



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-08	BOARD MEETING: November 12, 2014	PROJECT NO: 14-042	PROJECT COST: Original: \$3,665,882
FACILITY NAME: DaVita Tinley Park Dialysis		CITY: Tinley Park	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: DaVita Healthcare Partners, Inc., and Kidney Center South, LLC (the applicants) are proposing to establish a 12-station End Stage Renal Dialysis (ESRD) facility in Tinley Park. The cost of the project is \$3,665,882.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- DaVita Healthcare Partners, Inc., and Kidney Center South, LLC. (the applicants) are proposing to establish a 12-station End Stage Renal Dialysis (ESRD) facility in 6,500 GSF of space, in Tinley Park.
- The cost of the project is \$3,665,882.
- **The anticipated project completion date is October 31, 2016.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- To establish a health care facility as defined by Illinois Health Facilities Planning Act (20 ILCS 3960).

PURPOSE OF THE PROJECT:

- The proposed project seeks to improve access to life-sustaining dialysis services to the residents of the Tinley Park and HSA-07. The 12 additional stations is in response to the need for 58 additional stations, and address high utilization at facilities in the service area.

NEED FOR THE PROJECT:

- **To establish an ESRD facility:**
 1. there must be a calculated need in the planning area;
 2. the proposed service must provide service to planning area residents;
 3. there must be a demand for the service in the planning area;
 4. and the proposed service will improve access.
- HSA-07 currently has a calculated need for 58 additional ESRD stations, per the September 2014 Inventory update. The applicants are establishing 12 ESRD stations, based on the practice of the proposed facility's medical director, Dr. M. Sameer Shafi, M.D.

BACKGROUND/COMPLIANCE ISSUES

- Neither applicant has outstanding compliance issues with the State Board.

PUBLIC HEARING/COMMENT

- No public hearing was requested and no letters of opposition or support were received by the State Board Staff.

FINANCIAL AND ECONOMIC FEASIBILITY

- The entirety of the project will be funded through internal sources (Cash and Securities/Fair Market Value of the Leases). A review of the audited financial statements indicates sufficient cash is available to fund the project.

CONCLUSIONS:

- 20 Criteria were reviewed in regard to the proposed project, and the applicants have not met the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
1110.1430(c) Unnecessary Duplication of Service	9 of the 22 (41%) ESRD facilities within a 30-minute radius are operating above the State Standard of 80%. The average operational capacity at these 22 facilities is 75.38%. This determination assumes that all facilities within 30 minutes (adjusted) are operating 3 shifts a day, 6 days a week and 52 weeks a year. It also assumes that all facilities have been in operation for more than 2 years after project completion.

STATE BOARD STAFF REPORT
DaVita Tinley Park Dialysis
PROJECT #14-042

APPLICATION CHRONOLOGY	
Applicants	DaVita Healthcare Partners, Inc. Kidney Center South, LLC.
Facility Name	Tinley Park Dialysis
Location	Tinley Park
Application Received	August 26, 2014
Application Deemed Complete	August 26, 2014
Can Applicants Request Another Deferral?	Yes

I. The Proposed Project

DaVita Healthcare Partners Inc., and Kidney Center South, LLC (the applicants) are proposing to establish a 12-station ESRD facility in 6,500 GSF of leased space in Tinley Park. The cost of the project is \$3,665,882, and the anticipated project completion date is October 31, 2016.

II. Summary of Findings

- A. The State Board Staff finds the proposed project **does not** appear to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

DaVita Healthcare Partners Inc. and Kidney Center South, LLC (the applicants) are proposing to establish a 12-station ESRD facility at 16767 South 80th Avenue, Tinley Park, Illinois in 6,500 GSF of leased space. The operating entity is Kidney Center South, LLC., and the owner of the leased space is Turn Verein Eiche.

The September 2014 update to the IDPH Inventory of Health Care Facilities (“Inventory”) shows a computed need for 58 ESRD stations in HSA-07.

There is no land acquisition cost for this project, as the proposed facility will be in leased space. This is a substantive project subject to both a Part 1110 and Part 1120 review. Project obligation is contingent on permit issuance, and the anticipated project completion date is October 31, 2016.

