



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-05	BOARD MEETING: February 16, 2016	PROJECT NO: 15-049	PROJECT COST: Original: \$3,340,052
FACILITY NAME: Huntley Dialysis		CITY: Huntley	
TYPE OF PROJECT: Substantive			HSA: VIII

PROJECT DESCRIPTION: The applicants (DaVita Healthcare Partners, Inc. and Rhodes Dialysis, LLC) are proposing to establish a twelve (12) station ESRD facility in 8,735 GSF of space in Huntley, Illinois at a cost of approximately \$3,340,052. The anticipated project complete date is February 28, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DaVita Healthcare Partners, Inc. and Rhodes Dialysis, LLC) are proposing the establishment of a twelve (12) station ESRD facility in 8,735 GSF of space in Huntley, Illinois at a cost of approximately \$3,340,052. The anticipated project complete date is February 28, 2018.

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 Huntley and the immediate service area.

SUMMARY:

- There is a **calculated need for thirty four (34) additional ESRD stations** in the HSA VIII ESRD Planning Area, and there are twenty-three (23) ESRD facilities in this planning area. There are nine (9) facilities located within 30 minutes of the proposed site (DaVita Huntley Dialysis).
- The proposed facility will serve the residents of HSA VIII ESRD planning area and two hundred ten (210) pre-ESRD patients (Stage 4 and 5 CKD) have been identified by the applicants as residing within thirty (30) minutes of the proposed facility. There appears to be sufficient demand as the applicants are projecting one hundred thirty seven (137) pre-ESRD patients will require outpatient dialysis services within two (2) years after project completion resulting in a utilization of over 80%.

PUBLIC HEARING/COMMENT

- A public hearing was offered in regard to the proposed project, but none was requested. A letter of support was received from Centegra Health System, No opposition letters 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 21 criteria and have met all applicable criteria.

STATE BOARD STAFF REPORT
Project #15-049
DaVita Huntley Dialysis

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	DaVita HealthCare Partners Inc and Rhodes Dialysis, LLC
Facility Name	Huntley Dialysis
Location	10350 Haligus Road, Huntley, Illinois
Permit Holder	Rhodes Dialysis, LLC
Operating Entity	Rhodes Dialysis, LLC
Owner of Site	Duke Realty Limited Partnership
Proposal	Establish a 12 station ESRD facility
GSF	7,682 GSF
Application Received	October 14, 2015
Application Deemed Complete	October 14, 2015
Review Period Ends	December 13, 2016
Financial Commitment Date	February 16, 2018
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 Rhodes Dialysis, LLC) are proposing the establishment of a twelve (12) station ESRD facility in 7,682 GSF of space in Huntley, Illinois at a cost of approximately \$3,340,052. The anticipated project complete date is February 28, 2018.

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 Rhodes Dialysis LLC. DaVita Healthcare Partners, Inc. currently operates over 2,179 dialysis centers throughout the United States. Ninety-two (92) of these facilities are in Illinois. Rhodes Dialysis LLC is a subsidiary of DaVita HealthCare Partners, Inc. Rhodes Dialysis LLC is a Delaware Corporation licensed to conduct business in the State of Illinois and is currently in good standing with the State of Illinois. Total Renal Care Inc. will own 51% of Rhodes Dialysis, LLC, Huntley Investment Partners 24.5% and Nasir J. Ahmad M.D. will own

10%. The operating entity is Rhodes Dialysis LLC., and the owner of the site is Duke Realty Limited Partnership.

The facility will be located at 10350 Haligus Road, Huntley, Illinois in the HSA VIII 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 VIII/30-Minute Service Area

HSA VIII ESRD Planning Area includes the Illinois Counties of Kane, Lake, and McHenry. As of September 30, 2015 there are three hundred seventy five (375) ESRD stations and twenty-three (23) ESRD facilities in this planning area.

