STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-02	BOARD MEETING: September 17, 2019	PROJECT NO: 19-015	PROJECT COST: Original: $2,558,925
FACILITY NAME: Dialysis Care Center Chicago Heights		CITY: Chicago Heights	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (Dialysis Care Center Holdings, LLC and Dialysis Care Center Chicago Heights, LLC) propose to establish a 14-station ESRD facility in Chicago Heights, Illinois. The cost of the project is $2,558,925 and the expected completion date is May 31, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Dialysis Care Center Holdings, LLC and Dialysis Care Center Chicago Heights, LLC) propose to establish a 14-station ESRD facility in Chicago Heights, Illinois. The cost of the project is $2,558,925 and the expected completion date is May 31, 2021.

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 regarding the proposed project, but none was requested. **No letters of support** were received by the State Board Staff.
- A letter of opposition was received from DaVita Inc. that stated in part "*there is no need for the Proposed Facility in the DCC Chicago Heights geographic service area or in the planning area as a whole. HSA 7 has an excess of 56 stations, the second largest excess in the State. Of the ten dialysis facilities within five miles of the proposed facility site, only one exceeds the Illinois Health Facilities and Services Review Board's ("State Board") target utilization of 80%."*

SUMMARY:

- The State Board has estimated **an excess of 56-stations in the HSA VII ESRD Planning Area** by 2020. The Applicants have identified 110 pre-ESRD patients that reside within the 5-mile GSA. Of these 110 pre-ESRD patients the Applicants believe 77 will require dialysis within 2 years after project completion. There are nine facilities within the 5-mile GSA. Of these nine facilities one facility is not operational (DCC Hazel Crest, LLC) and the remaining eight facilities are operating at an average utilization of 70%. One of the eight facilities (DCC Olympia Fields, LLC) is at target occupancy. The ratio of stations to population in this 5-mile GSA currently denotes a surplus of stations in this 5-mile area.
- The Applicants have two facilities within this 5-mile GSA. DCC Olympia Fields is at approximately 101% utilization as of June 30, 2019. DCC Hazel Crest with 12-stations is not operational and is expected to be completed by February 29, 2020.
- The Applicants believe the alternative of utilizing a DaVita or a Fresenius facility in the 5-mile GSA is not a viable option because these facilities are not physician own where the physicians have the independence they need to improve quality indicators set by the Board's quality criteria.

Criterion	Reasons for Non-Compliance
77 ILAC 1110.230 (b) – Planning Area Need	The State Board has estimated an excess of 56-stations in the HSA VII ESRD Planning Area by 2020. There are nine facilities within the 5-mile GSA with one facility not yet operating. The remaining eight facilities are at approximately 70% utilization. With the excess stations in the ESRD planning area and the number of facilities (7 of 8 facilities) not at target occupancy patients and accessibility can be accommodated with the existing facilities and will not be improved with the

Criterion	Reasons for Non-Compliance
	addition of these 14-stations at this time. (See pages 10-13 of this report)
77 ILAC 1110.230 (c) – Unnecessary Duplication of Service/Maldistribution	There are nine facilities in the GSA. Of these nine facilities eight are operational. One of the eight facilities are at the target occupancy of 80% in this 5-mile GSA. The ratio of stations to population within the 5-mile GSA denotes a surplus of stations currently in this area. The additional 14-stations will result in unnecessary duplication of service and maldistribution of service at this time. (See page 13-14 of this report)

STATE BOARD STAFF REPORT
Project 19-015
Dialysis Care Center Chicago Heights

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Dialysis Care Center Holdings, LLC and Dialysis Care Center Chicago Heights LLC
Facility Name	Dialysis Care Center Chicago Heights LLC
Location	222 Vollmer Road 1st Floor, Chicago Heights, Illinois
Permit Holder	Dialysis Care Center Holdings, LLC and Dialysis Care Center Chicago Heights LLC
Operating Entity	Dialysis Care Center Holdings, LLC
Owner of Site	Meridian Investments Partners, LLC
Total GSF	7,280 GSF
Application Received	March 22, 2019
Application Deemed Complete	March 27, 2019
Review Period Ends	July 15, 2019
Financial Commitment Date	August 6, 2021
Project Completion Date	May 31, 2021
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The Applicants (Dialysis Care Center Holdings, LLC and Dialysis Care Center Chicago Heights LLC) propose to establish a 14-station ESRD facility in Chicago Heights, Illinois. The cost of the project is $2,558,925 and the expected completion date is May 31, 2021.

