



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-04	BOARD MEETING: June 2, 2015	PROJECT NO: 15-003	PROJECT COST: Original: \$3,0587,862
FACILITY NAME: Vermillion County Dialysis		CITY: Danville	
TYPE OF PROJECT: Substantive			HSA: IV

PROJECT DESCRIPTION: The applicants (DaVita Healthcare Partners, Inc. and Total Renal Care Inc.) are proposing the establishment of an 8 station ESRD facility in 5,800 GSF of space in Danville, Illinois at a cost of approximately \$3,058,862. The anticipated project complete date is April 30, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita Healthcare Partners, Inc. and Total Renal Care Inc.) are proposing the establishment of an 8 station ESRD facility in 5,800 GSF of space in Danville, Illinois at a cost of approximately \$3,058,862. The anticipated project complete date is April 30, 2017.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project proposes to establish a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).

PURPOSE OF THE PROJECT:

- The purpose of the project is to improve access to life sustaining dialysis services to the residents of the Danville Community.

SUMMARY:

- There is a **calculated excess of 12 stations** in the HSA IV ESRD Planning Area. There are 11 ESRD facilities in the HSA IV planning area. There is one facility located within 30 minutes of the proposed site (Danville Dialysis Center). Danville Dialysis Service has been operating since 2001 when it was approved to establish a 10 station facility as Permit #00-017. Subsequently the State Board approved the facility to add 9 stations for a total of 19 ESRD stations in 2002 (Permit #02-088). This facility is currently operating at 66.67% and over the past three years has not achieved 80% utilization in any one quarter. At its present utilization Danville Dialysis Center could accommodate an additional 15 patients.
- The proposed facility will serve the residents of HSA IV ESRD planning area as 59 pre-ESRD patients have been identified by the applicants as residing within 20 minutes of the proposed facility. There appears to be sufficient demand as the applicants are projecting 39 pre-ESRD patients will require outpatient dialysis services within 2 years after project completion resulting in a utilization of over 80%.
- There is a calculated excess of stations in this ESRD planning area and the one facility within 30 minutes is not operating at target occupancy, the State Board Staff does not view the proposed establishment as an unnecessary duplication or maldistribution of service. It appears there is a service access issue in this 30 minute area. Danville Dialysis, the only *operating facility within the 30 minute service area of the proposed facility*, **will only accept patients with insurance and permanent access i.e. AV fistula.**

PUBLIC HEARING/COMMENT

- A public hearing was held on March 23, 2015. 87 individuals registered their attendance at the public hearing. Of these 87 individuals 43 individuals registered to speak, 28 individuals spoke in opposition and 13 provided supporting testimony and 2 did not speak. Of the 44 individuals who did not speak at the public hearing 33 registered their opposition, 10 individuals registered as supporting the project, and 1 individual was neutral. In addition letters of support and opposition were received by the State Board Staff.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicants are financially viable as evidenced by their balance sheet and the project is economically feasible as the applicants have sufficient cash to fund the project.

CONCLUSIONS:

- The applicants addressed a total of 20 criteria and have not met the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
1120.140 (c) Reasonableness of Project Costs	<p><u>New construction and contingency costs</u> are \$1,794,206 or \$374.57 per GSF. This appears HIGH when compared to the State Board Standard of \$262.22 per GSF. The applicants stated the following: <i>New construction costs and contingencies exceed the Board standard by \$112.35 per GSF (or \$469,995). This is due to the fact the Applicants will develop and construct the facility themselves. Generally, when a dialysis project involves new construction, a third party developer will build the facility and lease it to the dialysis provider. In fact, within the last three years, no dialysis applicant has proposed a project where it will build and own its dialysis facility. As a result, the costs to build the core and shell are the developer's costs and captured in the fair market value of the leased space, which is a non-reviewable cost. In this case, the cost to build the core and shell will be borne by the Applicants and reflected in the new construction contract and contingency costs. Importantly, the overall costs to build the proposed Danville Dialysis (\$3,058,862) is consistent with the project costs of other recently approved dialysis projects, e.g., Tinley Park Dialysis - \$3,665,882, FMC New City - \$5,375,998, Belvidere Dialysis - \$2,776,771.</i></p>

