

1 S63305

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ILLINOIS DEPARTMENT OF PUBLIC HEALTH  
HEALTH FACILITIES AND SERVICES REVIEW BOARD  
OPEN SESSION

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REPORT OF PROCEEDINGS

8

Bolingbrook Golf Club  
2001 Rodeo Drive

9

Bolingbrook, Illinois 60490

10

December 17, 2013  
9:02 a.m.

11

12

13 BOARD MEMBERS PRESENT:

14

MS. KATHY OLSON, Chairperson;

15

MR. JOHN HAYES, Vice Chairman;

16

MR. PHILIP BRADLEY;

17

DR. JAMES J. BURDEN;

18

SENATOR DEANNA DEMUZIO;

19

MR. DALE GALASSI;

20

JUSTICE ALAN GREIMAN; and

21

MR. RICHARD SEWELL.

22

23

Reported by: Melani e L. Humphrey-Sonntag,  
CSR, RDR, CRR, CCP, FAPR

24

Notary Public, Kane County, Illinois

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EX OFFICIO MEMBERS PRESENT:

MR. DAVID CARVALHO, IDPH;  
MR. MATT HAMMOUDEH, IDHS; and  
MR. MIKE JONES, IDHFS.

ALSO PRESENT:

MR. FRANK URSO, General Counsel ;  
MR. NELSON AGBODO, Health Systems Data Manager;  
MS. CATHERINE CLARKE, Board Staff;  
MR. BILL DART, IDPH Staff;  
MR. GEORGE ROATE, IDPH Staff; and  
MR. SAI SEKUBOYINA, Board Intern.

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1 CHAIRPERSON OLSON: We do have a quorum  
2 so we'll get started. I think we have others en route,  
3 but in light of the weather they may be somewhat  
4 delayed, so I will call the meeting to order.  
5 May we have a roll call, please, George?  
6 MR. ROATE: Thank you, madam.  
7 Mr. Bradley.  
8 (No response.)  
9 MR. ROATE: Absent.  
10 Dr. Burden.  
11 MEMBER BURDEN: Here.  
12 MR. ROATE: Senator Demuzio.  
13 MEMBER DEMUZIO: Here.  
14 MR. ROATE: Justice Greiman.  
15 MEMBER GREIMAN: Here.  
16 MR. ROATE: Mr. Sewell.  
17 MEMBER SEWELL: Here.  
18 MR. ROATE: Five present.  
19 Ms. Olson.  
20 CHAIRPERSON OLSON: I'm here.  
21 Thank you.  
22 MR. URSO: Six present.  
23 CHAIRPERSON OLSON: Okay. The first  
24 order of business today is executive session, which

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OPEN SESSION**

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1 we're anticipating being a -- 30-minute executive  
2 session?

3 MR. URSO: 35 to 45 minutes.

4 CHAIRPERSON OLSON: -- 30 to 45. So we  
5 will go into executive session at this time.

6 MR. URSO: You need a motion.

7 CHAIRPERSON OLSON: Oh.

8 Could I have a motion?

9 MEMBER SEWELL: So moved.

10 CHAIRPERSON OLSON: We're going to  
11 discuss applications pending administrative hearing and  
12 judicial review.

13 MR. URSO: That's pursuant to  
14 Section 2(c)(11) of the Open Meetings Act.

15 MEMBER SEWELL: So moved.

16 CHAIRPERSON OLSON: Do we have a second?

17 MEMBER BURDEN: Second.

18 CHAIRPERSON OLSON: All those in favor?  
19 (Ayes heard.)

20 (Ex-officio Member Carvalho joined  
21 the proceedings.)

22 CHAIRPERSON OLSON: We are now in closed  
23 session.

24 (At 9:03 a.m., the Board adjourned

**REPORT OF PROCEEDINGS -- 12/17/2013  
COMPLIANCE ISSUES/SETTLEMENT AGREEMENTS/FINAL ORDERS**

7

1   into executive session. Open  
2   session proceedings resumed at  
3   9:36 a.m., as follows:)

4   CHAIRPERSON OLSON: Okay. We are back  
5   in open session.

6   Let the record reflect that Mr. Hayes and  
7   Mr. Galassi arrived during the executive session.

8   Are there final orders to come out of the  
9   executive session, Mr. Urso?

10    MR. URSO: Yes, ma'am.

11    I'm requesting the Board to approve a final  
12    order in the case of the Board versus Prairie View Care  
13    Center of Lewiston, docketed HFSRB 13.12.