II. Summary of Findings

A. State Board Staff finds the proposed project is not 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 Dialysis Care Center Holdings, LLC and Dialysis Care Center Chicago Heights LLC. These two entities are owned equally by Morufu Alausa M.D. (50%) and Sameer M. Shafi M.D (50%). Financial commitment will occur after permit approval. Dialysis Care Center Holdings, LLC has been approved for a total of seven ESRD facilities in Illinois and has three outstanding permits.

#17-061- DCC Elgin, waiting inspection
#17-071 – DCC Hazel Crest, waiting inspection
#18-019 – DCC Evergreen Park, construction pending

IV. Health Planning Area

The proposed facility will be in the HSA VII ESRD Planning Area. HSA VII ESRD Planning area includes DuPage and Suburban Cook County. As of August 2019, there is a calculated excess of 56 ESRD stations in this planning area.

TABLE ONE	
Need Methodology HSA VII ESRD Planning Area	
Planning Area Population – 2015	3,466,200
In Station ESRD patients -2015	5,163
Area Use Rate 2015[1]	1.472
Planning Area Population – 2020 (Est.)	3,508,600
Projected Patients – 2020 [2]	4,886
Adjustment	1.33
Patients Adjusted	6,867
Projected Treatments – 2020 [3]	1,071,219
Calculated Station Needed [4]	1,430
Existing Stations	1,486
Stations in Excess 2020	**56**

1. Usage rate determined by dividing the number of in-station ESRD patients (2015) in the planning area by the 2015 – planning area population per thousand.
2. Projected patients calculated by taking the 2020 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients.
3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient
4. 1,013,747/747 = 1,353
5. 936 x 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 $1,678,685 and the fair market value of a lease (FMV) of $880,242. The estimated start-up costs and operating deficit is $930,873.

TABLE TWO
Project Costs and Sources of Funds

Uses of Funds	**Reviewable**	**Total**	**% of Total**
Modernization	$1,094,986	$1,094,986	42.79%
Contingencies	$87,599	$87,599	3.42%
Architectural/Engineering Fees	$45,000	$45,000	1.76%
Movable or Other Equipment	$451,100	$451,100	17.63%
Fair Market Value of Leased Space or Equipment	$880,242	$880,242	34.40%
Total Uses of Funds	$2,558,927	$2,558,927	100.00%
Sources of Funds	**Reviewable**	**Total**	**% of Total**
Cash and Securities	$1,678,685	$1,678,685	65.60%
Leases (fair market value)	$880,242	$880,242	34.40%

TABLE TWO Project Costs and Sources of Funds			
Uses of Funds	**Reviewable**	**Total**	**% of Total**
Total Sources of Funds	$2,558,927	$2,558,927	100.00%

VI. Background of the Applicants Purpose of the Project, Safety Net Impact, Alternatives to the Project

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 not had *adverse action*[1] taken against any facility they own or operate.

The Applicants have attested that there has been no adverse action taken against any of the facilities owned or operated by the Applicants and 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. [Application for Permit page 92-93] Certificates of Good Standing have been provided for both Applicants as required at pages 27 and 29 of the Application for Permit. The site is owned by Meridian Investment Partners, LLC. The Applicants provided evidence that the site is not in a Special Flood Hazard Area in compliance Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas*[2] *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.* The proposed location of the ESRD facility is in compliance with the Illinois State Agency Historic Resources

[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)

[2] **Special Flood Hazard** Area (SFHA) **Definition** A term used by the Federal Emergency Management Agency (FEMA) in the National **Flood** Insurance Program (NFIP) to refer to the land area covered by the floodwaters of the base or 100-year **flood** (an area of land that has an approximate 1 percent probability of a flood occurring on it in any given year). https://www.fema.gov/special-flood-hazard-area

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).

B) 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 applicant shall define the planning area or market area, or other area, per the applicant's definition.

The Applicants addressed this criterion at pages 94-104 of the Application for Permit. The purpose or the project is for the facility to provide improved access for life-sustaining dialysis patients in the Chicago Heights and the Cook County market. The proposed geographical service area for this project is a 5-mile radius from the proposed location of the facility. There are approximately262,000 residents within this 5-mile radius.

