

## Constantino, Mike

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**From:** Joseph Van Leer [JVanLeer@Polsinelli.com]  
**Sent:** Thursday, May 31, 2012 4:29 PM  
**To:** Constantino, Mike  
**Cc:** Kara Friedman  
**Subject:** RE: stony island  
**Attachments:** Stony Island Modification Ltr (Proj. No. 12-009).pdf

Mike,

Thanks for your email. The other costs to be capitalized consists of a new water treatment system and communications system, both of which will benefit the entire facility. These systems are necessary components to the renovation of the whole facility, as described in my cover letter.

Also, I realized that there was a typo for the costs of those systems in the letter I sent this morning, so I've attached an updated letter. I broke down the other costs to be capitalized to make it more clear.

Let me know if you have further questions. Thanks,

Joe

---

**From:** Constantino, Mike [<mailto:Mike.Constantino@Illinois.gov>]  
**Sent:** Thursday, May 31, 2012 3:44 PM  
**To:** Joseph Van Leer  
**Subject:** stony island

Hi Joe:

What is included in the other costs to capitalized?

Mike Constantino  
Illinois Department of Public Health  
525 West Jefferson  
Springfield, Illinois 62761  
Fax:(217) 785-4111  
Phone:(217) 785-1557

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Joseph T. Van Leer

161 N. Clark Street, Suite 4200  
Chicago, IL 60601  
(312) 819-1900  
Fax: (312) 819-1910  
www.polsinelli.com

May 31, 2012

**VIA ELECTRONIC MAIL**

Michael Constantino  
Supervisor, Project Review Section  
Illinois Department of Public Health  
Health Facilities and Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

**Re: Stony Island Dialysis Expansion (Proj. No. 12-008)**

Dear Mike:

Thank you for pointing out the discrepancy in the CON Application for the expansion of the Stony Island facility. I apologize for the confusion on our part which stemmed from the fact that there was a one station increase that had been in the works for a while and was approved around the time that we were collecting information from Kelly Ladd and her team. We had been discussing the project as an increase to 32 stations and the inventory was listing 23 stations. We were not aware that 24th station expansion had been approved. The necessary changes to the application are enclosed with this letter.

The project cost totals do not change because we were working off data for an 8 station expansion. I do want to clarify that the project involves an addition to the building as well as modernization of the existing space to accommodate a larger treatment floor. A good deal of the renovation and reconfiguration of existing space is necessary for that purpose. Also, based on the condition of some of the existing equipment and the expanded capacity requirements, the project costs include \$228,860 for an entirely new water treatment system and a communications system upgrade for the benefit of the entire facility.

The new space will accommodate the new water treatment system and the existing space will be reconfigured to allow for more convenient patient treatment. Construction will be conducted in phases over approximately nine months, and involves much of the existing space. Because it will be phased, patient treatments will not be interrupted. These costs would not be reviewable if not related to the station expansion, but because DaVita will undertake them under one construction contract and because the space is all related, we have included all of the costs with the permit application.

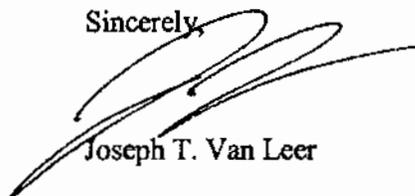
Chicago | Dallas | Denver | Edwardsville | Jefferson City | Kansas City | Los Angeles | New York  
Overland Park | Phoenix | St. Joseph | St. Louis | Springfield | Topeka | Washington, DC | Wilmington  
In California, Polsinelli Shughart LLP.

May 31, 2012  
Page 2

Also, please note that all of the references to 23 existing stations in the application's narratives should now be to 24 existing stations. If the reference to that fact in this cover letter is not adequate, please let me know and I can send updated replacement pages.

Thank you for your continued assistance and please do not hesitate to contact me if you have additional questions.

Sincerely,



Joseph T. Van Leer

Encs.

JTV:

**2. Narrative Description**

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does **NOT** have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

DaVita Inc. and Total Renal Care, Inc. (the "Applicants") seek authority from the Illinois Health Facilities and Services Review Board (the "Board") to add 8 dialysis stations to its existing 24-station dialysis facility located at 8721 S. Stony Island Avenue, Chicago, IL 60617. The Applicants will also renovate existing space in order to update the facility and to tie the additional treatment space. The proposed expansion to the existing dialysis facility will include an additional 2,266 gross square feet, resulting in approximately 11,566 total gross square feet.

This project has been classified as non-substantive because it involves the expansion of an in-center hemodialysis category of service.

