<b>\$1,223,611</b>	<b>\$1,223,611</b>

**V. Health Planning Area**

The proposed facility will be located in the HSA IV ESRD Planning Area. HSA-IV includes Champaign, Clark, Coles, Cumberland, DeWitt, Douglas, Edgar, Ford, Iroquois, Livingston, Macon, McLean, Moultrie, Piatt, Shelby, and Vermilion counties. The State Board has **projected an excess of eleven (11) ESRD stations by CY 2020**. The applicants note the existing facility has experienced tremendous growth since its opening in February 2017, with the utilization increasing to 72.9%. The applicants also note, and Board Staff confirms, that Vermilion County Dialysis is located in a federally designated Health Professional Shortage Area.

## VI. Background of the Applicants

### A) Criterion 1110.110(a)(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 had no *adverse action*<sup>1</sup> taken against any facility they own or operate or a certified listing of any adverse action taken.

1. The Applicants have attested that there has been no adverse action taken against any of the facilities owned or operated by DaVita Inc./Total Renal Care Inc. during the three (3) years prior to filing the application. [Application for Permit pages 154-155]
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 connections the Applicants' certificate of need to add five ESRD stations. The authorization includes, but is not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. [Application for Permit pages 154-155]
3. The site is owned by Genesis KC Development, LLC. This facility is currently operating; therefore a copy of the lease is not required.
4. This is a modernization project and evidence of compliance with Executive Order #2006-05 and the Illinois State Agency Historic Resources Preservation Act is not required.

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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)

**VI. Purpose of Project, Safety Net Impact Statement and Alternatives**

The following three (3) criteria are informational; no conclusion on the adequacy of the information submitted.

**A) Criterion 1110.110(b) 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 applicants stated the following: *“The purpose of this project is to meet the growing need for dialysis services in Danville and the surrounding communities. The applicants proposed to add 4 stations to their existing Vermilion County Dialysis center. Importantly, since its Medicare Certification on February 16, 2017, Vermilion County Dialysis has experienced tremendous growth. In less than one year, the patient census increased to 35 patients for a utilization rate of 72.9%. Eleven (11) patients were added in the fourth quarter of 2017 alone. Further, there is only one other dialysis facility within 40 miles of Vermilion County Dialysis. As of December 31, 2017, average utilization of the two Danville area facilities was 67.3%. Over the past two years, patient census for the two facilities increased by 31 patients (or a compounded annual growth rate of 18%). Based on historical utilization, 43 additional patients are projected to initiate dialysis within the next two years. To treat this new influx of patients, 5 additional stations are needed.”* [Application for Permit page 156]

**B) Criterion 1110.110(c) - Safety Net Impact Statement**

**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.**

Information regarding the Safety Net Impact Statement was provided as required and can be reviewed at pages 276-277 of the Application for Permit.

**TABLE THREE  
SAFETY NET IMPACT STATEMENT**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
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]

**C) Criterion 1110.110(d) - Alternatives to the Project**

**To demonstrate compliance with this criterion the Applicants must document all alternatives to the proposed project that were considered.**

The applicants considered three alternatives:

**1) Do Nothing/Maintain Status Quo**

The applicants rejected this alternative, as their facility is only one of two located within a 40-mile radius, and in the last two years, both have experienced an 18% growth (31 patients). Based on historical growth, it is anticipated that an additional 43 ESRD patients will present for dialysis in the service area, increasing overall utilization in the service area to 94%. Additionally, the majority of existing and projected ESRD patients reside in Danville and the immediate area. There were no costs identified with this alternative.

**2) Utilize Existing Facilities**

Utilization of existing facilities to accommodate the growing need for dialysis in the service area is not feasible. Based on anticipated growth in the service area (43 patients), it is necessary to add stations or establish an additional facility, and this option is infeasible. There were no project costs identified with this alternative.

**3) Expand Vermilion County Dialysis**

The option to expand Vermilion County Dialysis through the addition of 4 stations was deemed as most feasible, due to the imminent need for stations in the service area, and minimal associated costs. The applicants identified a project cost of \$1,223,611 with this option. [Application for Permit page 161-162]

**VII. Project Scope and Size, Utilization and Unfinished/Shell Space**

**A) Criterion 1110.120(a) - Size of Project**

**To demonstrate compliance with this criterion the Applicants must document that the proposed size of the project is in compliance with Part 1110 Appendix B.**