A public hearing was offered on this project; however, no hearing was requested. No letters of support or opposition were received by the State Board Staff in regard to the proposed project.

IV. The Proposed Project - Details

DaVita Healthcare Partners Inc. and Kidney Center South, LLC (the applicants) are proposing to establish a 12-station ESRD facility in Tinley Park. The facility will be located at 16767 South 80th Avenue, Tinley Park, in 6,500 GSF of leased space. The cost of the project is \$3,665,882. The anticipated project completion date is October 31, 2016.

V. Project Costs and Sources of Funds

The total estimated project cost is \$3,665,882. The proposed project is being funded with cash and securities totaling \$1,828,437, and leases with a Fair Market Value of \$1,837,445. Table One outlines the project's costs and uses of funds. The State Board Staff notes all costs are classified as being clinical.

TABLE ONE	
Project Uses and Sources of Funds	
Uses of Funds	Clinical
New Construction Contracts	\$1,080,000
Contingencies	\$100,000
A & E Fees	\$90,250
Consulting & Other Fees	\$75,000
Moveable Equipment	\$483,187
Fair Market Value of Leased Space/Equipment	\$1,837,445
Total Uses of Funds	\$3,665,882
Sources of Funds	Clinical
Cash and Securities	\$1,828,437
Leases (fair market value)	\$1,837,445
Total Sources of Funds	\$3,665,882

VI. Cost/Space Requirements

Table Two displays the project’s cost/space requirements for the project. The clinical portion comprises approximately 100% of the cost and GSF.

TABLE TWO							
DaVita Tinley Park Dialysis-Cost/Space Allocation							
Clinical Department	Cost	Existing GSF	Proposed GSF	New	Modernized	Vacated	As Is
ESRD	\$3,665,882	0	6,500	6,500	0	0	0
Total	\$3,665,882	0	6,500	6,500	0	0	0

VII. Section 1110.230 - Project Purpose, Safety Net Impact and Alternatives

A. Criterion 1110.230(b) - Purpose of the Project

The Criterion states:

The applicant shall 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 state the purpose of the project is to improve access to dialysis services for the residents of Tinley Park and HSA-07. The applicants note an average operational capacity of 76.5%, per the March 2014 ESRD Utilization Survey, at ESRD facilities within a 30-minute drive radius of the proposed facility, an increase of 2.9% over the first quarter of 2014. The applicants note the medical director of the proposed facility, Dr. M. Sameer Shafi, M.D., is currently treating 1,275 Stage 3, 4, and 5 CKD patients and notes a minimum of 62 of these patients will be referred to the proposed facility within two years of project completion. Board Staff identified an average utilization of 75.36% at the 22 ESRD facilities within a 30-minute radius (adjusted). According to the September 2014 Update to the ESRD Inventory, there is a need for 58 additional ESRD stations in HSA-07 by 2015. Table Three lists the facilities within a 30-minute radius (adjusted) of the proposed facility, and lists the most current utilization.