STATE BOARD STAFF REPORT
Project #15-003
Vermillion Dialysis Facility

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	DaVita HealthCare Partners Inc and Total Renal Care, Inc.
Facility Name	Vermillion Dialysis Facility
Location	222 West Newell Road, Danville, Illinois
Permit Holder	Total Renal Care, Inc.
Operating Entity	Total Renal Care, Inc.
Owner of Site	Genesis KC Development LLC
Application Received	January 27, 2015
Application Deemed Complete	January 29, 2015
Review Period Ends	March 31, 2015
Review Period Extended by the State Board Staff?	Yes
Can the applicants request a deferral?	No

I. Project Description

The applicants (DaVita Healthcare Partners, Inc. and Total Renal Care Inc.) are proposing the establishment of an 8 station ESRD facility in 5,800 GSF of space in Danville, Illinois at a cost of approximately \$3,058,862. The anticipated project complete date is April 30, 2017.

II. Summary of Findings

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

III. General Information

The applicants are DaVita Healthcare Partners, Inc. and Total Renal Care Inc. DaVita Healthcare Partners, Inc. currently operates over 2,179 dialysis centers throughout the United States. 88 of these facilities are in Illinois. Total Renal Care Inc. is a subsidiary of DaVita HealthCare Partners, Inc. Total Renal Care Inc. is a Delaware Corporation licensed to conduct business in the State of Illinois and is currently in good standing with the State of Illinois. The operating entity is Total Renal Care Inc. Inc. and the owner of the site is Genesis KC Development LLC. The facility will be located at 222 West Newell Road, Danville, Illinois in the HSA IV ESRD planning area. This is a substantive project and is subject to a Part 1110 and 1120 review. Project obligation will occur after permit issuance.

IV. Health Service Area IV

HSA IV ESRD Planning Area includes the Illinois Counties of Champaign, Clark, Coles, Cumberland, DeWitt, Douglas, Edgar, Ford, Iroquois, Livingston, Macon, McLean, Moultrie, Piatt, Shelby, and Vermilion. As of March 31, 2015 there are 174 ESRD stations and 11 ESRD facilities in this planning area. Over the past three years the number of ESRD patients utilizing the facilities in this planning area has grown at an approximate rate of 1.25% annually. .

TABLE ONE					
Facilities in the HSA IV ESRD Planning Area					
Facility	Ownership	City	Minutes ⁽¹⁾	Stations	Occupancy ⁽²⁾
Danville Dialysis Services LLC		Danville	12	19	66.67%
Champaign-Urbana Dialysis Center	Fresenius	Urbana	43	25	77.33%
DaVita – Champaign	DaVita	Champaign	43	11	71.21%
DaVita - Macon County	DaVita	Decatur	84	23	60.14%
DaVita – Mattoon	DaVita	Mattoon	85	16	54.17%
DaVita - East Wood Street	DaVita	Decatur	87	18	60.19%
McLean County	Fresenius	Bloomington	88	20	55.00%
Renal Care Group - Decatur	Fresenius	Decatur	88	12	68.06%
Fresenius Medical Care Normal	Fresenius	Normal	92	12	30.56%
Renal Care Group - Pontiac	Fresenius	Pontiac	111	9	59.26%
Shelbyville Community Dialysis		Shelbyville	118	9	18.52%
Total Stations/ Average Occupancy %				174	56.46%
1. Minutes determined by MapQuest					
2. Utilization as of March 31, 2015					

V. Project Description

The applicants (DaVita Healthcare Partners, Inc. and Total Renal Care Inc.) are proposing the establishment of an 8 station ESRD facility in 5,800 GSF of space in Danville, Illinois at a cost of approximately \$3,058,862. The anticipated project complete date is April 30, 2017.

Genesis KC Development, LLC, a Delaware limited liability company and owner of the site is proposing to purchase 1.16 acres of land to construct a 5,800 GSF building to house the 8 station ESRD facility. The cost of the land is \$215,000. The building will then be leased to Total Renal Care, Inc. The lease is for 15 years with three five year renewals.

- \$24.711psf NNN for years 1-5;

- \$27.18Ipsf NNN for years 6-10:
- \$29.89Ipsf NNN for years 11-15

The start-up costs and operating deficit is \$799,241 for this project.

The applicants currently have the following outstanding projects.