TABLE ONE					
Facilities in the 30-Minute Service Area					
Facility	Ownership	City	Minutes ⁽¹⁾	Stations	Utilization ⁽²⁾
Carpentersville Dialysis	DaVita	Carpentersville	12	13	80.70%
ARA Crystal Lake Dialysis	ARA	Crystal Lake	14	16	31.20%
FMC Elgin	Fresenius	Elgin	19	20	58.30%
Marengo Dialysis	DaVita	Marengo	21	10	38.30%
Crystal Springs Dialysis	DaVita	Crystal Lake	23	12	77.30%
ARA McHenry	ARA	McHenry	26	12	34.70%
Barrington Creek Dialysis	DaVita	Lake Barrington	26	12	30.50%
Cobblestone Dialysis	DaVita	Elgin	29	14	92.80%
ARA South Barrington Dialysis	ARA	South Barrington	29	14	54.80%
1. Minutes determined by MapQuest 2. Utilization as of September 30, 2015					

V. Project Description

The applicants (DaVita Healthcare Partners, Inc. and Rhodes Dialysis, LLC) are proposing the establishment of a twelve (12) station ESRD facility in 8,735 GSF of space in Huntley, Illinois at a cost of approximately \$3,340,052. The anticipated project complete date is February 28, 2018.

Duke Realty Limited Partnership has entered into a lease with the applicants to lease 8,735 GSF of rentable space, on the first floor of its building located at 10350 Haligus Road, Huntley. The lease has a ten (10) year term, valued at \$17.50 PSF, with 2% annual escalations. The estimated start-up costs and operating deficit is \$2,067,474 for this project. The applicants currently have the following outstanding projects.

TABLE TWO			
Applicants outstanding projects			
Facility	Project #	City	Completion Date
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
Vermilion County Dialysis	15-003	Danville	April 30, 2017
Machesney Park Dialysis	15-004	Machesney Park	April 30, 2017
Calumet City Dialysis	15-020	Calumet City	July 31, 2017
South Holland Renal Center	15-025	South Holland	October 31, 2017
Morris Dialysis	15-032	Morris	April 30, 2017
Lincoln Park Dialysis	15-033	Chicago	April 30, 2017
Montgomery County Dialysis	15-035	Hillsboro	April 30, 2017
Source: Application for Permit Page 58			

VI. Project Costs

The applicants (DaVita Healthcare Partners, Inc. and Rhodes Dialysis LLC) are proposing the establishment of a twelve (12) station ESRD facility in 8,735 GSF of space in Huntley, Illinois at a cost of approximately \$3,340,052. The anticipated project completion date is February 28, 2018.

TABLE THREE			
Project Costs and Sources of Funds			
USE OF FUNDS	Clinical	Non Clinical	Total
New Construction Contracts	\$1,222,315	\$166,521	\$1,388,836
Contingencies	\$96,811	\$13,189	\$110,000
Architectural/Engineering Fees	\$95,051	\$12,949	\$108,000
Consulting and Other Fees	\$76,368	\$10,404	\$86,772
Movable or Other Equipment (not in construction contracts)	\$450,455	\$87,568	\$538,023
Fair Market Value of Leased Space	\$975,521	\$132,900	\$1,108,421
TOTAL USES OF FUNDS	\$2,916,521	\$423,531	\$3,340,052
SOURCE OF FUNDS	Clinical	Non Clinical	Total
Cash and Securities	\$1,941,000	\$290,631	\$2,231,631

TABLE THREE			
Project Costs and Sources of Funds			
Leases (Fair Market Value)	\$975,521	\$132,900	\$1,108,421
TOTAL SOURCES OF FUNDS	\$2,916,521	\$423,531	\$3,340,052
Source: Application for Permit Page 6			

VII. 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 Huntley and the immediate surrounding area. There are 68 Stage 4 and 5 CKD patients who reside within 15 minutes of the proposed Huntley Dialysis. However, there is presently no dialysis facility in Huntley. With the exception of patients residing in zip code 60102, the proposed Huntley Dialysis will be the closest facility for these patients. Importantly, Carpentersville Dialysis, the dialysis facility closest to most of these CKD patients was operating at 89.7% as of June 30, 2015, and can only accommodate 8 patients before it reaches 100% utilization.” (See Application for Permit pages 84-87)

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 2014 Community Care report, which details DaVita's commitment to quality, patient centric focus and community outreach, was previously submitted as part of Applicants' application for Proj. No. 15-025. AS referenced in the report, DaVita led the industry in quality with 50% of its dialysis centers earning four or five stars in the Federal Five-Star Ratings, compared to the 21% industry average. DaVita also led the industry in Medicare's Quality Incentive Program, ranking Number 1 in three out of four clinical measures and receiving the fewest penalties. 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. During 200-2014, DaVita has improved its fistula adoption rate by 103%. 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 discussed throughout this application, there are 68 stage 4 and 5 CKD patients who reside within 15 minutes of the proposed Huntley Dialysis. However, there is presently no dialysis facility in Huntley. With the exception of patients residing in zip code 60102, the proposed Huntley dialysis facility will be the closest for these patients. Importantly, Carpentersville Dialysis, the dialysis facility closest to most of these CKD patients, was operating at 89.7% as of June 2015, and can only accommodate 8 patients before it reaches 100% utilization. Accordingly, Carpentersville lacks sufficient capacity to accommodate patients residing in the immediate Huntley area. As such, the proposed facility is necessary to accommodate the growing demand for dialysis services. Further, the applicants do not anticipate patients from existing dialysis facilities in the GSA will transfer to the proposed Huntley Dialysis. Accordingly, the proposed dialysis facility will not impact other general health care providers' ability to cross-subsidize safety net services." (See Application for Permit pages 146-147)