TABLE THREE
Facilities within 30 minutes (adjusted) of Proposed Site

Facility	Ownership	City	Adjusted Time ⁽¹⁾	Stations	Occ. ⁽²⁾
FMC Orland Park	Fresenius	Orland Park	5.75	18	75.39%
Fresenius Medical Care of Mokena	Fresenius	Mokena	6.9	12	72.22%
Fresenius Medical Care Oak Forest	Fresenius	Oak Forest	10.35	12	29.17%
Palos Park Dialysis	Davita	Orland Park	14.95	12	51.39%
Hazel Crest Dialysis Center	Davita	Hazel Crest	14.95	19	92.89%
Fresenius Medical Care Hazel Crest	Fresenius	Hazel Crest	16.1	16	81.25%
FMC -Blue Island Dialysis Ctr.	Fresenius	Blue Island	17.25	24	92.36%
Silver Cross Renal Center	Davita	New Lenox	18.4	19	75.45%
Olympia Fields Dialysis Center	Davita	Matteson	18.4	24	68.06%
FMC Crestwood	Fresenius	Crestwood	18.4	24	75.69%
Country Hills Dialysis	Davita	Markham	18.4	24	68.75%
FMC Alsip Dialysis	Fresenius	Alsip	19.55	20	66.67%
Community Dialysis of Harvey	Davita	Harvey	19.55	18	59.26%
FMC South Suburban	Fresenius	Olympia Fields	21.85	27	68.06%
Chicago Heights Dialysis	Davita	Chicago Heights	23	16	79.17%
Fresenius Medical Care Joliet	Fresenius	Joliet	25.3	16	61.46%
South Holland Renal Center	Davita	South Holland	25.3	20	93.33%
FMC -Merrionette Park	Fresenius	Merrionette Park	25.3	24	70.83%
Fresenius Medical Care South Holland	Fresenius	South Holland	26.45	19	83.33%
Mount Greenwood Dialysis	Davita	Chicago	26.45	16	91.67%
Fresenius Medical Care of Roseland	Fresenius	Chicago	26.45	12	95.83%
Fresenius Medical Care Chatham	Fresenius	Chicago	27.6	16	68.75%
Stoney Creek Dialysis	Davita	Oak Lawn	28.75	12	86.11%
Fresenius Medical Care Evergreen Park	Fresenius	Evergreen Park	28.75	30	92.22%
Sun Health ⁽³⁾		Joliet	29.9	17	NA
Concerto Dialysis ⁽³⁾		Crestwood	16.1	9	NA
Total Stations and Average Occupancy				476	75.36%

1. Adjusted time per 77 IAC 1100.510 (d)
2. Occupancy information as of September 30, 2014
3. Sun Health and Concerto Dialysis did not provide patient numbers by the State Board deadline of October 15, 2014 and were not considered in the analysis of this application.

Table Three identifies a total of 26 facilities within a 30-minute travel time (adjusted) of the proposed facility, and their utilization as noted in the September 2014 ESRD Utilization survey. Two facilities were not taken into consideration in the analysis of this application because they failed to provide patient numbers to the State Board as required (Concerto Dialysis and Sun Health). As seen in this table, 9 of the 22 facilities within a 30-minute travel radius (adjusted) are operating in excess of the State Standard (80%), and the average utilization of the facilities is 75.36%. The applicants cited quantifiable goals as being the ability to improve access while monitoring patient demand, and that the facility will achieve quality outcomes as demonstrated by achieving 85% of patients having a

URR greater than or equal to 65%, and 85% of patients having a Kt/V greater than or equal to 1.2.

B. Criterion 1110.230 (b) - Safety Net Impact Statement/Charity Care

The applicants stated the following:

“DaVita accepts and dialyzes patients with renal failure needing a regular course of dialysis without regard to race, color, national origin, gender, sexual orientation, age, religion, disability or ability to pay. Complete charity care is very unusual as most dialysis patients are covered by some type of payment system.

U.S. citizen/patients are covered by commercial insurance, Medicare or Medicaid. If not covered through one of these avenues there are options through application and acceptance to receive payment through the American Kidney Foundation or National Kidney Foundation. For non-qualified aliens in IL the Emergency Medicaid program covers them.

If we have exhausted all other avenues for payment methods, we have a patient financial evaluation policy in place. From this evaluation we determine the financial ability and obligation to pay.

“Medicare pays 80% of the amount set by the Medicare system for each covered treatment. The patient is responsible for the remaining 20%. In most cases, a secondary payor, such as Medicare supplemental insurance, a state Medicaid program or a commercial health plan, covers all or part of these balances. Some patients, who do not qualify for Medicaid but otherwise cannot afford secondary insurance, can apply for premium payment assistance from charitable organizations through a program offered by the American Kidney Fund. We and other dialysis providers support the American Kidney Fund and similar programs through voluntary contributions. If a patient does not have secondary insurance coverage, we are generally unsuccessful in our efforts to collect from the patient the 20% portion of the ESRD composite rate that Medicare does not pay. However, we are able to recover some portion of this unpaid patient balance from Medicare through an established cost reporting process by identifying these Medicare bad debts on each center’s Medicare cost report.”

