



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-07	BOARD MEETING: April 21, 2015	PROJECT NO: 15-004	PROJECT COST: Original: \$2,688,663
FACILITY NAME: Machesney Park Dialysis		CITY: Machesney Park	
TYPE OF PROJECT: Substantive			HSA: I

PROJECT DESCRIPTION: The applicants (DaVita Healthcare Partners, Inc. and Total Renal Care Inc.) are proposing the establishment of a 12 station ESRD facility in 5,800 GSF of leased space in Machesney Park at a cost of approximately \$2,688,663. The anticipated completion date of the project is April 30, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita Healthcare Partners, Inc. and Total Renal Care Inc.) are proposing the establishment of a 12 station ESRD facility in 5,800 GSF of leased space in Machesney Park at a cost of \$2,688,663. The anticipated completion date of the project 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 Machesney Park community.

NEED FOR THE PROJECT:

- There is a **calculated excess of 28 stations** in the HSA I ESRD Planning Area. However, it appears that the proposed project will serve the residents of the ESRD planning area as 119 pre-ESRD patients residing within 12 minutes of the proposed facility. There appears to be sufficient demand as the applicants are projecting 72 of the 119 pre-ESRD patients will need outpatient dialysis services within 2 years after project completion. If these 72 patients materialize the applicants will achieve target occupancy within 2 years after project completion. It does not appear that a maldistribution or an unnecessary duplication of the service will result with the establishment of the proposed facility because existing facilities are operating at or above target occupancy. It does not appear the proposed facility will impact other facilities as all 4 facilities within 30 minutes are operating above target occupancy as can be seen by the table below. The fifth facility DaVita Belvidere is not yet operational and the Belvidere application identified different pre-ESRD patients that would utilize the DaVita Belvidere facility than those patients identified to utilize the proposed Machesney facility. While there is a calculated excess of stations in the planning area; it appears that access will be improved because all operating facilities within 30 minutes are operating above the target occupancy of 80%.

EXECUTIVE SUMMARY					
TABLE ONE					
Facilities within 30 minutes of proposed facility					
Facility	Ownership	City	Time ⁽²⁾	Station	Utilization ⁽³⁾
Churchview Dialysis	Davita	Rockford	8.05	24	83.33%
Roxbury Dialysis	Davita	Rockford	13.8	16	107.29%
Stonecrest Dialysis	Davita	Rockford	14.95	11	95.45%
Rockford Memorial Hospital	Davita	Rockford	16.1	22	90.15%
Average Utilization					94.06%
Davita Belvidere Dialysis ⁽¹⁾	Davita	Belvidere	19.55	12	0.00%

EXECUTIVE SUMMARY
TABLE ONE
Facilities within 30 minutes of proposed facility

Facility	Ownership	City	Time ⁽²⁾	Station	Utilization ⁽³⁾
<ol style="list-style-type: none"> 1. Approved March 2014 as Permit #13-070 anticipated completion date is March 30, 2016 2. Time adjusted per MapQuest 77 IAC 1100.510 (d) 3. Utilization as of December 31, 2014 					

PUBLIC HEARING/COMMENT

- A public hearing was offered in regard to the proposed project, but none was requested. No letters of support or 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 met all of the requirements of the State Board.

STATE BOARD STAFF REPORT
Project #15-004
Machesney Park Dialysis

APPLICATION CHRONOLOGY	
Applicants(s)	DaVita HealthCare Partners Inc and Total Renal Care, Inc.
Facility Name	Machesney Park Dialysis
Location	6950 North Perryville Road, Machesney Park, Illinois
Permit Holder	Total Renal Care Inc.
Operating Entity	Total Renal Care Inc.
Owner of Site	Machesney Investments. LLC
Application Received	January 28, 2015
Application Deemed Complete	January 29, 2015
Review Period Ends	March 30, 2015
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. Project Description

The applicants (DaVita Healthcare Partners, Inc. and Total Renal Care Inc.) are proposing the establishment of a 12 station ESRD facility in 5,800 GSF of leased space in Machesney Park at a cost of \$2,688,663. The anticipated completion date of the project 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 appears 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 2,000 dialysis centers throughout the United States. 81 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. and the owner of the site is Machesney Investments. LLC. The facility will be located at 6950 North Perryville Road, Machesney Park, Illinois in the HSA I 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.