TABLE TWO			
Applicants outstanding projects			
Facility	Project #	City	Completion Date
Stony Island Dialysis	12-008	Chicago	June 30, 2015
Markham Renal Center	12-097	Country Club Hills	June 30, 2015
Belvidere Dialysis	13-070	Belvidere	March 31, 2016
Chicago Ridge Dialysis	14-020	Chicago	January 31, 2016
Tinley Park Dialysis	14-042	Tinley Park	October 31, 2016
Alton Dialysis	14-058	Alton	July 31, 2016
Stony Creek Dialysis	14-069	Oak Lawn	June 30, 2016

VI. Project Costs

The applicants (DaVita Healthcare Partners, Inc. and Total Renal Care Inc.) are proposing the establishment of an 8 station ESRD facility in 5,800 GSF of space in Danville, Illinois at a cost of approximately \$3,058,862. The anticipated project complete date is April 30, 2017.

TABLE THREE			
Project Costs and Sources of Funds			
USE OF FUNDS	Clinical	Non Clinical	Total
Site Survey and Soil Investigation	\$17,343	\$3,657	\$21,000
New Construction Contracts	\$1,633,163	\$344,362	\$1,977,525
Contingencies	\$161,043	\$33,957	\$195,000
Architectural/Engineering Fees	\$164,016	\$34,584	\$198,600
Consulting and Other Fees	\$212,659	\$44,841	\$257,500
Movable or Other Equipment (not in construction contracts)	\$400,672	\$8,565	\$409,237
TOTAL USES OF FUNDS	\$2,588,896	\$469,966	\$3,058,862
SOURCE OF FUNDS	Clinical	Non Clinical	Total
Cash and Securities	\$2,588,896	\$469,966	\$3,058,862
TOTAL SOURCES OF FUNDS	\$2,588,896	\$469,966	\$3,058,862

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

A) Criterion 1110.2130 (a) - Purpose of the Project

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 stated the following:

“The purpose of the project is to improve access to life sustaining dialysis services to the residents of the Danville community. There is currently one existing dialysis facility within 30 minutes of the proposed Vermillion County Dialysis, which was operating at 61.4% for the quarter ending September 30, 2014. Despite the low utilization, access issues exist within the Danville community. Specifically, no existing facility will admit patients without insurance or do not have a permanent access, i.e., AV fistula. (An AV fistula is a connection, made by a vascular surgeon, of an artery provides good blood flow for dialysis) These patients must travel 40 minutes to Champaign three times per week for their dialysis treatment. Dialysis is very taxing on the body and frequently leaves patients feeling tired and nauseous. As a result, many patients are reliant on family or friends to transport them to or from their dialysis appointments. Patients are generally at the facility for four to five hours per treatment, which means their caregiver must either wait for them or make two round trips from Danville to Champaign. Additionally, they may have to miss treatments, which results in involuntary non-compliance, when they cannot arrange for transportation. The proposed Vermillion County Dialysis will improve the health of these patients as they can better manage their disease and their lives when their dialysis facility is close to home. Dr. Abdel-Moneim Mohamad Abdou Attia's practice, within the Division of Nephrology of the Carle Physician Group, treated 238 CKD patients in the first half of 2014, with 196 of the patients residing within approximately 20 minutes of Danville. 139 of these Stage 3, 4, and 5 CKD patients actually live in Danville. Based upon attrition due to patient death, transplant, return of function, or relocation, Dr. Attia anticipates that at least 39 of these patients will initiate dialysis at the proposed facility within 12 to 24 months following project completion. The establishment of an 8-station dialysis facility will improve access to necessary dialysis treatment for those individuals in the Danville community who suffer from ESRD. The proposed Vermillion County Dialysis will accept all patients who are clinically appropriate for in-center hemodialysis, regardless of their insurance status and whether they have a permanent access. The facility will also serve the respite needs of DaVita's Danville home hemodialysis (HHD) and peritoneal dialysis (PO) patients requiring an in-center treatment. In approximately 2 1/2 years, DaVita has grown its Danville home program to 19 PD and 5 HHD patients. When an in-center treatment is needed, these patients must drive 40 minutes each way to Champaign. Establishment of a local in-center hemodialysis facility will reduce the travel burden tremendously on this already overtaxed patient population.”