**Project Costs and Sources of Funds**

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

<b>Project Costs and Sources of Funds</b>			
<b>USE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	\$483,133		\$483,133
Modernization Contracts	\$1,386,000		\$1,386,000
Contingencies	\$186,500		\$186,500
Architectural/Engineering Fees	\$135,094		\$135,094
Consulting and Other Fees	\$62,500		\$62,500
Movable or Other Equipment (not in construction contracts)	\$237,795		\$237,795
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	\$595,624		\$595,624
Other Costs To Be Capitalized	\$228,860		\$228,860
Acquisition of Building or Other Property (excluding land)			
<b>TOTAL USES OF FUNDS</b>	<b>\$3,315,506</b>		<b>\$3,315,506</b>
<b>SOURCE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Cash and Securities	\$2,719,882		\$2,719,882
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	\$595,624		\$595,624
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$3,315,506</b>		<b>\$3,315,506</b>
<b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

**G. Criterion 1110.1430 - In-Center Hemodialysis**

1. Applicants proposing to establish, expand and/or modernize In-Center Hemodialysis must submit the following information:
2. Indicate station capacity changes by Service: Indicate # of stations changed by action(s):

Category of Service	# Existing Stations	# Proposed Stations
<input checked="" type="checkbox"/> In-Center Hemodialysis	24	8

3. READ the applicable review criteria outlined below and submit the required documentation for the criteria:

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.1430(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.1430(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.1430(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.1430(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.1430(b)(5) - Planning Area Need - Service Accessibility	X		
1110.1430(c)(1) - Unnecessary Duplication of Services	X		
1110.1430(c)(2) - Maldistribution	X		
1110.1430(c)(3) - Impact of Project on Other Area Providers	X		
1110.1430(d)(1) - Deteriorated Facilities			X
1110.1430(d)(2) - Documentation			X
1110.1430(d)(3) - Documentation Related to Cited Problems			X
1110.1430(e) - Staffing Availability	X	X	
1110.1430(f) - Support Services	X	X	X
1110.1430(g) - Minimum Number of Stations	X		
1110.1430(h) - Continuity of Care	X		
1110.1430(j) - Assurances	X	X	X
<b>APPEND DOCUMENTATION AS ATTACHMENT-26, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

4. Projects for relocation of a facility from one location in a planning area to another in the same planning area must address the requirements listed in subsection (a)(1) for the "Establishment of Services or Facilities", as well as the requirements in Section 1110.130 - "Discontinuation" and subsection 1110.1430(i) - "Relocation of Facilities".

**Section I, Identification, General Information, and Certification**  
**Project Costs and Sources of Funds**

<b>Table 1120.110</b>			
<b>Project Cost</b>	<b>Clinical</b>	<b>Non-Clinical</b>	<b>Total</b>
New Construction Contracts	\$483,133		\$483,133
Modernization Contracts	\$1,386,000		\$1,386,000
Contingencies	\$186,500		\$186,500
Architectural/Engineering Fees	\$135,094		\$135,094
Consulting and Other Fees	\$62,500		\$62,500
Moveable and Other Equipment			
Bio-Medical Equipment	\$12,485		\$12,485
Clinical Equipment	\$137,898		\$137,898
Clinical Furniture/Fixtures	\$9,154		\$9,154
Lounge Furniture/Fixtures	\$4,415		\$4,415
Storage Furniture/Fixtures	\$14,418		\$14,418
Business Office Fixtures	\$22,925		\$22,925
General Furniture/Fixtures	\$33,000		\$33,000
Signage	\$3,500		\$3,500
Total Moveable and Other Equipment	\$237,795		\$237,795
Fair Market Value of Leased Space	\$595,624		\$595,624
Other Costs to be Capitalized			
Communications	\$100,500		\$100,500
Water Treatment	\$128,360		\$128,360
Total Other Costs to be Capitalized	\$228,860		\$228,860
<b>Total Project Costs</b>	<b>\$3,315,506</b>		<b>\$3,315,506</b>

**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.310(c), Reasonableness of Project and Related Costs**

1. The Cost and Gross Square Feet by Department is provided in the table below.

<b>Table 1120.310(c)</b>									
<b>COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE</b>									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod. Circ.*		Const. \$ (A x C)	Mod. \$ (B x E)	
ESRD	\$213.21	\$149.03	2,266		9,300		\$483,133	\$1,386,000	\$1,869,133
Contingency	\$16.12	\$16.12	2,266		9,300		\$36,539	\$149,961	\$186,500
<b>TOTALS</b>	<b>\$229.33</b>	<b>\$165.15</b>	<b>2,266</b>		<b>9,300</b>		<b>\$519,672</b>	<b>\$1,535,961</b>	<b>\$2,055,633</b>