TABLE FOUR			
Davita Illinois Facilities			
Self Pay and Medicaid Information			
CHARITY CARE	2011	2012	2013
Net Revenue	\$219,396,657	\$228,403,979	\$244,115,132
Amount of Charity Care (Charges)	\$830,580	\$1,199,657	\$2,175,940
Cost of Charity Care	\$830,580	\$1,199,657	\$2,175,940
Charity (# of Self-Pay Patients)	96	152	187
Charity (Self-Pay Cost)	\$830,580	\$1,199,657	\$2,175,940
% of Charity Care Cost/Net Revenue	0.37%	0.52%	0.89%
MEDICAID	2011	2012	2013
Medicaid (Patients)	729	651	679
Medicaid (Revenue)	\$14,585,645	\$11,387,229	\$10,371,416
% of Medicaid Revenue/Net Revenue	6.64%	4.98%	4.24%

C. Criterion 1110.230(c) - Alternatives to the Proposed Project

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The applicants considered the following alternatives:

1. Utilize Existing Facilities

The applicants rejected this option, because the current utilization data at area facilities proves this option infeasible. The medical director for the proposed facility, Dr. Sameer Shafi, M.D., is currently treating 1,275 stage 3, 4, and 5 CKD patients, of which 89 live within 30 minutes of the proposed facility. The applicant further notes that approximately 62 of these patients are expected to receive treatment at the proposed facility, upon project completion, which if this patient base presented to other facilities in the area, would place them in excess of the State operational standard. There were no costs identified with this option.

2. Establish a New Facility

Based on the number of patients receiving treatment at area facilities, and the estimated 62 new ESRD patients expected to utilize the facility after project completion, the applicants found this as the most viable option. This alternative will ensure residents of the Tinley Park community have continued access to dialysis treatment. Cost of the proposed alternative: \$3,665,882.

VIII. Section 1110.234 - Project Scope and Size, Utilization

A) Criterion 1110.234 (a) - Size of Project

The Criterion states:

“The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive.

The applicants propose to establish a 12 station ESRD facility in 6,500 GSF of leased space. The State board standard is 450-650 GSF per station. The applicants note the project is allocating 541.6 GSF per station. The proposed project meets the spatial standards established by the State Board, and a positive finding has been made.

TABLE FIVE SIZE OF PROJECT 14-042 DaVita Tinley Park Dialysis, Tinley Park				
Department/ Service	Proposed BGSF/DGSF	State Standard	Difference	Met Standard?
ESRD Facility	6,500 GSF (12 Stations)	450-650 GSF (541.6 GSF/Station)	108.4 GSF under the per station maximum	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT CRITERION (77 IAC 1110.234(a)).

B) Criterion 1110.234 (b) - Project Services Utilization

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B.

The applicants and Dr. Sameer Shafi, M.D., from Kidney Care Center, Joliet, identified 89 patients from his practice suffering from stage 3, 4, or 5 CKD, and at least 62 patients from this practice who are expected to refer to the new facility (application, p. 170) after project completion. The applicants have documented by the second year after project completion (2017), they will be above the State Board’s target occupancy of 80%.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED SERVICES UTILIZATION CRITERION (77 IAC 1110.234(b)).

IX. Section 1110.1430 - In-Center Hemodialysis Projects

A) Criterion 1110.1430 (b)(1)(3) - Background of Applicant

The Criterion states:

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. [20 ILCS 3960/6]

The applicants provided a background of their mission in the healthcare industry, and a list of all health care facilities currently owned and/or operated by the applicant, including licensing, certification and accreditation identification numbers, a certified statement from the applicant that no adverse action has been taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application, and authorization permitting HFPB and Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted. The applicants appear fit, willing and able and have the qualifications, background and character to adequately provide a proper standard of healthcare service for the community.