B) Criterion 1110.230 (b) - Safety Net Impact Statement

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 applicants provided the following statement:

- 1. "This criterion is required for all substantive and discontinuation projects. DaVita HealthCare Partners Inc. and its affiliates are safety net providers of dialysis services to residents of the State of Illinois. DaVita is a leading provider of dialysis services in the United States and is committed to innovation, improving clinical outcomes, compassionate care, education and Kidney Smarting patients, and community outreach. A copy of DaVita's 2013 Community Care report, which details DaVita's commitment to quality, patient centric focus and community outreach, was previously submitted on April 24, 2014 as part of Applicants' application for Proj. No. 14-016. DaVita has taken on many initiatives to improve the lives of patients suffering from CKD and ESRD. These programs include the Kidney Smart, IMPACT, Cathaway, and transplant assistance programs. Furthermore, DaVita is an industry leader in the rate of fistula use and had the lowest day 90 catheter rates among large dialysis providers in 2013. Its commitment to improving clinical outcomes directly translated into 7% reduction in hospitalizations among DaVita patients. DaVita has improved clinical outcomes each year since 2000, generating an estimated \$204 million in net savings to the American healthcare system in 2013.*
- 2. The proposed project will not impact the ability of other health care providers or health care systems to cross-subsidize safety net services. As shown in Table 1110.1430(b), there is currently one existing dialysis facility within 30 minutes of the proposed Vermillion County Dialysis, which was operating at 61.4% for the quarter ending September 30, 2014. Despite the low utilization, access issues exist within the Danville community. Specifically, no existing facility will admit patients without insurance or do not have a permanent access, i.e., AV fistula. These patients must travel 40 minutes to Champaign three times per week for their dialysis treatment. Dialysis is very taxing on the body and frequently leaves patients feeling tired and nauseous. As a result, many patients are reliant on family or friends to transport them to or from their dialysis appointments. Patients are generally at the facility for four to five hours per treatment, which means their caregiver must either wait for them or make two round trips from Danville to Champaign. Additionally, they may have to miss treatments, which results in involuntary non-compliance, when they cannot arrange for transportation. Additionally, Dr. Attia has identified 196 patients from his practice who are suffering from Stage 3, 4, or 5 CKD, who all reside within an approximate 20 minute commute of the proposed facility. At least 39 of these patients will be referred to the Proposed Facility within 12 to 24 months. This represents an 81.3% utilization rate, which exceeds the State's 80% standard. As such, the proposed facility is necessary to improve access to dialysis for patients residing in Danville and*

the surrounding area. Accordingly, the proposed dialysis facility will not impact other general health care providers' ability to cross-subsidize safety net services.”

TABLE FOUR Safety Net Impact State of Illinois Facilities			
	2011	2012	2013
Net Patient Revenue	\$219,396,657	\$228,403,979	\$244,115,132
CHARITY CARE			
Charity (# of patients)	96	152	187
Charity (cost In dollars)	\$830,580	\$1,199,657	\$2,175,940
% Charity Care to Net Revenue	0.38%	0.53%	0.89%
MEDICAID	2011	2012	2013
Medicaid J# of patients)	729	651	679
Medicaid (revenue)	\$14,585,645	\$11,387,229	\$10,371,416
% Medicaid to Net Revenue	6.65%	4.99%	4.25%

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 one alternative to the proposed project. The applicants stated the following.

Utilize Existing Facilities.

“The purpose of the project is to improve access to life sustaining dialysis services to the residents of the Danville community. There is currently one existing dialysis facility within 30 minutes of the proposed Vermillion County Dialysis, which was operating at 61.4% for the quarter ending September 30, 2014. Despite the low utilization, access issues exist within the Danville community. Specifically, no existing facility will admit patients without insurance or do not have a permanent access, I.e., AV fistula. These patients must travel 40 minutes to Champaign three times per week for their dialysis treatment. Dialysis is very taxing on the body and frequently leaves patients feeling tired and nauseous. As a result, many patients are reliant on family or friends to transport them to or from their dialysis appointments. Patients are generally at the facility for four to five hours per treatment, which means their caregiver must either wait for them or make two round trips from Danville to Champaign. Additionally, they may have to miss treatments, which results in involuntary non-compliance, when they cannot arrange for transportation. The proposed Vermillion County Dialysis will improve the health of these patients as they can better manage their disease and their lives when their dialysis facility is close to home. Additionally, Dr. Attia's practice, within the Division of

Nephrology of the Carle Physician Group, treated 238 CKD patients in the first half of 2014, with 196 of the patients residing within approximately 20 minutes of Danville. 139 of these Stage 3, 4, and 5 CKD patients actually live in Danville. Conservatively, based upon attrition due patient death, transplant, return of function, or relocation, Dr. Attia anticipates that at least 39 of these patients will initiate dialysis at the proposed facility within 12 to 24 months following project completion.