\* Include the percentage (%) of space for circulation

2. As shown in Table 1120.310(c) below, the project costs are below the State Standard.

<b>Table 1120.310(c)</b>			
	<b>Proposed Project</b>	<b>State Standard</b>	<b>Above/Below State Standard</b>
New Construction Costs	\$483,133	\$213.21 per gross square foot x 2,266 gross square feet = \$483,133.86	Meets State Standard
Modernization Costs	\$1,386,000	\$149.35 per gross square foot x 9,300 gross square feet = 1,388,955	Below State Standard
Contingencies	\$186,500	10% of Construction Costs = 10% x \$1,869,133 = \$186,913	Below State Standard
Architectural/Engineering Fees	\$135,094	6.54 - 9.82% x (Construction Costs + Contingencies) = 6.54 - 9.82% x (\$1,869,133 + \$186,500) = 6.54 - 9.82% x \$2,056,046 = \$134,438 - \$201,863	Meets State Standard
Consulting and Other Fees	\$62,500	No State Standard	No State Standard
Other Costs to be Capitalized	\$228,860	No State Standard	No State Standard
Moveable Equipment	\$237,795	\$39,945 per station \$39,945 x 8 = \$319,560	Below State Standard

As noted throughout this application, the Existing Facility does not have sufficient capacity to meet demand. For several years, the facility operated at or above 100% utilization and is currently operating at 103%. Thus, DaVita proposes an expansion of the Existing Facility to meet increasing demand in the community. This project involves the physical expansion of the Existing Facility's exterior as well as an interior renovation to improve its physical plant. Although renovation costs are normally not reviewable under the Board's rules, these costs are included because DaVita plans to complete construction in phases under a single contract. Renovation of the existing space and expansion of the facility will result

in \$1,535,961 for modernization costs and associated contingencies costs, and \$519,672 for new construction costs and associated contingencies.

## Constantino, Mike

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**From:** Joseph Van Leer [JVanLeer@Polsinelli.com]  
**Sent:** Thursday, May 31, 2012 8:10 AM  
**To:** Constantino, Mike  
**Cc:** Kara Friedman  
**Subject:** Stony Island Modification (Proj. No. 12-009)  
**Attachments:** Stony Island Modification Ltr (Proj. No. 12-009).pdf

Mike,

Attached are the changes to the CON Application to expand Stony Island Dialysis. Please let me know if you have any questions or need additional information. Thanks,

Joe



**Joseph Van Leer**  
*Associate*

161 N. Clark Street  
Suite 4200  
Chicago, IL 60601

tel: 312.873.3665  
fax: 312.819.1910

[jvanleer@polsinelli.com](mailto:jvanleer@polsinelli.com)



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Joseph T. Van Leer

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Fax: (312) 819-1910  
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May 31, 2012

**VIA ELECTRONIC MAIL**

Michael Constantino  
Supervisor, Project Review Section  
Illinois Department of Public Health  
Health Facilities and Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

**Re: Stony Island Dialysis Expansion (Proj. No. 12-008)**

Dear Mike:

Thank you for pointing out the discrepancy in the CON Application for the expansion of the Stony Island facility. I apologize for the confusion on our part which stemmed from the fact that there was a one station increase that had been in the works for a while and was approved around the time that we were collecting information from Kelly Ladd and her team. We had been discussing the project as an increase to 32 stations and the inventory was listing 23 stations. We were not aware that 24th station expansion had been approved. The necessary changes to the application are enclosed with this letter.

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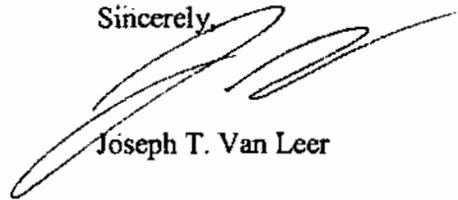
Chicago | Dallas | Denver | Edwardsville | Jefferson City | Kansas City | Los Angeles | New York  
Overland Park | Phoenix | St. Joseph | St. Louis | Springfield | Topeka | Washington, DC | Wilmington  
In California, Polsinelli Shughart LLP.

May 31, 2012  
Page 2

Also, please note that all of the references to 23 existing stations in the application's narratives should now be to 24 existing stations. If the reference to that fact in this cover letter is not adequate, please let me know and I can send updated replacement pages.

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Sincerely,



Joseph T. Van Leer

Encs.

JTV:

**2. Narrative Description**

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This project has been classified as non-substantive because it involves the expansion of an in-center hemodialysis category of service.

