



Mount Sinai Hospital

California Avenue at 15th Street ■ Chicago, IL 60608-1797 ■ (773) 542-2000 ■ TTY (773) 257-6289

Charles Weis
Executive Vice President & CFO
Sinai Health System
California Avenue at 15th Street
Chicago, Illinois 60608
Office: 773-257-6642
Fax: 773-257-6190
chuck.weis@sinai.org

RECEIVED

FEB 07 2012

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Via UPS Overnight Mail and
Email Transmission

February 6, 2012

Mr. Dale Galassie
Chairman, Illinois Health Facilities and Services Review Board
Members of the Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: CON Application for Permit 11-103 for "Lawndale Dialysis"/ DaVita Inc.

Dear Chairman Galassie and Members of the Board:

I am writing in response to the letter providing Mount Sinai Hospital notice of DaVita Incorporated's Certificate of Need Application for Permit to the Illinois Health Facilities and Services Review Board requesting approval for a new, for-profit dialysis center with 16 stations at 3934 W. 24th Street, Chicago, IL 60623. This letter serves as our formal written response to this application. It also serves as our opposition to the application, and our respectful request that the Board deny the application to establish a 16 station dialysis facility in Lawndale.

The new dialysis center proposed by DaVita Incorporated would, if approved, be located only 2.2 miles from Mount Sinai Hospital, a not-for-profit, Safety Net Provider with 319 licensed hospital beds and 16 licensed ESRD stations.

DaVita Incorporated's CON Application for Permit 11-103 failed to provide a Safety Net Provider Impact Statement that is reasonably comprehensive and accurate in its content and/or its conclusions. The application, therefore, fails to satisfy the intent of IDPH regulations to protect the interests of Safety Net Providers and the vulnerable populations that we serve. This failure alone should generate an unfavorable IDPH staff report finding and persuade board members to deny approval for this CON application.



A proud member of Sinai Health System

Mount Sinai Hospital ■ Schwab Rehabilitation Hospital ■ Sinai Community Institute ■ Sinai Medical Group
Access Community Health Network Affiliate ■ Jewish Federation of Metropolitan Chicago Affiliate

Up to the date of CON submission, DaVita representatives made insufficient, reasonable or genuine efforts to engage in conversations with Mount Sinai Hospital leadership and likely with any other area Safety Net Providers located in HSA 6 prior to their CON application filing, in an effort to truly assess the potential Safety Net Impact of their proposed new ESRD stations. Only over the last week, has Davita commenced dialogue with us as to the project and its net impact on Mount Sinai Hospital.

New ESRD stations will increase competition for patients and, in particular, those patients with more financially favorable insurance coverage. Mount Sinai Hospital's dialysis payer mix has over ten percent (10%) of the patients served as uncompensated care and over thirty percent (30%) of our patients covered by Medicaid. The remaining numbers of our patients are generally covered by Medicare with a small number covered by private insurance plans.

Sinai is legitimately concerned that the joint venture facility proposed by DaVita will pull the patients covered by Medicare and private insurance that Sinai might otherwise serve, and it is these patients that assist Sinai in meeting its financial obligations to be able to serve the community as a Safety Net Provider. Sinai has over the last several years operated essentially at break even and with less than ten days of cash on hand. Accordingly, any loss to Sinai's bottom line will be detrimental to its ability to continue serving as a Safety Net Provider for the community. The Board has expressed its desire through rulemaking to assure that Safety Net Providers are not adversely impacted. This is the basis for the requirement that all applications for establishment of a service or facility address the potential Safety Net Impact, to assure Safety Net Providers are not negatively impacted in their ability to offer services generally to their communities.

In this particular instance, the new ESRD stations requested in DaVita's application will do just that, despite its summary conclusion that the additional stations will not have a negative Safety Net impact. Davita based its summary conclusion on the fact that the "average utilization" of all facilities is 78% (below the State Board target). However, the "average utilization" is not relevant to the direct impact that the proposed Lawndale facility would have on a particular Safety Net Provider, in this case Mount Sinai Hospital. Mount Sinai is not taking the position that any dialysis facility in Health Service Area (HSA) 6 would have a negative Safety Net impact. However, the proposed DaVita Lawndale facility will.

Furthermore, while there is a current "need" for dialysis stations in HSA 6 per the Board's Inventory, there are many facilities within a 30 minute travel time of the proposed DaVita dialysis facility that are underutilized when compared to the Board's utilization target. In fact, nearly 60% of the facilities in HAS 6 are below the Board's utilization target. Furthermore, IDPH projections as of January 17, 2012 indicate that HSA 6 is expected to have 172 excess dialysis stations in 2018. Based on this projection, DaVita's additional 16 ESRD station center

Mr. Dale Galassie
Chairman, Illinois Health Facilities and Services Review Board
Members of the Illinois Health Facilities and Services Review Board
February 6, 2012
Page 3

would exacerbate the projected excess supply and could be expected to take additional insured dialysis patients away from Mount Sinai Hospital's program, resulting in fewer patients and lower revenues for our program, thereby negatively impacting the financial ability of a nearby Safety Net Provider to cross-subsidize services.

DaVita is a global for-profit corporation with approximately \$7 billion in revenue and over \$400 million in profit during 2011. For Mount Sinai Hospital, our high quality, hospital-based dialysis services do provide a significant favorable contribution margin that is essential to cross-subsidize our large and increasing costs for providing other essential medical services, including Level I trauma services and high cost specialty services such as neurosurgery where 15% of the patients are uninsured.

Based on the foregoing information, I respectfully request, on behalf of Mount Sinai Hospital, that members of the IHFSRB vote to deny approval of DaVita Incorporated's CON Application for Permit 11-103 based on the proposed project's likely long-term negative financial impact on our institution, a major Safety Net Provider in HSA 6.

Sincerely,



Chuck Weis
Executive Vice President and
Chief Financial Officer

cc: Ms. Kelly Ladd
Regional Operations Director
DaVita Inc.
2659 N. Milwaukee Ave. 2nd Floor
Chicago, IL 60647