*The facility will also serve the respite needs of DaVita's Danville home hemodialysis (HHD) and peritoneal dialysis (PD) patients requiring an in-center treatment. In approximately 2 1/2 years, DaVita has grown its Danville home program to 19 PD and 5 HHD patients. When an in-center treatment is needed, these patients must drive 40 minutes each way to Champaign. Establishment of a local in center hemodialysis facility will reduce the travel burden tremendously on this already over-taxed patient population. The establishment of an 8-station dialysis facility will improve access to necessary dialysis treatment for those individuals in the Danville community who suffer from ESRD. The proposed Vermillion County Dialysis Facility will accept all patients who are clinically appropriate for in-center hemodialysis, regardless of their insurance status and whether they have a permanent access. Additionally, the facility will serve the respite needs of DaVita's 5 home hemodialysis (HHD) and 19 peritoneal dialysis (PD) patients residing in Danville. When in-center treatment is needed, these patients must drive 40 minutes each way to Champaign. ESRD patients are typically chronically ill individuals and adequate access to dialysis services is essential to their well-being. **As a result, DaVita rejected this option. There is no capital cost with this alternative.***

Based upon access issues with the existing dialysis facilities and the projected number of CKD patients that will require in-center hemodialysis within the next 12 to 24 months following project completion, the only feasible option is to establish an 8-station in-center hemodialysis facility. This alternative will ensure residents of the Danville community and the surrounding area have continued access to life sustaining dialysis treatment.”

VIII. Section 1110.234 - Project Scope and Size, Utilization and Assurances

A) Criterion 1110.234 (a) - Size of Project

The applicant shall document that the physical space proposed for the project is necessary and appropriate.

The applicants are proposing to establish an 8-station dialysis facility. Pursuant to Section 1110, Appendix B of the HFSRB's rules, the State standard is 450-650 gross square feet per dialysis station for a total of 3,600 – 5,200 gross square feet for 8 dialysis stations. The total gross square footage of the proposed dialysis facility is 5,800 gross square feet or 598.75 GSF per station.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SIZE OF PROJECT (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.

By the second year of operation, annual utilization at the proposed facility shall exceed HFSRB's utilization standard of 80%. Pursuant to Section 1100.1430 of the HFSRB's rules, facilities providing in center hemodialysis should operate their dialysis stations at or above an annual utilization rate of 80%, assuming three patient shifts per day per dialysis station, operating six days per week. Dr. Attia is currently treating 196 CKD patients that reside within approximately 20 minutes of the proposed facility, and whose condition is advancing to ESRD. 139 of these CKD patients actually live in Danville with 59 at an advanced stage (4 or 5). Based upon attrition due patient death, transplant, return of function, or relocation, it is estimated that 39 of these patients will initiate dialysis within 12 to 24 months following project completion. (39 patients x 3 times a week x 52 weeks/year= 6,084 treatments/ 8 stations x3 shifts a day x 6 days a week x 52 weeks per year =7,488 treatments or 6,084 treatments/7,488 treatments = 81.25%)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PROJECT SERVICE UTILIZATION (77 IAC 1110.234 (b))

C) Criterion 1110.234 (e) - Assurances

The applicants must attest that the proposed project will be at 80% utilization within two years after project completion and maintain the 80% utilization for the life of the facility.