**Project Costs and Sources of Funds**

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<b>Project Costs and Sources of Funds</b>			
<b>USE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	\$483,133		\$483,133
Modernization Contracts	\$1,386,000		\$1,386,000
Contingencies	\$186,500		\$186,500
Architectural/Engineering Fees	\$135,094		\$135,094
Consulting and Other Fees	\$62,500		\$62,500
Movable or Other Equipment (not in construction contracts)	\$237,795		\$237,795
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	\$595,624		\$595,624
Other Costs To Be Capitalized	\$228,860		\$228,860
Acquisition of Building or Other Property (excluding land)			
<b>TOTAL USES OF FUNDS</b>	<b>\$3,315,506</b>		<b>\$3,315,506</b>
<b>SOURCE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Cash and Securities	\$2,719,882		\$2,719,882
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	\$595,624		\$595,624
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$3,315,506</b>		<b>\$3,315,506</b>
<b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

**G. Criterion 1110.1430 - In-Center Hemodialysis**

1. Applicants proposing to establish, expand and/or modernize In-Center Hemodialysis must submit the following information:
2. Indicate station capacity changes by Service: Indicate # of stations changed by action(s):

Category of Service	# Existing Stations	# Proposed Stations
<input checked="" type="checkbox"/> In-Center Hemodialysis	24	8

3. READ the applicable review criteria outlined below and submit the required documentation for the criteria:

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.1430(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.1430(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.1430(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.1430(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.1430(b)(5) - Planning Area Need - Service Accessibility	X		
1110.1430(c)(1) - Unnecessary Duplication of Services	X		
1110.1430(c)(2) - Maldistribution	X		
1110.1430(c)(3) - Impact of Project on Other Area Providers	X		
1110.1430(d)(1) - Deteriorated Facilities			X
1110.1430(d)(2) - Documentation			X
1110.1430(d)(3) - Documentation Related to Cited Problems			X
1110.1430(e) - Staffing Availability	X	X	
1110.1430(f) - Support Services	X	X	X
1110.1430(g) - Minimum Number of Stations	X		
1110.1430(h) - Continuity of Care	X		
1110.1430(j) - Assurances	X	X	X
<b>APPEND DOCUMENTATION AS ATTACHMENT-26 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

4. Projects for relocation of a facility from one location in a planning area to another in the same planning area must address the requirements listed in subsection (a)(1) for the "Establishment of Services or Facilities", as well as the requirements in Section 1110.130 - "Discontinuation" and subsection 1110.1430(i) - "Relocation of Facilities".

**Section I, Identification, General Information, and Certification  
Project Costs and Sources of Funds**

<b>Table 1120.110</b>			
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General Furniture/Fixtures	\$33,000		\$33,000
Signage	\$3,500		\$3,500
Total Moveable and Other Equipment	\$237,795		\$237,795
Fair Market Value of Leased Space	\$595,624		\$595,624
Other Costs to be Capitalized	\$228,860		\$228,860
<b>Total Project Costs</b>	<b>\$3,315,506</b>		<b>\$3,315,506</b>

**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.310(c), Reasonableness of Project and Related Costs**

1. The Cost and Gross Square Feet by Department is provided in the table below.

<b>Table 1120.310(c)</b>									
<b>COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE</b>									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod. Circ.*		Const. \$ (A x C)	Mod. \$ (B x E)	
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Contingency	\$16.12	\$16.12	2,266		9,300		\$36,539	\$149,961	\$186,500
<b>TOTALS</b>	<b>\$229.33</b>	<b>\$165.15</b>	<b>2,266</b>		<b>9,300</b>		<b>\$519,672</b>	<b>\$1,535,961</b>	<b>\$2,055,633</b>

\* Include the percentage (%) of space for circulation

2. As shown in Table 1120.310(c) below, the project costs are below the State Standard.

<b>Table 1120.310(c)</b>			
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Contingencies	\$186,500	10% of Construction Costs = 10% x \$1,869,133 = \$186,913	Below State Standard
Architectural/Engineering Fees	\$135,094	6.54 - 9.82% x (Construction Costs + Contingencies) = 6.54 - 9.82% x (\$1,869,133 + \$186,500) = 6.54 - 9.82% x \$2,056,046 = \$134,438 - \$201,863	Meets State Standard
Consulting and Other Fees	\$62,500	No State Standard	No State Standard
Other Costs to be Capitalized	\$228,860	No State Standard	No State Standard
Moveable Equipment	\$237,795	\$39,945 per station \$39,945 x 8 = \$319,560	Below State Standard

As noted throughout this application, the Existing Facility does not have sufficient capacity to meet demand. For several years, the facility operated at or above 100% utilization and is currently operating at 103%. Thus, DaVita proposes an expansion of the Existing Facility to meet increasing demand in the community. This project involves the physical expansion of the Existing Facility's exterior as well as an interior renovation to improve its physical plant. Although renovation costs are normally not reviewable under the Board's rules, these costs are included because DaVita plans to complete construction in phases under a single contract. Renovation of the existing space and expansion of the facility will result

in \$1,535,961 for modernization costs and associated contingencies costs, and \$519,672 for new construction costs and associated contingencies.