The Applicants are proposing to expand upon an existing 8-station facility, by adding 4 ESRD stations. This will result in a facility totaling 5,050 BGSF of clinical space, which is 420 GSF per station. The State Board standard is 450-650 GSF per station or 7,800 BGSF. The Applicants have successfully addressed this criterion. (See Application for Permit page 50)

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF PROJECT (77 ILAC 1110.120(a))**

**B) Criterion 1110.120(b) – Projected Utilization**

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

The facility had 35 patients dialyzing in 8 stations with a 72.8% utilization rate as of December 31, 2017 and 30 additional ESRD patients are expected to present to Vermilion County Dialysis, per the referral letter from Dr. Erlandas Ulozas, M.D. (application, p. 280)

$$\begin{aligned} 35 + 30 &= 65 \text{ patients} \times 156 \text{ treatments per year} = 10,140 \text{ total treatments} \\ 12 \text{ stations} \times 936 \text{ treatments per year} &= 11,232 \text{ total treatments} \\ 10,140 \text{ treatments} \div 11,232 \text{ treatments} &= 90.3\% \end{aligned}$$

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC 1110.120(b))**

**C) Criterion 1110.120(e) – Assurances**

**To demonstrate compliance with this criterion the Applicants must document that the proposed facility will be at target occupancy two years after project completion.**

The Applicants provided the necessary assurance that they will be at target occupancy within two years after project completion. (See Application for Permit page 184)

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.120(e))**

**VIII. In-Center Hemo-dialysis Projects**

**A) Criterion 1110.230(b)(1) to (3) - Background of Applicants**

To address this criterion the Applicants must provide a list of all facilities currently owned in the State of Illinois and an attestation documenting that no adverse actions have been taken against the Applicants by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities and Services Review Board; and authorization to the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of the application for permit.

This criterion has been addressed previously in this report

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANTS (77 ILAC 1110.230(b) (1) to (3))**

**B) Criterion 1110.230(b) (2) (4) - Planning Area Need**

**The Applicants must document the following:**

**2) Service to Planning Area Residents**

To demonstrate compliance with this sub-criterion the Applicants must document that the proposed dialysis facility will provide service to the residents of the proposed ESRD Planning Area.

The applicants are proposing to expand upon an existing 8-station ESRD facility that is located in a federally designated health professional shortage area (HPSA). Table Four shows the geographical referral source of Dr. Uloza’s practice. Approximately 97% (28), of the 29 pre-ESRD patients referred in the last 22 months reside within the Vermilion County Dialysis Planning Area.

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**TABLE FOUR**  
**Vermilion County Dialysis Origin of Referral**

Zip Code	City	Patients
60942	Hoopeston	3
60960	Rankin	1
60963	Rossville	1
61832	Danville	18
61834	Danville	2
61858	Oakwood	1
61883	Westville	2
47917	Ambia, IN	1
Total		29

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**4) Service Demand – Expansion of In-Center Hemodialysis Service**

To demonstrate compliance with this sub-criterion the Applicants must document that the number of stations to be added for each category of service is necessary to reduce the facility's experienced high utilization and to meet a projected demand for service.

Historical Utilization

Since its Medicare Certification in February 2017, the facility has grown exponentially, with a patient census of 35, and an operational capacity of 72.9%. The applicants note that eleven (11) more patients were added in the last quarter of 2017, and the 30 projected patient referrals to the facility after project completion will increase the operational capacity to exceed the State Board standard (80%). Currently the facility is operating at 72.9% utilization with 35 patients, which does not meet the requirements of this criterion.

In additional information the Applicants stated that as of June 25, 2018 the dialysis facility had 42 patients for a utilization of 87.5%. [Source: Email from A. Cooper dated 06/27/2018]

Projected Referrals

The Applicants provided a referral letter from Dr. Erlandas Ulozas, M.D. the Medical Director of the DaVita Vermilion County dialysis facility. The Applicants stated

*“Presently, there is only one other in-center hemodialysis facility within 30 minutes of Vermilion County Dialysis. However, it is important to note that Vermilion County Dialysis was approved partially due to selective admission practices of this other facility. The expansion of Vermilion County Dialysis will maintain access to necessary dialysis services to patients residing in Danville and the surrounding communities. DaVita is well positioned to provide these services, as it delivers life sustaining dialysis for residents of similar communities throughout the country and abroad. It has also invested in many quality initiatives to improve its patient’s health and outcomes. I have identified 76 patients from my practice who are suffering from chronic kidney disease (or CKD), who all reside within the Danville zip code (61834). Conservatively, I predict at least 30 of these patients will progress to dialysis within 12-24 months of project completion.”* [Application for Permit page 280]