TABLE FOUR Safety Net Impact State of Illinois Facilities			
	2012	2013	2014
Net Patient Revenue	\$228,403,979	\$244,115,132	\$266,319,949
CHARITY CARE			
Charity (# of patients)	152	187	146
Charity (cost In dollars)	\$1,199,657	\$2,175,940	\$2,477,363
% Charity Care to Net Revenue	0.05%	0.08%	0.09%
MEDICAID	2012	2013	2014
Medicaid J# of patients)	651	679	708
Medicaid (revenue)	\$11,387,229	\$10,371,416	\$8,603,971
% Medicaid to Net Revenue	4.98%	4.24%	3.23%
Source: Application for Permit Page 146			

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.

*“There are currently 68 stage 4 and 5 CKD patients who reside within 15 minutes of the proposed Huntley Dialysis facility and will likely initiate dialysis within two years of project completion. There is no dialysis facility in Huntley. The closest facility for many of these patients is Carpentersville Dialysis, which was operating at 89.7% capacity as of June 2015. Further, utilization at Carpentersville Dialysis has increased 4.5% annually over the last two years and is likely to reach 100% capacity by the time the proposed Huntley facility becomes operational. Accordingly, Carpentersville Dialysis is not a viable option for most of these CKD patients. **The applicants identified no project costs with this alternative.***

Establish a New Facility

*“As noted above, there are currently 68 stage 4 and 5 CKD patients who reside within 15 minutes of the proposed Huntley Dialysis, and will likely initiate dialysis within 2 years of project completion. There are no dialysis facilities in Huntley. The establishment of a 12-station dialysis facility will improve access to necessary dialysis treatment for those individuals in and around Huntley who suffer from ESRD. ESRD patients are typically chronically ill individuals and adequate access to dialysis services is essential to their well-being. As a result, DaVita chose this option.” **The applicants identified a cost of \$3,340,052 for this alternative.** (See Application for Permit pages 88-89)*

VIII. 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 twelve (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 twelve (12) dialysis stations. The total gross square footage of the proposed dialysis facility is 7,682 gross square feet (clinical), or 640.1 GSF per station.

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. Amit Arora M.D. and Dr. Nasir Ahmad, M.D. are currently treating 210 CKD patients in their care, whose condition is advancing to ESRD. Based upon attrition due patient death, transplant, return of function, or relocation, it is estimated that one hundred thirty seven (137) of these patients will initiate dialysis within 12 to 24 months following project completion.

137 patients x 3 times a week x 52 weeks/year= 21,372 patients
12 stations x 3 shifts a day x 6 days a week x 52 weeks per year =11,232 treatments or
21,372 patients/11,232 treatments = 190.2%

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. (*See Application for Permit pages 90-93*)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA SIZE OF THE PROJECT, PROJECTED UTILIZATION, ASSURANCES (77 IAC 1110.234 (a) (b) (e))

IX. 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 #2006-5 and the requirements of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended, 17 IAC 4180) (*See Application for Permit pages 60-83*)

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) (1) (2) (3) (5) - 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 need for thirty-four (34) additional ESRD stations in the HSA VIII ESRD Planning Area. The applicants have identified sixty-eight (68) individuals in Stage 4 and 5 who reside within approximately fifteen (15) minutes of the proposed facility that will likely need ESRD services. It is projected that all 68 patients are projected to need dialysis service within the next 24 months, and present to the proposed Huntley Dialysis facility.