C) Criterion 1110.110(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]

"The establishment of Dialysis Care Center Chicago Heights will not have any impact on safety net services In the Chicago Heights area. Outpatient dialysis facilities services are not typically considered or viewed as "safety net" services. As a result, the presence of Dialysis Care Center Chicago Heights as a provider Is not expected to alter the way any other healthcare providers function in the community. Dialysis Care Center Chicago Heights 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 Chicago Heights 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 Chicago Heights will not refuse any patients. Medicaid patients wishing to ***be*** *served at Dialysis Care Center Chicago Heights 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 Chicago Heights is to provide services to all patients regardless of race, color, national origin. Dialysis Care Center Chicago Heights will provide services to patients with or without Insurance and as well as 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 Chicago Heights 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 Chicago Heights will be a new entity there is no current Charity documentation that can be provided to the board, however the Charity policy is attached." [Application for Permit pages 107-108]

DCC Holdings, LLC first dialysis facility was approved in 2016 and became fully operational in 2018.

Safety Net Information DCC Holdings, LLC (For Operating ESRD Facilities)	
CHARITY CARE (self-pay)	**2018**
Revenue	$1,254,657
Self-Pay Charity Care #	19
Total Charity (cost in dollars)	$44,055
MEDICAID	
Medicaid (number of patients	31
Out-Patient Only	$220,715

D) Criterion 1110.110(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 stated *"the only option other than what was proposed in the application, would entail a lesser scope and cost than the project proposed in this application would be to do nothing, which was considered. This option, however, does not address the need of current stations in Chicago Heights, IL. To do nothing would cause existing area facilities to reach or exceed capacity as patient access declines in this HSA defined zone.* No cost was provided for this alternative.

The Applicants believe the alternative of utilizing a DaVita or a Fresenius facility in the 5-mile GSA is not a viable option because these facilities are not physician own where the physicians have the independence they need to improve quality indicators set by the Board's quality criteria.

VII. Size of the Project, Project Utilization, Assurances

A) Criterion 1110.120 (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 14 stations in 7,280 GSF of space or 520 GSF per station [7,280 GSF ÷ 14 stations = 520 GSF]. The State Board Standard is 450-650 GSF per station or 9,100 GSF of space [14 x 650 GSF = 9,100 GSF]. The Applicants have successfully addressed this criterion.

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

B) Criterion 1110.120 (b) – Projected Utilization

To demonstrate compliance with this criterion the Applicants must document that the proposed 14-stations will be at target occupancy of 80% within 2-years after project completion.

The Applicants stated that by the second year after project completion they are estimating that 77 patients will be utilizing the proposed 14-station facility.

If all 77 patients materialize the proposed new facility will be at target occupancy of 80% within 2-years after project completion. The Applicants have successfully addressed this criterion.

77 patients x 156 treatments per year = 12,012 treatments
14 stations x 936 treatments per year = 13,104 treatments
12,012 treatments ÷ 13,104 treatments = 91.7%

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 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 1110.120(e))

A) Criterion 1110.230 (b) - Planning Area Need

The applicant shall document that the number of stations to be established or added is necessary to serve the planning area's population, based on the following:

1) 77 Ill. Adm. Code 1100

A) The number of stations to be established for in-center hemodialysis is in conformance with the projected station deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.

B) The number of stations proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the utilization standard specified in 77 Ill. Adm. Code 1100.

The Applicants are requesting a facility with 14-stations. The State Board has calculated an excess of the 56 ESRD stations in the HSA VII ESRD Planning Area.

2) *Service to Planning Area Residents*

A) Applicants proposing to establish or add stations shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

The geographical service area for this project is the 5-mile radius[3] from zip code 60411. The table below was provided as additional information on March 26, 2019. The Applicants identified the 5-mile service area as including 16 zip codes. Only those zip codes and the population within the 5-mile radius are being considered as part of this project. The population within that the 5-mile radius is 262,432. All the pre-ESRD patients identified by the Applicants reside within this 5-mile radius.

TABLE THREE
Zip codes within 5-miles of Chicago Heights

60426	Markham	29,784
60428	Markham	12,344
60429	Hazel Crest	15,532
60478	Country Club Hills	17,173
60430	Homewood	19,835
60422	Homewood	9,821
60422	Flossmoor	9,403
60425	Glenwood	9,117
60461	Olympia Fields	4,836
60443	Matteson	21,145
60471	Richton	14,101
60466	Park Forest	22,115
60484	Park Forest	6,829
60411	Chicago Heights	58,136
60475	Steger	9,870
60476	Thornton	2,391
Total		262,432

[3] a line segment extending from the center of a circle or sphere to the circumference or bounding surface**.** the **radius** of a circle or sphere is the shortest connection between the center and the boundary. It is half of the diameter.