14    CHAIRPERSON OLSON: May I have a motion,  
15    please?

16    MEMBER DEMUZIO: Motion.

17    VICE CHAIRMAN HAYES: Second.

18    CHAIRPERSON OLSON: Vote please, Nelson.

19    MR. AGBODO: Yes.

20    Motion made by Senator Demuzio; second by  
21    Mr. Hayes.

22    Dr. Burden.

23    MEMBER BURDEN: Yes.

24    MR. AGBODO: Senator Demuzio.

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**COMPLIANCE ISSUES/SETTLEMENT AGREEMENTS/FINAL ORDERS**

8

1 MEMBER DEMUZIO: Yes.

2 MR. AGBODO: Justice Greiman.

3 MEMBER GREIMAN: Yeah.

4 MR. AGBODO: Mr. Galassi.

5 MEMBER GALASSI: Yes.

6 MR. AGBODO: Mr. Hayes.

7 VICE CHAIRMAN HAYES: Yes.

8 MR. AGBODO: Mr. Sewell.

9 MEMBER SEWELL: Yes.

10 MR. AGBODO: Madam Chair Olson.

11 CHAIRPERSON OLSON: Yes.

12 MR. AGBODO: This is 7 votes.

13 CHAIRPERSON OLSON: The motion passes.

14 MR. URSO: I'm also requesting approval

15 of the final order on the Board versus the Rehab

16 Institute of Chicago. That's Docket No. HFSRB 13-13.

17 CHAIRPERSON OLSON: May I have a motion

18 to approve this final order?

19 MEMBER GALASSI: So moved.

20 MEMBER GREIMAN: Second.

21 MR. AGBODO: Motion made by Mr. Galassi;

22 second by Justice Greiman.

23 CHAIRPERSON OLSON: Roll call, please.

24 MR. AGBODO: Yes.

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APPROVAL OF AGENDA**

9

1                   Dr. Burden.

2                   MEMBER BURDEN: Yes.

3                   MR. AGBODO: Senator Demuzio.

4                   MEMBER DEMUZIO: Yes.

5                   MR. AGBODO: Justice Greiman.

6                   MEMBER GREIMAN: Yes.

7                   MR. AGBODO: Okay. Thank you.

8                   Mr. Galassi.

9                   MEMBER GALASSI: Yes.

10                  MR. AGBODO: Thank you.

11                  Mr. Hayes.

12                  VICE CHAIRMAN HAYES: Yes.

13                  MR. AGBODO: Mr. Sewell.

14                  MEMBER SEWELL: Yes.

15                  MR. AGBODO: Madam Chair Olson.

16                  CHAIRPERSON OLSON: Yes.

17                  MR. AGBODO: Okay. 7 yes.

18                  CHAIRPERSON OLSON: The motion passes.

19                  May I have a motion to approve the agenda,

20                  please?

21                  MEMBER DEMUZIO: Motion.

22                  VICE CHAIRMAN HAYES: Second.

23                  CHAIRPERSON OLSON: I think -- can we do

24                  that with a voice vote?

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APPROVAL OF MINUTES**

10

1 All in favor, aye.  
2 (Ayes heard.)  
3 CHAIRPERSON OLSON: Opposed, same sign.  
4 (No response.)  
5 CHAIRPERSON OLSON: The motion passes.  
6 May I have an approval of the minutes from  
7 the November 5th, 2013, Board meeting?  
8 MEMBER DEMUZIO: Motion.  
9 MEMBER GALASSI: Second.  
10 MR. AGBODO: Motion made by Senator  
11 Demuzio; second by Mr. Galassi.  
12 Dr. Burden.  
13 MEMBER BURDEN: Yes.  
14 MR. AGBODO: Senator Demuzio.  
15 MEMBER DEMUZIO: Yes.  
16 MR. AGBODO: Justice Greiman.  
17 MEMBER GREIMAN: Yes.  
18 MR. AGBODO: Mr. Galassi.  
19 MEMBER GALASSI: Yes.  
20 MR. AGBODO: Mr. Hayes.  
21 VICE CHAIRMAN HAYES: Yes.  
22 MR. AGBODO: Mr. Sewell.  
23 MEMBER SEWELL: Yes.  
24 MR. AGBODO: Madam Chair Olson.