HSA I ESRD Planning Area includes the Illinois Counties of Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago. There is a calculated excess of 28 stations in this planning area. As of December 31, 2014 there are 169 ESRD stations and 13 ESRD facilities in this planning area. 11 of these facilities are owned by the applicants. Over the past three years the number of ESRD patients utilizing the facilities in this planning area has grown at an approximate rate of 8% annually in this planning area.

TABLE ONE				
Facilities within the HSA I ESRD Planning Area				
Facility	Ownership	City	# of stations	Utilization ⁽²⁾
Stonecrest Dialysis	Davita	Rockford	11	95.45%
Sycamore Dialysis	Davita	Sycamore	12	77.78%
Churchview Dialysis	Davita	Rockford	24	83.33%
Freeport Dialysis Unit	Davita	Freeport	10	50.00%
Dixon Dialysis Center, LLC		Dixon	8	43.75%
Rockford Memorial Hospital	Davita	Rockford	22	90.15%
Whiteside Dialysis	Davita	Sterling	15	71.11%
Dixon Kidney Center	Davita	Dixon	8	54.17%
Roxbury Dialysis	Davita	Rockford	16	107.29%
Fresenius Medical Care Sandwich	Fresenius	Sandwich	9	62.96%
Driftwood Dialysis	Davita	Freeport	10	63.33%
Timber Creek Dialysis	Davita	Dekalb	12	38.89%
Davita Belvidere Dialysis ⁽¹⁾	Davita	Belvidere	12	0.00%
1. DaVita Belvidere Dialysis was approved as Permit #13-070 at the March 2014 State Board Meeting. Completion date is March 31, 2016. 2. Utilization as of December 31, 2014.				

IV. Project Description

The applicants (DaVita Healthcare Partners, Inc. and Total Renal Care Inc.) are proposing the establishment of a 12 station ESRD facility in 5,800 GSF of leased space in Machesney Park at a cost of \$2,688,663. The anticipated completion date of the project is April 30, 2017.

V. Project Costs

The applicants are funding this project with cash of \$1,838,287 and the fair market value of leased space of \$850,376. The estimated start-up costs and operating deficit is \$1,885,088

TABLE TWO		
Project Costs and Sources of Funds		
USE OF FUNDS	CLINICAL	TOTAL
New Construction Contracts	\$1,078,000	\$1,078,000
Contingencies	\$100,000	\$100,000
Architectural/Engineering Fees	\$82,200	\$82,200
Consulting and Other Fees	\$92,500	\$92,500
Movable or Other Equipment (not in construction contracts)	\$485,587	\$485,587
Fair Market Value of Leased Space or Equipment	\$850,376	\$850,376
TOTAL USES OF FUNDS	\$2,688,663	\$2,688,663
SOURCE OF FUNDS	CLINICAL	CLINICAL
Cash and Securities	\$1,838,287	\$1,838,287
Leases (fair market value)	\$850,376	\$850,376
TOTAL SOURCES OF FUNDS	\$2,688,663	\$2,688,663

VI. 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 Machesney Park community. Currently, there are five existing or approved dialysis facilities within 30 minutes of the proposed Machesney Park Dialysis. Average utilization as of September 30, 2014 was 79 percent. Excluding Belvidere Dialysis, which is not projected to be operational until the first quarter of 2016, average utilization increases to 92 percent. Importantly, Belvidere Dialysis will be operational a year prior to the proposed Machesney Park Dialysis coming online. Belvidere Dialysis, which will be a 12 station facility, will need 58 patients to achieve the Board's target utilization of 80%. As the primary purpose of the Belvidere facility is to alleviate overutilization at the existing Rockford area dialysis facilities, at least 26 Rockford area patients are projected to transfer to Belvidere Dialysis upon project completion. Additionally, as of December 2013, Dr. Ahmad, the primary referring physician for Belvidere Dialysis, was treating 102 Stage 4 and Stage 5 pre-ESRD patients. Assuming all 26 patients transfer to Belvidere Dialysis, only 32 (or 31%) of the 102 Stage 4 and Stage 5 pre-ESRD patients will need to initiate dialysis within a year of project completion for the facility to reach target utilization. Accordingly, Belvidere Dialysis will not fully address the high utilization in Rockford and the surrounding areas, which includes Machesney Park. Additionally, utilization in the Machesney Park geographic service area continues to increase. From December 2011*