TABLE FOUR Pre-ESRD Patients			
Zip Code	City	Stage 4	Stage 3
60411/60412	Chicago Heights	34	41
60466	Park Forest	5	8
60475	Steger	3	7
60422	Flossmoor	3	9
Total		45	65

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

The number of stations proposed to establish a new in-center hemodialysis service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest 2-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new facility, the applicant shall submit projected referrals. The applicant shall document subsection (b)(3)(A) and either subsection (b)(3)(B) or (C).

The State Board received one referral letter from Dr. Sampson. Dr. Sampson identified 110 pre ESRD patients that live within the 5-mile GSA. Of that 110 pre ESRD patients the Applicants believe 77 patients will utilize the proposed 14-station facility within two-years after project completion.

TABLE FIVE Historical Referrals [1] by Dr. Sampson							
2016			2017			2018	
Facility	Number		Facility	Number		Facility	Number
DaVita Country Club Hills	3		DaVita Chicago Heights	19		DaVita Chicago Heights	12
DaVita Hazel Crest	6		DaVita Country Club Hills	14		DaVita Country Club Hills	8
DaVita Olympia Fields	6		DaVita Harvey	1		FKC South Deering	3
DaVita Chicago Heights	11		DaVita Hazel Crest	9		DaVita Hazel Crest	7
Total	26		DaVita Olympia Fields	5		DaVita Olympia Fields	79
			FMC Orland Park	1		DaVita Stony Island	5
			Total	49		Total	114

1. Referrals to nursing homes are not included.

5) Service Accessibility

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 shall document the following:

A) Service Restrictions

The applicant shall document that at least one of the following factors exists in the planning area:

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;
v) For purposes of this subsection (b)(5) only, all services within the established radii outlined in subsection (b)(5)(C) meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

i.) There is no absence of ESRD service in the HSA VII ESRD Planning Area or the 5-mile GSA. There are nine facilities within the 5-mile GSA and there are 84 ESRD facilities within the HSA-VII ESRD Planning Area.
ii.) There are no access limitations due to payor status within the 5-mile GSA.
iii.) There are no restrictive admission policies at existing providers.
iv.) There has been no indication of medical care problems within the 5-mile GSA.
v.) There are nine facilities within the 5-mile GSA. One facility is not operational. One of the eight remaining facilities are at target occupancy. Average utilization of the eight facilities is approximately 70%.

TABLE SIX
ESRD facilities within the 5-mile GSA.

Name	City	Star Rating (1)	Miles (2)	Patients (3)	Stations (4)	Utilization (5)	Met Standard
DaVita Chicago Heights	Chicago Heights	3	1	59	16	61.46%	No
Fresenius Kidney Care Chicago Heights	Chicago Heights	NA	2.3	47	12	65.28%	No
Dialysis Care Center of Olympia Fields	Olympia Fields	NA	2.7	73	12	101.39%	Yes
Fresenius Kidney Care South Suburban	Olympia Fields	4	2.8	110	27	67.90%	No
DaVita Olympia Fields Dialysis Center	Matteson	3	4.7	85	24	59.03%	No
DaVita Harvey Dialysis	Harvey	2	5	55	18	50.93%	No
Fresenius Kidney Care Hazel Crest	Hazel Crest	5	5	76	16	79.17%	No
DaVita Hazel Crest	Hazel Crest	4	4.3	87	20	72.50%	No
Average Utilization of Operating Facilities						69.71%	
Dialysis Care Center Hazel Crest	Hazel Crest	NA	5	0	12	0.00%	
				592	157		

1. Star Rating from https://www.medicare.gov/dialysisfacilitycompare/
2. Miles from MapQuest
3. Number of Stations as of August 2019
4. Number of patients as of June 30, 2019.

Summary

The State Board has estimated an excess of 56-stations in the HSA VII ESRD Planning Area by 2020. There are nine facilities within the 5-mile GSA with one facility not yet operating. The remaining eight facilities are at approximately 70% occupancy. With the excess stations in the ESRD planning area and the number of facilities (7 of 8 facilities)

not at target occupancy patients and service accessibility can be accommodated with the existing facilities and will not be improved at this time by the addition of 14 stations.