**REPORT OF PROCEEDINGS -- 12/17/2013  
PUBLIC PARTICIPATION**

11

1 CHAIRPERSON OLSON: Yes.

2 MR. AGBODO: Thank you.

3 7 yes.

4 (Member Bradley joined the  
5 proceedings.)

6 CHAIRPERSON OLSON: The motion passes.

7 Let the record reflect that Mr. Bradley has  
8 arrived.

9 Welcome.

10 MEMBER BRADLEY: The late Mr. Bradley.

11 MEMBER GALASSI: Fortunately not.

12 CHAIRPERSON OLSON: The weather.

13 The next order of business is public  
14 participation.

15 Frank will read the guidelines, and I will  
16 ask that, if you have submitted comments in writing,  
17 please be assured that the Board reads those comments  
18 and you do not need to read them to us again.

19 Thank you.

20 MR. URSO: Thank you, Madam Chair.

21 I'll read what I believe are the pertinent  
22 guidelines for public participation.

23 The first one is visual aids or handouts are  
24 prohibited during the public participation segment.

**REPORT OF PROCEEDINGS -- 12/17/2013  
PUBLIC PARTICIPATION**

12

1           Each speaker will be allotted a maximum of  
2 two minutes to provide their comments about agenda  
3 items listed for that day's Board meeting. Please  
4 understand, when the Chairperson signals, you must  
5 conclude your comments.

6           Any inflammatory or derogatory comments are  
7 prohibited. Public comment for each speaker is limited  
8 to testimony for one project or issue. And the Board  
9 asks that you make sure that all comments are focused  
10 and relevant to the specific projects on the current  
11 day's agenda. Comments should not be personal and not  
12 be disruptive to the Board's proceedings.

13           And I think we're ready to go.

14           CHAIRPERSON OLSON: Nelson, you'll keep  
15 time, please.

16           MR. AGBODO: Yes.

17           CHAIRPERSON OLSON: When your name is  
18 called, would you please come to the table.

19           MR. URSO: I'll read the names in the  
20 order that they're listed on the form here.

21           Sam Vinson, Dr. Chawla, Dr. Pallath,  
22 Amanda Hale.

23           Maybe we'll start with those four, please, if  
24 you can all come to the table.

**REPORT OF PROCEEDINGS -- 12/17/2013  
FRESENIUS MEDICAL CARE**

13

1                   MR. ROATE: Excuse me. Could you please  
2 sign in and just pass the roster down.

3                   Thank you.

4                   MR. URSO: Mr. Vinson, you can start.

5                   MR. VINSON: Thank you, Madam Chair man,  
6 ladies and gentlemen of the Board.

7                   I'm here to speak in opposition to the  
8 Fresenius Lemont application. The Board has previously  
9 recognized and, I think, understands the high  
10 concentration that DaVi ta and Fresenius have on  
11 dialysis facilities in this planning area, indeed in  
12 Northern Illinois.

13                   This application demonstrates another effort  
14 to continue that concentration, and it has a series of  
15 defects that I'd like to very briefly describe.

16                   The first and most important defect is that  
17 Fresenius, as a lessee, does not control the property.  
18 The application reveals that Fresenius would lease the  
19 property from a lessor, who does not control the  
20 property, cannot direct the property at this stage.

21                   The lessor has a hundred days from your  
22 approval in order to acquire control of the property.  
23 That's in violation of your rules.

24                   Secondly, if you look at the history of the

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FRESENIUS MEDICAL CARE**

14

1 Fresenius utilization, 62.5 percent of the projects  
2 approved by your Board in recent years, Fresenius has  
3 failed to meet the utilization standard of 80 percent  
4 two years after completion.