through September 2014, the existing facilities patient census increased 26 percent (or 82 patients). This translates an 8.5 percent (or 27 patients) annual increase. Importantly, this trend is projected to continue for the foreseeable future. Based upon data from the U.S. Centers for Disease Control and Prevention, 10% of American adults have some level of CKD. Further, the National Kidney Fund of Illinois estimates over 1 million Illinoisans have CKD and most do not know it. Kidney disease is often silent until the late stages when it can be too late to head off kidney failure. As more working families obtain health insurance through the Affordable Care Act (or ACA) and 1.5 million Medicaid beneficiaries transition from traditional fee for service Medicaid to Medicaid managed care, more individuals in high risk groups will have better access to primary care and kidney screening. As a result of these health care reform initiatives, there will likely be tens of thousands of newly diagnosed cases of CKD in the years ahead. Once diagnosed, many of these patients will be further along in the progression of CKD due to the lack of nephrologists' care prior to diagnosis. It is, imperative that enough stations are available to treat this new influx of ESRD patients, who will require dialysis in the next couple of years. Dr. Michael Robertson's practice, Rockford Nephrology Associates, treated 650 CKD patients in 2014, who reside within approximately 12 minutes of Machesney Park. 119 of these patients are at Stage 4 or 5 CKD: Conservatively, based upon attrition due patient death, transplant, return of function, or relocation, Dr. Robertson anticipates that at least 72 of these patients will initiate dialysis at the proposed facility within 12 to 24 months following project completion. The establishment of a 12-station dialysis facility will improve access to necessary dialysis treatment for those individuals in the Machesney Park community who suffer from ESRD. ESRD patients are typically chronically ill individuals and adequate access to dialysis services is essential to their well-being."

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:

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. Average utilization of the existing and approved dialysis facility within 30 minutes normal travel time of the Proposed Facility is currently 79.0%. When excluding the not yet operational facility (Belvidere Dialysis), the average utilization of existing facilities is 92.0%. Dr. Robertson has identified 650 patients from his practice who are suffering from Stage 3, 4, or 5 CKD, who all reside within an approximate 12 minute commute of the proposed facility. At least 72 of these patients will be referred to the Proposed Facility within 12 to 24 months. This represents a 100% utilization rate, which exceeds the State's 80% standard. As such, the proposed facility is necessary to allow existing facilities to operate at their optimum capacity while at the same time accommodating the growing demand for dialysis services. Accordingly, the proposed dialysis facility will not impact other general health care providers' ability to cross-subsidize safety net services."*

TABLE TWO			
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			
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.

Utilize Existing Facilities.

Currently, there are five existing or approved dialysis facilities within 30 minutes of the proposed Machesney Park Dialysis. Average utilization as of September 30, 2014 was 79 percent. Excluding Belvidere Dialysis, which is not projected to be operational until the first quarter of 2016, average utilization increases to 92 percent. Importantly, Belvidere Dialysis will be operational a year prior to the proposed Machesney Park Dialysis coming online. Belvidere Dialysis, which will be a 12 station facility, will need 58 patients to achieve the Board's target utilization of 80%. As a primary purpose of the Belvidere facility is to alleviate overutilization at the existing Rockford area dialysis facilities, at least 26 Rockford area patients are projected to transfer to Belvidere Dialysis upon project completion. Additionally, as of December 2013, Dr. Ahmad, the primary referring physician for Belvidere Dialysis, was treating 102 Stage 4 and Stage 5 pre-ESRD patients. Assuming all 26 patients transfer to Belvidere Dialysis, only 32 (or 31%) of the 102 Stage 4 and Stage 5 pre-ESRD patients will need to initiate dialysis within a year of project completion for the facility to reach target utilization.