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

B) Unnecessary Duplication/Maldistribution

1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:

A) A list of all zip code areas that are located, in total or in part, within the established radii outlined in subsection (c)(4) of the project's site;

B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and

C) The names and locations of all existing or approved health care facilities located within the established radii outlined in subsection (c)(4) of the project site that provides the categories of station service that are proposed by the project.

2) ***The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, stations and services characterized by such factors as, but not limited to:***

A) A ratio of stations to population that exceeds one and one-half times the State average;

B) Historical utilization (for the latest 12-month period prior to submission of the application) for existing facilities and services that is below the utilization standard established pursuant to 77 Ill. Adm. Code 1100; or

C) Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above utilization standards.

3***) The applicant shall document that, within 24 months after project completion, the proposed project:***

A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and

B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

1. As seen in Table Six above there are nine facilities within the 5-mile GSA. Of the nine facilities only one is at the target occupancy of 80% or above. One facility is not operational.
2. There are 157 stations in the 5-mile GSA and a population of 262,432. The ratio of stations to population in this GSA is one station per every 1,672 residents. There are 4,957 ESRD stations in the State of Illinois (August 2019) and a population of 12,978,800 (2015 population projected)[4] for a ratio of one station per 2,619 residents. To have a maldistribution (surplus) of stations in this 5-mile GSA, the ratio of stations to population in the 5-mile GSA must be 1.5 times the State of Illinois ratio. Based upon this analysis there is a surplus of stations in this 5-mile GSA.
3. The Applicant stated the following: *"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."*

[4] Taken from Illinois Department of Public Health Office of Health Informatics Illinois Center for Health Statistics most recent projections available at the time of this report.

Summary

As noted above one of the eight operating ESRD facilities within the 5-mile GSA is at target occupancy of 80%. Additionally, based upon the ratio of the stations to population there is a surplus of stations in this 5-mile GSA now. The proposed 14-station ESRD facility will result in an unnecessary duplication/maldistribution of service at this time.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALSDISTRIBUTION (77 ILAC 1110.230 (c))

C) Criterion 1110.230 (e) - Staffing

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and The Joint Commission staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

1) Qualifications

A) Medical Director – Medical direction of the facility shall be vested in a physician who has completed a board-approved training program in nephrology and has at least 12-months experience providing care to patients receiving dialysis.

B) Registered Nurse – The nurse responsible for nursing services in the unit shall be a registered nurse (RN) who meets the practice requirements of the State of Illinois and has at least 12-months experience in providing nursing care to patients on maintenance dialysis.

C) Dialysis Technician – This individual shall meet all applicable State of Illinois requirements (see the End Stage Renal Disease Facility Act). In addition, the applicant shall document its requirements for training and continuing education.

D) Dietitian – This individual shall be a registered dietitian with the Commission on Dietetic Registration, meet the practice requirements of the State of Illinois (see the Dietitian Nutritionist Practice Act) and have a minimum of one year of professional work experience in clinical nutrition as a registered dietitian.

E) Social Worker – The individual responsible for social services shall have a Master of Social Work and meet the State of Illinois requirements (see the Clinical Social Work and Social Work Practice Act).

The Applicants provided the following narrative: Dialysis Care Center Chicago Heights will be staffed in accordance with all state and Medicare staffing guidelines and requirements. Dr. Suresh Samson will serve as the Medical Director for Dialysis Care Center Chicago Heights. 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 - Registered Nurse
- Four Registered Nurses
- Ten Patient Care Technicians

The facility will be certified by Medicare. The Survey and Certification Program certifies ESRD facilities for inclusion in the Medicare Program by validating that the care and services of each facility meet specified safety and quality standards, called "Conditions for Coverage." The Survey and Certification Program provides initial certification of each dialysis facility and ongoing monitoring to ensure that these facilities continue to meet these basic requirements *(source: medicare.gov).* The Applicants have met the requirements of this criterion.

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

D) Criterion 1110.230(f) - Support Services

An applicant proposing to establish an in-center hemodialysis category of service must submit a certification from an authorized representative that attests to each of the following:

1) Participation in a dialysis data system;

2) Availability of support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and

3) Provision of training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training provided at the proposed facility, or the existence of a signed, written agreement for provision of these services with another facility.