5 Third, if you examine your rules, you  
6 certainly understand that facilities are intended to be  
7 constructed for patients from the planning area.

8 In this case, an overwhelming majority of the  
9 patients do not come from the planning area, and so, as  
10 a consequence, what the -- we would be dealing with  
11 here is another effort to further the concentration and  
12 to establish more of a choke hold in this area by this  
13 particular provider.

14 And for those reasons I would urge you to  
15 reject the application.

16 CHAIRPERSON OLSON: Thank you, sir.  
17 Doctor.

18 DR. CHAWLA: Good morning, Madam Chair  
19 and members of the Board. My name is Dr. Bhuvan  
20 Chawla. I'd like to thank you for the opportunity to  
21 speak today.

22 I have previously submitted a detailed letter  
23 of opposition, but I wanted to cover the salient  
24 features again.

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FRESENIUS MEDICAL CARE**

15

1           This application seeks to misuse a reported  
2           need in HSA VII to seek approval so that it can divert  
3           patients from HSA IX, which has a reported surplus of  
4           stations. Thus, it fails to address need in HSA VII  
5           and, at the same time, seeks to cause duplication of  
6           services in HSA IX. Last year US Renal of Lemont  
7           attempted to utilize the same strategy, to which  
8           Fresenius had objected. Today the situation has  
9           changed, but there's -- correction. Today the  
10          situation is essentially the same, but the actors have  
11          changed.

12                        In the meantime, utilization of DaVita  
13          Silver Cross, which is the closest facility, has  
14          dropped from 80 percent two years ago to 59 percent now.

15                        At that time Fresenius stated, and I quote,  
16          "Patients identified for this facility do not reside in  
17          HSA VII; therefore, it will not serve the residents in  
18          the HSA for which it is being established per Board  
19          rules." That statement is equally applicable to  
20          Fresenius's own Lemont application.

21                        US Renal received an intent to deny in  
22          December of 2012, yet, seven months later, Fresenius is  
23          attempting the exact same maneuver. This -- I find --  
24          I personally find that kind of troubling. Apparently,

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CHICAGO RIDGE DIALYSIS**

16

1 the cost of a CON application is not a deterrent to a  
2 company of this size.

3 Once again, thank you for the opportunity to  
4 speak. I would urge the Board to reject this  
5 application.

6 CHAIRPERSON OLSON: Thank you, Doctor.

7 And that is --

8 MR. URSO: I want to let the Board know  
9 that those two speakers were speaking in opposition to  
10 Project 13-40, Fresenius Medical Care Lemont, and that  
11 is Item H-01 on your agendas.

12 MEMBER GALASSI: Thank you.

13 MR. URSO: Am I correct, gentlemen?

14 MR. VINSON: That's correct.

15 MR. URSO: Thank you.

16 MEMBER GALASSI: Thank you, Frank.

17 DR. PALLATH: Good morning, Madam Chair  
18 and members of the Board.

19 My name is Sreya Pallath, and I'm the planned  
20 medical director for the proposed Chicago Ridge  
21 Dialysis facility, located on the immediate border of  
22 the village of Chicago Ridge and of Worth, and there is  
23 a need there for 82 additional dialysis stations.

24 As I described in the referral letter for

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CHICAGO RIDGE DIALYSIS**

17

1           this project, my practice treats about 791 patients  
2           with Stage 3, Stage 4, and Stage 5 chronic kidney  
3           disease. Nearly all of these patients reside within  
4           30 minutes of the proposed project.

5                        In fact, 137 Stage 4 and Stage 5 CKD patients  
6           live within 20 minutes of the proposed facility. And  
7           based on this, I anticipate that approximately 87 of  
8           these patients will initiate dialysis at the proposed  
9           facility within 24 months of project completion.

10                      I'm not surprised that the size of my patient  
11           base has grown so much in the recent years given the  
12           demographics in the community and in my practice. The  
13           surrounding community is comprised of approximately  
14           30 percent African-Americans and 25 percent Hispanic  
15           residents. Diabetes and hypertension or high blood  
16           pressure are the leading causes of chronic kidney  
17           disease and end stage kidney disease, and due to  
18           socioeconomic conditions, these populations exhibit a  
19           high prevalence of obesity, which is a driver of both  
20           diabetes and high blood pressure.