Additionally, utilization in the Machesney Park geographic service area continues to increase. From December 2011 through September 2014, the existing facilities patient census increased 26 percent (or 82 patients). This translates an 8.5 percent (or 27 patients) annual increase. Importantly, this trend is projected to continue for the foreseeable future. Based upon data from the U.S. Centers for Disease Control and Prevention, 10% of American adults have some level of CKD. Further, the National Kidney Fund of Illinois estimates over 1 million Illinoisans have CKD and most do not know it. Kidney disease is often silent until the late stages when it can be too late to head off kidney failure. As more working families obtain health insurance through the ACA 12 and 1.5 million Medicaid beneficiaries transition from traditional fee for service Medicaid to Medicaid managed care, more individuals in high risk groups will have better access to primary care and kidney screening. As a result of these health care reform initiatives, there will likely be tens of thousands of newly diagnosed cases of CKD in the years ahead. Once diagnosed, many of these patients will be further along in the progression of CKD due to the lack of nephrologists' care prior to diagnosis. It is imperative that enough stations are available to treat this new influx of ESRD patients, who will require dialysis in the next couple of years.

Dr. Michael Robertson's practice, Rockford Nephrology Associates, treated 650 CKD patients in 2014, who reside within approximately 12 minutes of Machesney Park. 119 of these patients are at Stage 4 or 5 CKD. Conservatively, based upon attrition due patient death, transplant, return of function, or relocation, Dr. Robertson anticipates that at least 72 of these patients will initiate dialysis at the proposed facility within 12 to 24 months following project completion. Given the high utilization of the existing facilities coupled with the historical growth, which is anticipated to continue for the foreseeable future, the existing and approved facilities within the GSA will not have sufficient capacity to accommodate Dr. Robertson's projected referrals. **As a result, DaVita rejected this option. There is no capital cost with this alternative.**

VII. 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 a 12-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 5,400 - 7,800 gross square feet for 12 dialysis stations. The total gross square footage of the proposed dialysis facility is 5,800 gross square feet or 483.33 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.

Dr. Robertson is currently treating 650 CKD patients that reside within approximately 12 minutes of the proposed facility, and whose condition is advancing to ESRD. 119 of these CKD patients are at Stage 4 or 5 CKD. Conservatively, based upon attrition due to patient death, transplant, return of function, or relocation, it is estimated that 72 of these patients will initiate dialysis within 12 to 24 months following project completion. If the 72 patients materialize the applicants will be at target occupancy within 24 months of project completion.

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 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))

VIII. 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]

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 28 ESRD stations in the HSA I ESRD Planning Area. The applicants have identified 119 patients that are at Stage 4 or 5 CKD. Conservatively, based upon attrition due patient death, transplant, return of function, or relocation, the applicants anticipates that at least 72 of these patients will initiate dialysis at the proposed facility within 12 to 24 months following project completion. Per the applicants all 119 patients live within 12 minutes of the proposed facility and within 3 zip codes in the HSA I ESRD Planning Area.

TABLE THREE		
Stage 4 or 5 CKD Patients		
Zip Code	City	Patients
61073	Roscoe	21
61111	Loves Park	48
61115	Machesney	50
Total		119

It appears all of the patients will come from within the HSA I ESRD Planning Area and there is sufficient demand as evidenced by the referral letter provided by Dr. Robertson. While there is a calculated excess of stations in the planning area; the State Board Staff believes access will be improved with the establishment of this facility.