The Applicants provided the necessary attestation at page 129 of the Application for Permit. The Applicants have met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC 1110.230 (f))

E) Criterion 1110.230 (g) - Minimum Number of Stations

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 Applicants are proposing 14-stations. The proposed facility will be located in the Chicago–Naperville-Elgin IL–IN–WI 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 1120.230 (h) - Continuity of Care**

An applicant proposing to establish an in-center hemodialysis category of service shall document that a signed, written affiliation agreement or arrangement is in effect for the provision of inpatient care and other hospital services. Documentation shall consist of copies of all such agreements.

The Applicants have provided a signed affiliation agreement with Advocate South Suburban Hospital. The Applicants have met the requirements of this criterion.

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

G) Criterion 1110.230 (i) - Assurances

The applicant 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 Applicants have provided the necessary attestation at page 140 of the Application for Permit. The Applicants have met the requirements of this criterion.

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

XI. Financial Viability

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 $1,678,685, and the FMV (Fair Market Value) of a lease in the amount of $880,242. The Applicants provided their 2018 audited financial statements as required. Based upon the review of the audited financial statements the Applicants have enough resources to fund the cash portion of this project. The lease is an operating lease and the lease expense will be paid from revenues generated by the facility. The Applicants have met the requirements of this criterion.

TABLE SEVEN
Pro-forma Financial Income Statement
DCC Chicago Heights

	Initial	Year 1	Year 2
# Patients	5	56	68
Treatments	726	8,131	9,874
Revenue	$193,000	$2,238,803	$2,808,407
Revenue per Treatment	$266	$275	$284
Expenses			
Personnel	$556,000	$823,604	$991,136
Supplies	$47,190	$540,156	$657,829
Facility Exp.	$442,144	$604,801	$645,100
Initial Fees	$5,025	$0	$0
Depreciation	$54,657	$54,657	$54,657
Amortization	$11,667	$11,667	$11,667
Overhead 3% of Rev	$5,807	$67,164	$84,252
Write-Offs-1% of Revenue	$1,936	$22,388	$28,084
Total Expenses	$1,124,426	$2,124,437	$2,472,725
Income Before Tax	-$931,426	$114,366	$335,682
Percent Profit	-482.60%	5.11%	11.95%

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 $1,678,685, and the FMV (Fair Market Value) of a lease in the amount of $880,242. 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.

The Applicants have met the first requirement above that all capital expended will be funded through internal sources.

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 $1,678,685, the FMV (Fair Market Value) of a lease in the amount of $880,242. The operating lease (NNN)[5] is for 10-years at a base rent of $15.00/psf[6] for years 1 through 5, with a 10% increase every 5-years with two 5-year options. [See Application for Permit pages 146-186]

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

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

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

Only Clinical Costs are reviewed in this criterion. As shown below, the Applicants have met all the State Board Standards published in Part 1120, Appendix A. The Applicants are proposing 7,280 GSF of clinical space.

Modernization and Contingency Costs total $1,182,585 or $162.44 per GSF. This appears reasonable when compared to the State Board Standard of $206.83 per GSF or $1,505,722 (7,280 GSF x $206.83 = $1,505,722).

TABLE EIGHT
Modernization and Contingency Costs (3)

Year	2015	2016	2017	2018	2019	2020 (1)	2021	2022
Cost per GSF	$178.33 (2)	$183.68	$189.19	$194.87	$200.71	$206.73	$212.94	$219.32

1. Midpoint of the construction
2. 2015 is based year costs and inflated by 3% per year.
3. See Part 1120 Appendix A Modernization and Contingency Costs ESRD

Contingency Costs are $87,599 or 8% of modernization costs. This appears reasonable when compared to the State Board Standard of 10-15% of modernization costs or $177,388.

Architectural/Engineering Fees are $45,000 or 3.81% of modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 6.77% - 10.17% or $120,269 ($1,182,585 x 10.17% = $120,269)

[5] A triple net lease is a lease agreement that designates the lessee, which is the tenant, as being solely responsible for all the costs relating to the asset being leased, in addition to the rent fee applied under the lease. The structure of this type of lease requires the lessee to pay the net amount for three types of costs, including net real estate taxes on the leased asset, net building insurance and net common area maintenance. The lease is an operating lease and the lease expense is paid over the life of the lease and not depreciated.
[6] Price per square foot

Movable or Other Equipment Costs not in Construction Contracts are $451,100 or $32,222 per station ($451,100 ÷ 14 stations). This appears reasonable when compared to the State Board standard of $55,293 or $774,102 ($55,293 x 14 stations = $774,102).