21                      Hispanics and African-Americans are at an  
22           increased risk of end stage kidney disease compared to  
23           the general population and due to the higher prevalence  
24           of these conditions in the Hispanic and African-

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CHICAGO RIDGE DIALYSIS**

18

1 American communities.

2 In fact, the end stage kidney disease  
3 incidence rate among Hispanic populations is  
4 1 1/2 times greater than non-Hispanics, and the  
5 end stage kidney incidence rate among African-Americans  
6 are 3.6 times greater than non-Hispanic and white  
7 populations. And coupled with aging population, it is  
8 expected to increase in utilization.

9 This consistent increase of chronic kidney  
10 disease and end stage kidney disease in our community  
11 presents an immediate need for a new facility to serve  
12 not only my patients but all patients.

13 MR. ROATE: Two minutes.

14 DR. PALLATH: So simply put, I would  
15 like to say that this facility is very needed in the  
16 area and to help with my patient population, and  
17 I respectfully request that the Board approve this  
18 project.

19 Thank you.

20 CHAIRPERSON OLSON: Thank you, Doctor.

21 MR. URSO: The project that the doctor  
22 was referring to is 13-50, Chicago Ridge Dialysis.  
23 It's Item H-02 on your agenda.

24 Is that correct, Doctor?

**REPORT OF PROCEEDINGS -- 12/17/2013  
NXSTAGE OAK BROOK**

19

1 DR. PALLATH: That's correct.

2 MR. URSO: Thank you.

3 CHAIRPERSON OLSON: Ms. Hale.

4 MS. HALE: Good morning. My name is  
5 Amanda Hale, and I'm here to oppose the NxStage  
6 Oak Brook CON application to establish an eight-station  
7 facility in Oak Brook, Illinois.

8 The proposed facility is unnecessary to serve  
9 the surrounding community. The Applicants have  
10 attempted to characterize this project as innovative  
11 with the primary justification as offering a respite  
12 treatment for patients utilizing home chemo. This is a  
13 red herring, as all DaVi ta facilities and other  
14 dialysis providers offer these same respite services to  
15 patients in the home programs.

16 No form of dialysis is easy on dialysis  
17 patients, and that's home dialysis or otherwise.  
18 That's why DaVi ta recognizes that patients should be  
19 able to receive respite dialysis care. We collaborate  
20 with patients to provide this at facilities convenient  
21 for them.

22 For example, DaVi ta makes respite available  
23 to patients who may have a caregiver that's out of  
24 town, and they'll continue to do so at any of the

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NXSTAGE OAK BROOK**

20

1           nine home dialysis locations in the region.

2                       While we're supportive of innovation in our  
3 industry, this is not an innovative project. The  
4 Applicants could operate a home dialysis program  
5 without a CON. A CON for this type of project is only  
6 necessary for facilities that offer in-center  
7 hemodialysis.

8                       If the patients require in-center, more  
9 frequent dialysis, this can be accommodated at one of  
10 the 44 facilities in the community with capacity,  
11 provided there are physicians' orders to do this. As  
12 such, we believe this project is an attempt to  
13 establish an in-center dialysis program under the guise  
14 of innovation. This would result in unnecessary  
15 duplication of services.

16                      So, accordingly, I respectfully request that  
17 you deny this project. Alternatively, even if the  
18 Board does approve this project, we ask that a  
19 condition is placed on this project and the permit to  
20 limit operation to respite care for home dialysis  
21 patients, as proposed in the CON application.

22                      Thank you.

23                      CHAIRPERSON OLSON: Thank you, Ms. Hale.

24                      Thank you.

**REPORT OF PROCEEDINGS -- 12/17/2013  
NXSTAGE OAK BROOK**

21

1                   MR. URSO: And Ms. Hale was speaking  
2 about H-04 on page 3 of the Board's agenda, NxStage  
3 Oak Brook.