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 are five facilities within 30 minutes of the proposed site. 4 of the 5 facilities are currently operating in excess of the 80% target occupancy and the DaVita Belvidere facility is not yet operational. Average utilization of the 4 facilities within 30 minutes of the proposed site is 94.06%. The ratio of stations to population within 30 minutes is 1 station per 3,959 individuals and the ratio of stations to the State of Illinois is 1 station per 3,091 individuals. It does not appear that the proposed 12 station facility will have an impact on other facilities in this 30 minutes area as the existing facilities are operating above target occupancy and the one facility that is not yet operational has provided testimony that none of the patients that will be referred to the proposed facility have been used to justify the need for the DaVita Belvidere Dialysis facility.

TABLE FOUR					
Facilities within 30 minutes of proposed site					
Facility	Ownership	City	Time	Station	Utilization
Churchview Dialysis	Davita	Rockford	8.05	24	83.33%
Roxbury Dialysis	Davita	Rockford	13.8	16	107.29%
Stonecrest Dialysis	Davita	Rockford	14.95	11	95.45%
Rockford Memorial Hospital	Davita	Rockford	16.1	22	90.15%
Average Utilization					94.06%
Davita Belvidere Dialysis	Davita	Belvidere	19.55	12	0.00%

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.

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 Rockford metropolitan statistical area ("MSA"). 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 OSF Healthcare System d/b/a St. Anthony Medical Center 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, Machesney Park Dialysis expects to achieve and maintain 80% target utilization; and Machesney Park 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))

IX. FINANCIAL

A) Criterion 1120.140 (a) - Availability of Funds

The applicants are funding this project with \$1,838,287 in cash and securities and the fair market value of the lease of \$850,376. A review of the applicants' audited financial statements indicates sufficient resources are available to fund the project.

	2013	2012
Net Patient Service Revenue	\$8,013,649	\$7,116,684
Total Net Revenue	\$11,764,050	\$8,186,280
Operating Expenses	\$10,213,916	\$6,889,196
Operating Income	\$1,550,134	\$1,297,084
Net Income	\$743,965	\$641,459
Cash and Cash Equivalents	\$946,249	\$533,748
Current Assets	\$3,472,278	\$2,887,050
Total Assets	\$17,098,877	\$16,014,633
Current Liabilities	\$2,462,049	\$2,016,425
LTD	\$8,141,231	\$8,326,534
Total Liabilities	\$11,796,036	\$11,517,016

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)

X. 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 \$1,838,287 and a lease. The fair market value of the lease is \$850,376. The term of the lease is for 10 years with three five year options. The rental is \$21 per square foot (psf) years 1-5 and \$23.10/ psf years 6-10. Option rent shall be \$25.41/psf, \$27.95/psf, and \$30.75/psf, for the first, second and third options, respectively.

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

New construction and contingency costs are \$1,178,000 or \$203.10 per GSF. This appears reasonable when compared to the State Board Standard of \$206.60 per GSF.

Contingency costs are \$100,000 and are 9.27% of new construction contracts. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees are \$82,200 and are 6.97% of new construction and contingency contracts. This appears reasonable when compared to the State Board Standard of 5.27-7.91 %.

Consulting and Other Fees total \$92,500. The State Board does not have a standard for these costs.

Movable or Other Equipment (Not in Construction Contracts) costs total \$485,587 or \$40,465.58 per station and include the following costs. The State Board standard is \$52,119 per station.

TABLE SIX	
Moveable and Other Equipment	
Communications	\$80,700
Water Treatment	\$117,375
Bio-Medical Equipment	\$8,885
Clinical Equipment	\$192,860
Clinical Furniture/Fixtures	\$18,780
Lounge Furniture/Fixtures	\$3,065
Storage Furniture/Fixtures	\$5,862

TABLE SIX	
Moveable and Other Equipment	
Business Office Fixtures	\$20,860
General Furniture/Fixtures	\$27,000
Signage	\$10,200
Total Moveable and Other Equipment	\$485,587

FMV of Leased Space costs total \$850,376. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE 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 \$219.38. This appears reasonable when compared to previously approved projects.