TABLE NINE
Movable or Other Equipment Costs (3)

Year	2008	2016	2017	2018	2019	2020	2021
Cost per Station	$39,945 (1)	$49,127	$50,601	$52,119	$53,683	$55,293	$56,952

1. 2008 is base year inflated by 3% per year to midpoint of construction.
2. 2020 midpoint of construction
3. See Part 1120 Appendix A – Movable or Other Equipment not in Construction Contracts

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. The Applicants have addressed this criterion.

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. The Applicants have addressed this criterion.

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

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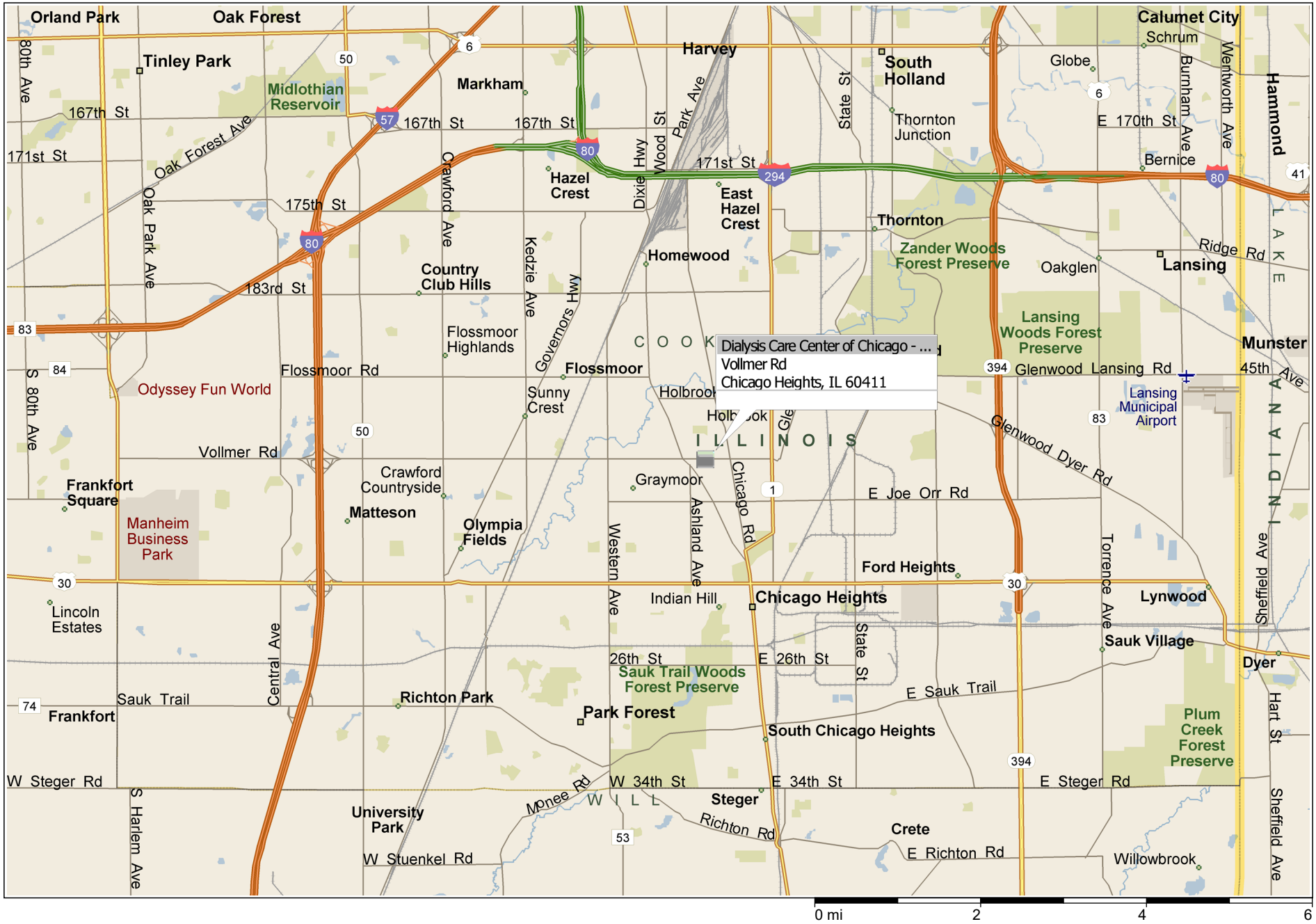

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