4                   Correct?

5                   MS. HALE: That's correct.

6                   MR. URSO: Thank you.

7                   Could we now have Dr. Maynard, Ms. Ranalli,  
8 and Mr. Bericowitz as well as Mr. Bruski.

9                   Dr. Maynard, you can start.

10                  DR. MAYNARD: Good morning. My name is  
11 John Maynard. I am an independent nephrologist as well  
12 as a medical director and group medical director for  
13 DaVi ta Health Care Partners.

14                  I'm here today in opposition to the proposed  
15 establishment of the NxStage Oak Brook dialysis unit.  
16 There is no need in the service area of the proposed  
17 project for an eight-station dialysis facility. The  
18 Applicants' presentation of this project as innovative  
19 is misleading.

20                  As noted in the State Agency Report, there  
21 are currently 45 in-center hemodialysis facilities  
22 within 30 minutes of the proposed NxStage Oak Brook  
23 facility. 36 of these are not operating at the State  
24 Board's 80 percent standard.

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NXSTAGE OAK BROOK**

22

1                   While the Applicants have not identified any  
2                   prospective patients, they anticipate the facility will  
3                   be at the Board's target utilization -- that is,  
4                   treating 40 patients -- by the fourth year of  
5                   operation.

6                   The existing facilities in the service area  
7                   can easily accommodate all of the projected patients.  
8                   In fact, there are six existing facilities within  
9                   10 minutes of the proposed project. Only one facility  
10                  has met the State Board's 80 percent utilization  
11                  standard, and the remaining five are significantly  
12                  underutilized. Collectively, the five underutilized  
13                  facilities can accommodate 112 additional patients  
14                  before reaching 80 percent.

15                  The FMC Willowbrook unit, which offers both  
16                  in-center and home hemodialysis, is operating at  
17                  60.8 percent and could accommodate all of the projected  
18                  patients for this project.

19                  The innovative respite and in-center  
20                  self-care programs the project proposes are already  
21                  offered by DaVi ta and other dialysis providers.  
22                  DaVi ta operates nine home hemodialysis programs within  
23                  30 minutes.

24                  DaVi ta, which provides home hemodialysis to

**REPORT OF PROCEEDINGS -- 12/17/2013  
NXSTAGE OAK BROOK**

23

1 more patients than any other home program in the US,  
2 understands the importance of home hemodialysis;  
3 unfortunately, home hemodialysis is not feasible for  
4 every patient due to lack of an adequate support  
5 network at home. For those patients who choose home  
6 hemodialysis, DaVi ta supports those patients in  
7 numerous ways, including respi te di al y s i s.

8 The NxStage Oak Brook project is neither  
9 novel nor necessary. The innovative programs proposed  
10 are already offered by DaVi ta and other providers. The  
11 underutilization of existing facilities in the area can  
12 accommodate all of the proposed patients.

13 Therefore, I request the Board deny the  
14 NxStage application to establish an eight-station  
15 dialysis center in Oak Brook.

16 Thank you very much.

17 CHAIRPERSON OLSON: Thank you, Doctor.

18 Ms. Ranalli.

19 MS. RANALLI: Good morning. I also am  
20 here on behalf of Fresenius Medical Care to talk to  
21 Project 13-054, NxStage.

22 I'd simply like to ask that, if the Board  
23 does consider approving the project, that it make the  
24 permit conditional on the basis that the NxStage

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NXSTAGE OAK BROOK**

24

1 Applicants did represent to the Board that they would  
2 solely be providing home dialysis and respite care.

3 Given those representations, Fresenius simply  
4 would ask that, if the Board were to approve the  
5 project, it condition that approval on the Applicants'  
6 statements being maintained going forward and that the  
7 Applicants be required in some form -- possibly in  
8 quarterly utilization reports to the Board staff -- to  
9 certify that, in fact, they are only providing home  
10 dialysis training and respite care.

11 Thank you.

12 CHAIRPERSON OLSON: Thank you,  
13 Ms. Ranalli.

14 MR. BERICOWITZ: Good morning. Before  
15 I start I'd like to say that a couple weeks ago I fell  
16 from a stepladder and have been diagnosed with a  
17 subdural hematoma and a concussion. As a result, my  
18 cognitive skills have been affected.