The applicants have provided the necessary attestation that the proposed project will be at 80% utilization two years after project completion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.234 (e))

IX. Section 1110.1430 - In-Center Hemodialysis Projects

A) Criterion 1110.1430 (b) - Background of Applicant

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] "Adverse Action" means 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. (77 IAC 1130.140)

The applicants have provided the necessary attestation that no adverse actions have occurred within the past 3 years and that the applicants have given the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health access

to any and all information required to verify information contained in the application for permit. The applicants are in good standing with the State of Illinois and the site chosen for this project meets the requirements of Executive Order #2005-5 and the requirements of the Illinois State Agency Historic Resources Preservation (20 ILCS 3420, as amended, 17 IAC 4180)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION BACKGROUND OF APPLICANT (77 IAC 1110.1430 (b))

B) Criterion 1110.1430 (c) - 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 (Formula Calculation)**
- 2) **Service to Planning Area Residents**
- 3) **Service Demand – Establishment of In-Center Hemodialysis Service**
- 5) **Service Accessibility**

There is a calculated excess of 12 ESRD stations in the HSA IV ESRD Planning Area. The applicants have identified 59 individuals in Stage 4 and 5 who reside within approximately 20 minutes of the proposed facility that will likely need ESRD services. Of these 59 patients 39 patients are projected to need dialysis service within the next 24 months.

TABLE FIVE Patients within 20 minutes of proposed facility		
City	Zip Code	Patients
Rossville	60963	4
Alvin	61811	1
Danville	61832	31
Tilton	61833	1
Danville	61834	7
Georgetown	61846	9
Oakwood	61858	3
Westville	61883	3
Total		59

It appears all of the patients will come from within the HSA IV ESRD Planning Area and there is sufficient demand as evidenced by the referral letter provided by Dr. Attia. According to the applicants *“there is an access issue for residents in the Danville*

community and the surrounding area. No existing facility will admit patients without insurance or do not have a permanent access, i.e., AV fistula. These patients must travel 40 minutes to Champaign three times per week for their dialysis treatment. Dialysis is very taxing on the body and frequently leaves patients feeling tired and nauseous. As a result, many patients are reliant on family or friends to transport them to or from their dialysis appointments. Patients are generally at the facility for four to five hours per treatment, which means their caregiver must either wait for them or make two round trips from Danville to Champaign. Additionally, they may have to miss treatments, which results in involuntary non-compliance, when they cannot arrange for transportation. The proposed Vermillion County Dialysis will improve the health of these patients as they can better manage their disease and their lives when their dialysis facility is close to home.”

While there is a calculated excess of 12 ESRD stations in the HAS IV ESRD planning area, it appears there is a service access issue in the 30 minute planning area. Danville Dialysis will not accept patients without insurance or do not have permanent access.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (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) Impact on Other Providers**

There is one facility within 30 minutes of the proposed facility - Danville Dialysis. Current utilization of the 19 station Danville Dialysis Services facility is 66.67%. Danville Dialysis has the ability to accommodate an additional 15 patients in order to reach 80% target occupancy. The State Board Staff does not believe an unnecessary duplication of service will result should the proposed project be approved because the one existing facility within 30 minutes has not achieved or maintained target occupancy as required. The ratio of stations to population within 30 minutes is 1 station per 3,659 individuals and the ratio of stations to the State of Illinois is 1 station per 3,091 individuals. The ratio of stations to population is not 1.5 times the State of Illinois therefore it does not appear a maldistribution of service (surplus of stations) will result if this project is approved. It also does not appear there will be a negative impact on the one facility that is operating within 30 minutes of the proposed facility, because the patients identified by this project are not currently utilizing Danville Dialysis.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (77 IAC 1110.1430 (d))

D) Criterion 1110.1430 (f) - Staffing

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and Joint Commission staffing requirements can be met.

The State Board relies upon Medicare Conditions of Participation to assure that relevant clinical and professional staffing needs are met. The applicants will seek Medicare certification for this facility if approved.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION STAFFING (77 IAC 1110.1430 (f))

E) Criterion 1110.1430 (g) - 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 have provided the necessary attestation that the proposed facility will participate in a dialysis data system, will make support services available to patients, and will provide training for selfcare dialysis, self-care instruction, home and home-assisted dialysis, and home training.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SUPPORT SERVICES (77 IAC 1110.1430 (g))

F) Criterion 1110.1430 (h) - 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 proposed dialysis facility will be located in the Champaign metropolitan statistical area ("MSA"). A dialysis facility located within an MSA must have a minimum of eight dialysis stations. The applicants propose to establish an 8-station dialysis facility. A

dialysis facility located within an MSA must have a minimum of eight dialysis stations. The applicants propose to establish a 12-station dialysis facility.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION MINIMUM NUMBER OF STATIONS (77 IAC 1110.1430 (h))

G) Criterion 1110.1430 (i) - 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.