B) Criterion 1110.1430 (c) – Planning Area Need

- 1) 1110.1430 (c) (1) 77 Ill. Adm. Code 1100 (formula calculation)**
- 2) 1110.1430 (c) (2) Service to Planning Area Residents**
- 3) 1110.1430 (c) (3) Service Demand**
- 4) 1110.1430 (c) (5) Service Accessibility**

1) 77 Ill. Adm. Code 1100 (formula calculation)

According to the September 2014 update to the IDPH Inventory of Health Care Facilities (“Inventory”), HSA-07 shows a need for 58 additional ESRD stations. The applicants attest this project will accommodate the growing need for dialysis services in Tinley Park. The applicants note an average utilization percentage of 76.5% as of March 31, 2014 for all ESRD facilities in the designated service area. Board staff identified 22 ESRD facilities in a 30 minute radius (Table Three), and notes the average utilization at the noted facilities is 75.36% as of September 30, 2013.

2) Service to Planning Area Residents

The primary purpose of this project is to ensure the provision of life-sustaining ESRD services to the existing patient base in Tinley Park, and HSA-07. The applicants identified 62 pre-ESRD patients under the care of Dr. Shafi who are

expected to refer to the facility after project completion. The applicants note that 89 of Dr. Shafi's stage 3, 4, and 5 CKD patients currently reside within 20 minutes of the proposed facility.

3) Establishment of In-Center Hemodialysis Services

The applicants note the September 2014 ESRD utilization data reports an average operational capacity of 75.36% at facilities in the service area, and 9 (41%) facilities in the 30-minute drive radius report having an operational capacity in excess of the 80% State standard (See Table Three). The applicants identified a projected patient population of 62 patients at the new facility after project completion. The applicants provided a zip code listing of pre-ESRD patients, as well as referral data that supports the claim of sufficient operational capacity upon project completion.

4) Service Accessibility

The applicants note the proposed establishment of a 12-station ESRD facility is necessary to maintain access to dialysis services in Tinley Park and surrounding communities. Board Staff identified average operational capacities of 75.36% at facilities in the service area (30-minute radius adjusted). The applicants note Dr. Sameer Shafi, M.D. (Medical Director for the proposed facility), expects to refer 62 new pre-ESRD patients to the new facility upon project completion, which would meet the minimum occupational requirement for achieving 80% occupational capacity.

Conclusion

The State Board is projecting a calculated need of 58 ESRD station in the HSA VII ESRD planning area and it appears the proposed project will serve the residents of the planning and there is sufficient pre ESRD patients to justify the demand for the number of stations (12 stations) being proposed by the applicants. It appears the proposed project will improve access as there is a calculated need in this planning area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PLANNING AREA NEED CRITERION (77 IAC 1110.1430(c)).

C) Criterion 1110.1430 (d) - Unnecessary Duplication / Maldistribution

- 1) The applicant shall document that the project will not result in an unnecessary duplication.**
- 2) The applicant shall document that the project will not result in maldistribution of services.**

3) The applicant shall document that, within 24 months after project completion.

There are existing facilities in the proposed geographic service area (30 minute adjusted) not operating at the target occupancy of 80%, therefore it appears that a duplication of service may result with the establishment of this facility.

The ratio of stations to population in the geographic service area (30 minute adjusted) is 1 station per every 3,395 resident and the State Average is 1 station per 3,100 residents. It does not appear a surplus of stations would not result with the establishment of this facility because of the ratio of stations within the proposed 30 minute area (adjusted) is not 1.5 times the State of Illinois ratio.

The applicants identified 62 pre-ESRD patients served by the facility's medical director, Dr. Sameer Shafi, M.D., who are expected to be referred to the new facility after project completion. The applicants note the proposed project will not have an adverse impact on area facilities, and the 62 pre-ESRD patients, expected to refer to the facility after project completion, will result in an operational capacity that exceeds the State Standard (80%). However, Board Staff identified 15 facilities within the 30-minute drive radius operating beneath the State standard of 80%, resulting in a negative finding for this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE UNNECESSARY DUPLICATION/MALDISTRIBUTION CRITERION (77 IAC 1110.1430 (d) (1) (2) (3)).