19 I am Rich Bericowitz. I'm the founder and  
20 president of Home Dialyzers United. HDU's the largest  
21 nonprofit dialysis patient organization dedicated to  
22 home dialysis.

23 This past year HDU, with the US Department of  
24 Transportation, worked together to revise the

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NXSTAGE OAK BROOK**

25

1 Air Carrier Access Act to recognize portable dialysis  
2 machines to be specifically covered under the ACAA.

3 I am also a dialysis patient for close to  
4 11 years, which puts me in the 1 1/2 percent category  
5 of survivors on dialysis. That is only because I've  
6 been doing more frequent and longer dialysis at home  
7 for close to eight years.

8 By right, I should not have survived this  
9 long. By living this long, I've been able to help  
10 thousands of dialysis patients with different -- in  
11 different ways.

12 The NxStage dialysis center is being  
13 developed as a new paradigm in this field. Whereas,  
14 with the last comments to CMS for the bundle this past  
15 summer, all other providers, including DaVita and  
16 Fresenius, have said that they would have to cut back  
17 on services, NxStage will be expanding services.

18 As you know, the conventional in-center  
19 dialysis runs three days per week. NxStage will be  
20 running a minimum of four days per week for its  
21 patients.

22 Each one of you is actually doing dialysis  
23 right now, whether you know it or not, because you're  
24 filtering your blood 24/7. The more dialysis one gets,

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NXSTAGE OAK BROOK**

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1 the better they are and the longer they will live.

2 MR. AGBODO: Two minutes.

3 MR. BERICOWITZ: The goals of the  
4 NxStage center are to provide more frequent dialysis,  
5 people without partners or those who can't cannulate  
6 themselves.

7 It's also designed as a transitional center  
8 to home dialysis. We will also be available for  
9 respite care. People doing home dialysis sometimes  
10 need a place to dialyze if they don't -- if they can't  
11 do it at home.

12 In preparing these notes, I realized I need a  
13 location for myself.

14 CHAIRPERSON OLSON: Can you just  
15 conclude your remarks, sir?

16 MR. BERICOWITZ: Pardon me?

17 CHAIRPERSON OLSON: Please conclude your  
18 remarks. You've over your two minutes.

19 MR. BERICOWITZ: Okay. In the eight  
20 years I've been doing dialysis, I have self-cannulated  
21 myself each time. I've been misguided thinking I can  
22 continue to do that. I either am self-confident or  
23 plain stupid.

24 What happens if I have an arm injury and

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ALEXIAN BROTHERS MEDICAL CENTER**

27

1 can't self-cannulate myself? I would need a nurse who  
2 knows the buttonhole method not just in terms of  
3 setting one up but in terms of one who works with it on  
4 a daily basis.

5 I've been in-center for three years; I've  
6 been --

7 CHAIRPERSON OLSON: Please conclude your  
8 remarks, sir. You're over your two minutes.

9 Please.

10 MR. BERICOWITZ: I've been in-center for  
11 three years. I've had my fistula infiltrated, and  
12 I cannot afford to have that happen again.

13 Thank you.

14 CHAIRPERSON OLSON: Thank you.

15 MR. BRUSKI: Good morning. I'm Mitch  
16 Bruski. I'm the CEO of Kenneth Young Center. I'm  
17 speaking in support of Alexian Brothers' efforts to add  
18 psychiatric beds to their hospital.

19 Kenneth Young Center is a community-based  
20 mental health and senior services provider in the  
21 northwest suburbs. Last year we saw 1950 adults,  
22 2280 children, and 7194 seniors.

23 As part of our children's crisis program, we  
24 evaluated 1804 children and adolescents for psychiatric

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POSTPERMIT ITEMS**

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1 hospitalizations in the townships that the three  
2 sanctioned hospitals -- Alexian, St. Alexius, and  
3 Alexian Brothers Behavioral Health Hospital -- reside  
4 as well as in the adjacent east and west townships.  
5 In this context we evaluate between 3 and 23 people  
6 per day every day.