DaVita HealthCare Partners Inc. has an agreement with The Carle Foundation Hospital to provide inpatient care and other hospital services.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION CONTINUITY OF CARE (77 IAC 1110.1430 (i))

H) Criterion 1110.1430 (k) - Assurances

The applicants have attested that by the second year after project completion, Vermillion County Dialysis expects to achieve and maintain 80% target utilization; and Vermillion County Dialysis also expects hemodialysis outcome measures will be achieved and maintained at the following minimums:

- Greater than or equal to 85% of hemodialysis patient population achieves urea reduction ratio (URR) greater than 65%; and,
- Greater than or equal to 85% of hemodialysis patient population achieves Kt/V Daugirdas II .1.2

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.1430 (k))

X. FINANCIAL

A) Criterion 1120.140 (a) - Availability of Funds

The applicants are funding this project with \$3,058,862 in cash and securities. A review of the applicants' audited financial statements indicates sufficient resources are available to fund the project.

TABLE SIX		
DaVita Healthcare Partners, Inc (Dollars in thousands)		
	2014	2013
Cash	\$965,241	\$946,249
Current Assets	\$3,876,797	\$2,472,278
Current Liabilities	\$2,088,652	\$2,462,049
LTD	\$8,383,280	\$8,141,231
Net Patient Service Revenue	\$8,501,454	\$8,013,649
Total Revenue	\$12,795,106	\$11,764,050
Operating Expenses	\$10,979,965	\$10,213,916
Net Income	\$723,114	\$633,446
Average revenue/treatment	\$342	\$340
Average expense/treatment	\$273.60	\$285.60

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 IAC 1120.120)

B) Criterion 1110.130 (b) - Financial Viability

The applicants have qualified for the financial waiver which allows an applicant that is funding the project from internal sources to forgo providing historical financial ratios for the past three years and the first year after project completion. The applicants are funding this project from internal sources.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130)

XI. ECONOMIC FEASIBILITY

- A) Criterion 1110.140 (a) - Reasonableness of Financing Arrangements**
- B) Criterion 1110.140 (b) - Terms of Debt Financing**

The applicants are funding this project with cash of \$3,058,862. No debt is being used to finance this project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1140 (a), 77 IAC 1140.140 (b))

- C) Criterion 1110.140 (c) - Reasonableness of Project Costs**

Site Survey and Soil Investigation are \$17,343 and are less than 1% of new construction and contingency costs. This appears reasonable when compared to the State Board Standard of 5%.

New construction and contingency costs are \$1,794,206 or \$374.57 per GSF. This appears **HIGH** when compared to the State Board Standard of \$262.22 per GSF.

Contingency costs are \$161,043 and are 9.87% of new construction contracts. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees are \$164,016 and are 9.14% of new construction and contingency contracts. This appears reasonable when compared to the State Board Standard of 6.53-9.81%

Consulting and Other Fees total \$212,659. The State Board does not have a standard for these costs.

Movable or Other Equipment (Not in Construction Contracts) costs total \$400,672 or \$50,601 per station and include the following costs. The State Board standard is \$52,119 per station.

TABLE SEVEN Moveable and Other Equipment	
Communications	\$68,700
Water Treatment	\$126,175
Bio-medical Equipment	9185
Clinical Equipment	\$129,980
Clinical Furniture/Fixtures	\$12,740

TABLE SEVEN	
Moveable and Other Equipment	
Lounge Furniture/Fixtures	\$0
Storage Furniture/Fixtures	\$4,487
Business Office Fixtures	\$20,405
General Furniture/Fixtures	\$19,000
Signage	\$10,000
Total Moveable and Other Equipment	\$400,672

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140 (c))

D) Criterion 1110.140 (d) - Projected Operating Costs

The projected operating cost per treatment is \$247.60. This appears reasonable when compared to previously approved projects.

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

E) Criterion 1110.140 (e) - Projected Capital Costs

The projected capital cost per treatment is \$20.02. This appears reasonable when compared to previously approved projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION PROJECTED CAPITAL COSTS (77 IAC 1120.140 (e))

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