- D) Criterion 1110.1430 (f) - Staffing Availability**
- E) Criterion 1110.1430 (g) - Support Services**
- F) Criterion 1110.1430 (h) -Minimum Number of Stations**
- G) Criterion 1110.1430 (i) - Continuity of Care**
- H) Criterion 1110.1430 (k) - Assurances**

The applicants have provided the necessary documentation to successfully address these criteria at pages 117-141 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STAFFIN AVAILABILITY, SUPPORT SERVICES, MINIMUM NUMBER OF STATIONS, CONTINUITY OF CARE, AND ASSURANCES CRITERION (77 IAC 1110.1430 (f)(g)(h)(i)(j)).

FINANCIAL

X. 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The applicants are funding the project with cash and securities totaling \$1,828,437, and the FMV of the leases totaling \$1,837,445. A review of the applicants' financial statements indicates that sufficient cash is available to fund the project.

Davita HealthCare Partners, Inc.		
In thousands (000)		
Audited		
	2013	2012
Cash and cash equivalents	946,249	533,748
Total current assets	3,472,278	2,887,050
Total assets	17,098,877	16,014,633
Total current liabilities	2,462,049	2,016,425
Long-term debt	8,141,231	8,326,534
Total liabilities	11,796,036	11,517,016
Total equity	4,605,541	3,916,925
Total liabilities & equity	17,098,877	16,014,633
Net revenues	\$11,764,050	\$8,186,280
Operating Expenses	\$10,213,916	\$6,889,196
Operating income	\$1,550,134	\$1,297,084
Net income	\$757,201	\$641,237

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120 (a)).

XI. 1120.130 - Financial Feasibility

A. Criterion 1120.130 - Financial Viability

Financial Viability Waiver

The applicants have qualified for the financial waiver because the project is being funded with internal sources including capital expended through a lease. The applicants are funding the project with cash and securities of \$1,828,437, and the FMV of the lease of \$1,837,445. A review of the applicants' audited financial statements indicates that sufficient cash is available to fund the project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL FEASIBILITY CRITERION (77 IAC 1120.130 (a)).

XII. Section 1120.140 - Economic Feasibility

A. Criterion 1120.140(a) - Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements. The applicants are funding the project with cash and securities of \$1,828,437, and the FMV of the lease of \$1,837,445. The applicants have provided documentation of internal funding sources for the proposed project, and this criterion is inapplicable.

THE STATE BOARD STAFF FINDS THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION IS INAPPLICABLE TO THE PROPOSED PROJECT (77 IAC 1120.140(a)).

B. Criterion 1120.140(b) - Terms of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable.

The applicants are funding the project with cash and securities of \$1,828,437, and the FMV of the lease of \$1,837,445. The applicants have provided documentation of internal funding sources for the proposed project, and this criterion is inapplicable

THE STATE BOARD STAFF FINDS THE TERMS OF DEBT FINANCING CRITERION IS INAPPLICABLE TO THE PROPOSED PROJECT (77 IAC 1120.140(b)).

C. Criterion 1120.140(c) - Reasonableness of Project Cost

The applicant shall document that the estimated project costs are reasonable and shall document compliance with the State Board's standards as detailed in 77 IAC 1120.

New Construction and Contingencies – These costs total \$1,180,000 or \$181.53 per gross square feet. ($\$1,180,000/6,500 \text{ GSF} = \181.53). This appears reasonable when compared to the State Board new construction standard of \$254.58 (mid-point of construction: 2015).

Contingencies – These costs total \$100,000. These costs are 9.2% of new construction costs. This appears reasonable when compared to the State Board standard of 10% of new construction costs.

Architect and Engineering Fees – These costs total \$90,250 or 7.6% of new construction and contingency costs. This appears reasonable when compared to the State Board standard of 6.22%-9.34 % of new construction and contingency costs.

Consulting and Other Fees – These costs total \$75,000. The State Board does not have a standard for this cost.

Moveable Equipment - These costs total \$483,187 or \$40.265 per station. This appears reasonable when compared to the State Board standard of \$49,127.

Fair Market Value of Leased Space - These costs are \$1,837,445. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.140 (c)).

D) Criterion 1120.140 (d) - Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

The applicants anticipate the direct operating costs per treatment to be \$193.38. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT DIRECT OPERATING COSTS CRITERION (77 IAC 1120.140 (d)).