TABLE FIVE City of Residence of Pre ESRD Patients		
Zip Code	City	Number of Patients
60012	Crystal Lake	2
60013	Cary	5
60014	Crystal Lake	25
60098	Woodstock	14
60102	Algonquin	10
60110	Carpentersville	16
60118	Dundee	8
60120	Elgin	14
60123	Elgin	25
60124	Elgin	8
60136	Gilberts	2
60140	Hampshire	18
60142	Huntley	35
60152	Marengo	3
60156	Lake in the Hills	23
60180	Union	1
60192	Hoffman Estates	1
Total		210

Source: Application for Permit Page 95

It appears all of the patients will come from within the HSA VIII ESRD Planning Area and there is sufficient demand as evidenced by the referral letters provided by Dr Arora

and Dr. Ahmad. While there are underperforming facilities in the planning area, there is a need for thirty-four (34) additional ESRD stations. The applicants have met the requirements of this criterion. *(See Application for Permit pages 94-96)*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1110.1430 (c) (1) (2) (3) (5))

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**

It is noted that there are nine (9) facilities within thirty minute (30) minutes of the proposed facility (See Table One), with only two operating in excess of the State Board standard (80%). However, there appears to be a need for additional stations, based on the November 2015 bed/station update for HSA VIII ESRD Planning Area, and the absence of a dialysis facility in the immediate Huntley area.

A **mal-distribution** exists when an identified area has an excess supply of facilities, stations, and services characterized by such factors as, but not limited to: (1) ratio of stations to population exceeds one and one-half times the State Average. The State of Illinois ratio of stations to population is one (1) station per every 3,050 individuals. The geographic service area ratio stations to population are one (1) station per every 3,501 individuals. Based upon this comparison there does not appear to be a mal-distribution of service in this geographic service area.

It does not appear that the proposed dialysis facility will not have an adverse **impact on existing facilities** in the GSA. There are sixty-eight (68) stage 4 and 5 CKD patients who reside within fifteen (15) minutes of the proposed Huntley Dialysis; however, there is presently no dialysis facility in Huntley, With the exception of patients residing in zip code 60102, the proposed Huntley Dialysis will be the closest facility for these patients. *(See Application for Permit pages 97-100)*

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. *(See Application for Permit pages 101-109)*

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. *(See Application for Permit pages 110-112)*

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 Chicago-Naperville-Joliet 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. *(See Application for Permit page 113)*

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 Sherman Hospital to provide inpatient care and other hospital services. *(See Application for Permit pages 114-122)*

H) Criterion 1110.1430 (k) - Assurances

The applicants have attested that by the second year after project completion, Huntley Dialysis expects to achieve and maintain 80% target utilization; and Huntley 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 (*See Application for Permit pages 124-125*)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA STAFFING, SUPPORT SERVICES, MINIMUM NUMBER OF STATIONS, CONTINUITY OF CARE, ASSURANCES (77 IAC 1110.1430 (f) (g) (h) (i) (k))

X. FINANCIAL

A) Criterion 1120.140 (a) - Availability of Funds

The applicants are funding this project with \$2,231,631 in cash and securities, and \$1,108,421 from the fair market value of the lease. 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
Source: 2014 DaVita 10-K		

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 \$2,231,631, and \$1,108,421 from the fair market value of the lease. Duke Realty Limited Partnership has entered into a lease with the applicants to lease 8,735 GSF of rentable space, on the first floor of its building located at 10350 Haligus Road, Huntley. The lease has a ten (10) year term, valued at \$17.50 PSF, with 2% annual escalations. The lease appears reasonable when compared to previously approved leases by the State Board.

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

New construction and contingency costs are \$ \$1,319,126 or \$171.71 per GSF. This appears reasonable when compared to the State Board Standard of \$262.22 per GSF.

Contingency costs are \$96,811 and are 7.9% of new construction contracts. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees are \$95,051 and are 7.2% of new construction and contingency contracts. This appears reasonable when compared to the State Board Standard of 6.90-10.36%

Consulting and Other Fees total \$76,368. The State Board does not have a standard for these costs.

Movable or Other Equipment (Not in Construction Contracts) costs total \$451,788 or \$37,649 per station and include the following costs. The State Board standard is \$52,119 per station.

TABLE SIX Itemization of Moveable or Other Equipment	
Communications	\$84,350
Water Treatment	\$128,375
Bio-Medical Treatment	\$8,885
Clinical Equipment	\$200,750
Clinical Furniture/Fixtures	\$18,380
Storage Furniture/Fixtures	\$7,498
Lounge Furniture/Fixtures	\$3,540
Total	\$451,778
Source: Page 79 Application for Permit	

Fair Market Value of Leased Space/Equipment - These costs total \$975,521. The State Board does not have a standard for these costs.