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

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC 1110.230 (c) (2) (4))**

- C) Criterion 1110.230(e) - Staffing**
- D) Criterion 1110.230(f) - Support Services**
- E) Criterion 1110.230(j) – Assurances**

The existing 8-station facility is certified by Medicare and if approved the 4-station addition will be certified by Medicare. Dr Erlandas Ulozas, M.D, is the Medical Director. Support services including nutritional counseling, psychiatric/social services, home/self training, and clinical laboratory services will be provided at the proposed facility. The following services will be provided via referral to OSF Sacred Heart Medical Center, blood bank services, rehabilitation services and psychiatric services. Additionally, the appropriate assurances have been provided by the Applicants asserting the proposed facility will be at the target occupancy of eighty percent (80%) two years after project completion and that the proposed facility will meet the adequacy outcomes stipulated by the State Board. (See Application for Permit Page 180)

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA STAFFING, SUPPORT SERVICES, ASSURANCES (77 ILAC 1110.230 (e), (f), and (j))**

**IX. FINANCIAL VIABILITY**

**A) Criterion 1120.120 – Availability of Funds**

**B) Criterion 1120.130 – Financial Viability**

**To demonstrate compliance with these two criteria the Applicants must document if the resources are available to fund the proposed project.**

The Applicants are funding this project with cash and securities in the amount of \$130,465 and the fair market value of leased space totaling \$1,093,146. A review of the 2016/2017 audited financial statements indicates there is sufficient cash to fund the project. Leased Space is an operating lease and not a capital lease and is paid over the term of the lease from cash generated by operation of the facility. Because the project will be funded with cash no viability ratios need to be provided because the Applicants have qualified for the financial viability waiver.

<b>TABLE FIVE</b>		
<b>DaVita Inc.</b>		
<b>Audited Financial Statements</b>		
<b>December 31<sup>st</sup></b>		
<b>(in thousands)</b>		
	<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

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**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA AVAILABILTY OF FUNDS FINANCIAL VIABILITY (77 ILAC 1120.120/130(a) & (b))**

**IX. ECONOMIC FEASIBILITY**

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

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

**To demonstrate compliance with these criteria the Applicants must attest that a lease is less costly and that the terms of the lease are reasonable.**

The applicant is paying for the project with cash on hand, and not borrowing any funds for the project. However, per the Board's rules the entering of a lease is treated as borrowing. As such, the Applicant attests that entering into of a lease (borrowing) is less costly than liquidating existing investments which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic. [Application for Permit page 269]

Based upon the information provided in the Application for Permit; the Applicants have met the requirements of this criterion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING TERMS OF DEBT FINANCING (77 ILAC 1110.140(a) & (b))**

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

**To demonstrate compliance with this criterion the Applicant must document that the costs are reasonable.**

**Modernization Costs and Contingencies** are \$2,910 or \$.57 per GSF. This is in compliance with the State Board Standard of \$136.41. [ $2,910 \div 5,050$  GSF for modernization = \$.57 per GSF]

**Contingencies** are \$250, and are 8.5% of the modernization costs. This is in compliance to the State standard of 9.92%-14.88%

**Movable Equipment** is \$122,555 or \$30,538 per station. This is in compliance with the State Board Standard of \$52,119 per station. [ $122,555 \div 4$  stations = \$30,538 per station]

**Consulting Fees** are \$5,000. The State Board does not have a standard for these costs.

**Fair Market Value of Leased Space** is \$1,093,146. The State Board does not have a standard for this criterion.

The Applicants have met the requirements of this criterion.

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

**The State Board Staff Notes:** that the State Board does not have a standard for the two criteria below and the criteria are met if the Applicants furnish the requested information.

**D) Criterion 1120.140 (d) - Direct Operating Costs**

To demonstrate compliance with this criterion the Applicants must provide the direct operating cost for the first year when the Applicants reach target occupancy but no more than two years after project completion.

The Applicants are estimating \$172.75 per treatment in direct operating costs. The Applicants have met the requirements of this criterion.

Estimated Operating Expense:	\$1,751,686
Estimated Annual Treatments:	10,140
<b>Cost Per Treatment:</b>	<b>\$172.75</b>

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

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

The Applicants are estimating \$1.64 in capital costs. The Applicants have met the requirements of this criterion.

Depreciation/Amortization:	\$16,594
Interest	\$0
Total Capital Costs:	\$16,594
Treatments:	10,140
<b>Capital Cost per Treatment</b>	<b>\$1.64</b>

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