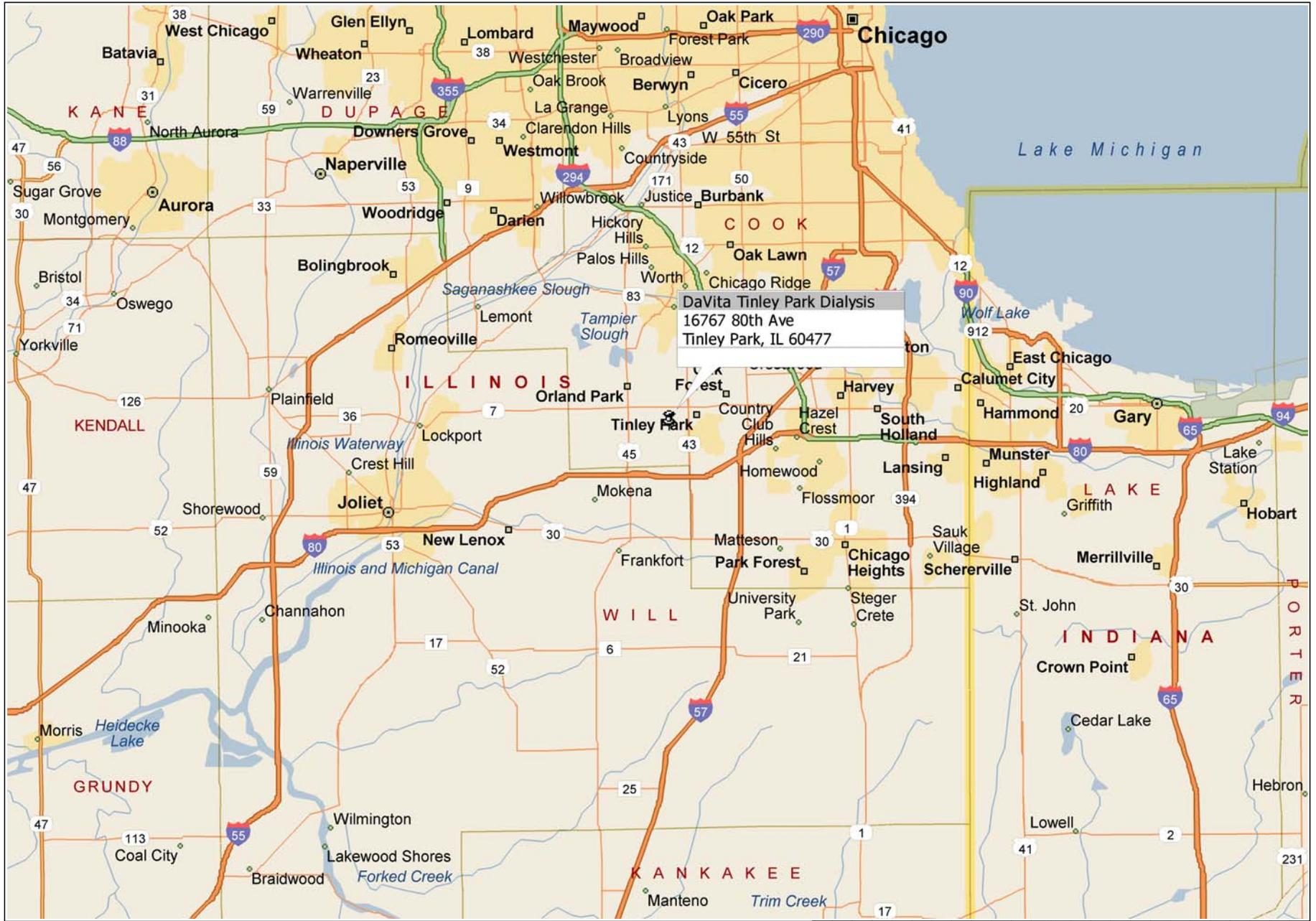
E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The applicants anticipate the total effect of the Project on Capital Costs per treatment to be \$9.56. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1120.140 (e)).

14-042 DaVita Tinley Park Dialysis - Tinley Park



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