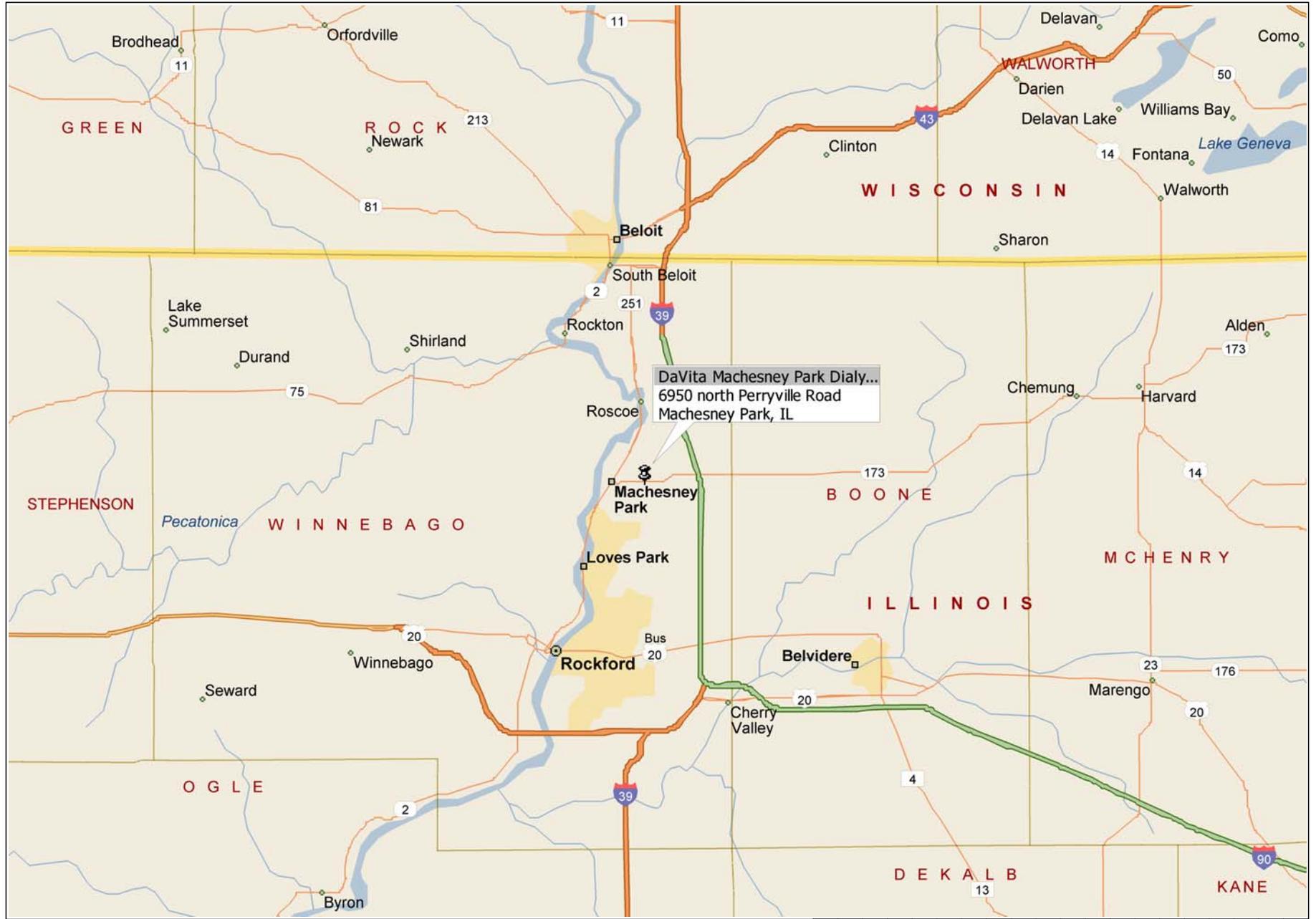
THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION PROJECTED OPERATING COSTS (77 IAC 1120.140 (d))

E) Criterion 1110.140 (e) - Projected Capital Costs

The projected capital cost per treatment is \$15.02. 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))

15-004 DaVita Machesney Park Dialysis - Machesney Park



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