D) Criterion 1110.140 (d) - Projected Operating Costs

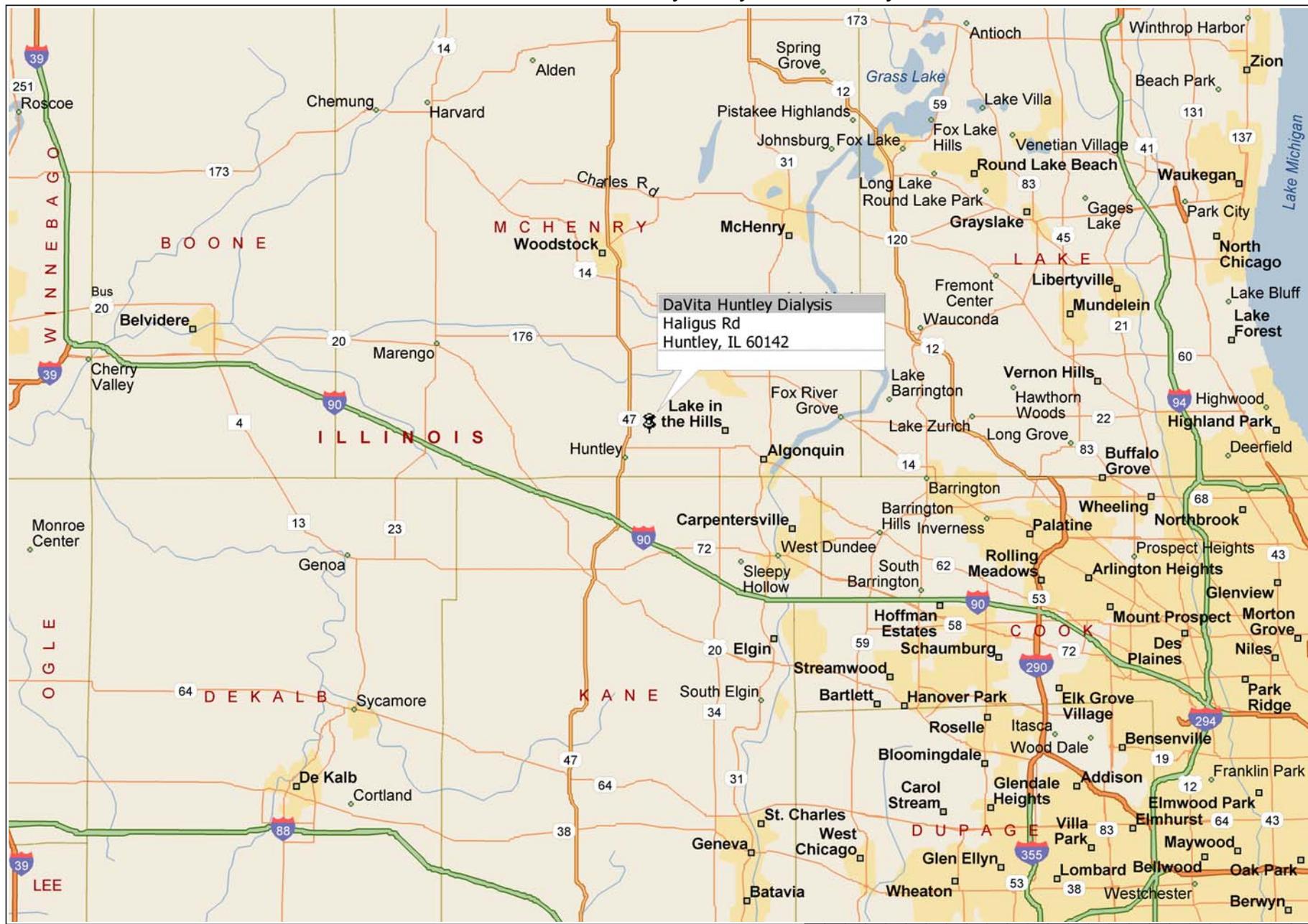
The projected operating cost per treatment is \$160.07. This appears reasonable when compared to previously approved projects.

E) Criterion 1110.140 (e) - Projected Capital Costs

The projected capital cost per treatment is \$11.25. This appears reasonable when compared to previously approved projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS, TERMS OF DEBT SERVICE, REASONABLENESS OF PROJECT COSTS, PROJECTED OPERATING COST, PROJECTED CAPITAL COSTS (77 IAC 1120.140 (a) (b) (c) (d) (e))

15-049 DaVita Huntley Dialysis - Huntley



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