7 In the warmer months bed availability is not  
8 a problem, but it is in the fall, winter, and spring.  
9 Additional beds would be helpful because, at some point  
10 in each day that we evaluate, we are told that no beds  
11 are available. And for that reason we would support  
12 the additional beds.

13 Thank you.

14 CHAIRPERSON OLSON: Thank you, sir.

15 MR. ROATE: Madam Chair, may I ask that  
16 the four public participants please sign in?

17 CHAIRPERSON OLSON: Oh.

18 MR. ROATE: On the roster, right there  
19 next to him.

20 CHAIRPERSON OLSON: Thank you.

21 That concludes the public participation part  
22 of the meeting today. We'll move on to postpermit  
23 items approved by the Chairman.

24 George.

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POSTPERMIT ITEMS**

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1                   MR. ROATE: Thank you, Madam Chair.  
2                   I'm prepared to read a list of  
3                   15 transactions that were approved by Madam Chair  
4                   Olson, starting with No. 1, Permit Renewal 10-073 for  
5                   the University of Illinois Medical Center at Chicago, a  
6                   24-month renewal to January 15th, 2016;  
7                   No. 2, Permit Renewal 12-008, DaVi ta Stony  
8                   Island Di alysis, Chicago, a 12-month renewal to  
9                   December 31st, 2014;  
10                  No. 3, Project No. 12-014, Manor Court of  
11                  Freeport in Freeport, 12-month renewal to  
12                  December 31st, 2014;  
13                  No. 4, Permit Renewal 7-125, Rush Uni versi ty  
14                  Medi cal Center, 12-month renewal to January 31st, 2015;  
15                  No. 5, Permit Renewal 12-050, Rehab & Care  
16                  Center of Jackson County, 11-month renewal to  
17                  December 31st, 2014;  
18                  No. 6, permit renewal , Project 12-049,  
19                  Manor Court of Carbondale, 11-month renewal to  
20                  December 31st, 2014;  
21                  No. 7, Permit Renewal 12-084, PCC Birth  
22                  Center, Berwyn, six-month renewal to August 5th, 2014;  
23                  No. 8, Permit Renewal 11-059, Fresenius  
24                  Medi cal Care Logan Square, five-month renewal to

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POSTPERMIT ITEMS**

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1 May 31st, 2014; that facility is located in Chicago;  
2 No. 9, Permit Renewal 11-038, Fresenius  
3 Medical Care Naperville, Naperville, five-month renewal  
4 to May 31st, 2014;

5 No. 10, Permit Renewal 12-042, Midwestern  
6 Regional Medical Center, Zion, three-month renewal to  
7 March 31st, 2014;

8 No. 11, permit alteration, Project 12-098,  
9 Fresenius Medical Care Monmouth, Monmouth, to reduce  
10 the project cost and project size;

11 No. 12, Permit Relinquishment 11-055,  
12 Transitional Care Center of Naperville in Naperville;

13 No. 13, Exemption Application E-023-13,  
14 Mercy Hospital and Medical Center, Chicago;

15 No. 14, Exemption Application E-025-13,  
16 Midwest Endoscopy Center, LLC, Naperville;

17 And, lastly, No. 15, Exemption  
18 Application E-026-13, Salt Creek Surgery Center in  
19 Westmont.

20 Thank you, Madam Chair.

21 CHAIRPERSON OLSON: Thank you, George.

22 Do any Board members have any questions on  
23 any of these approvals?

24 (No response.)

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1 CHAIRPERSON OLSON: Seeing none, we'll  
2 move on to items for State Board action, permit renewal  
3 requests.

4 12-027, Good Samaritan Pontiac, renewal  
5 request from December 31st, 2013, to January 23rd,  
6 2017, a 37-month term.

7 Would the Applicant come to the table,  
8 please.

9 MR. CLANCY: Good morning.

10 CHAIRPERSON OLSON: Good morning. We'll  
11 ask that you be sworn in by the court reporter before  
12 your comments.

13 THE COURT REPORTER: Will you raise your  
14 right hands, please.

15 (Three witnesses duly sworn.)

16 THE COURT REPORTER: Thank you. And  
17 please print your names on the sign-in sheet.

18 CHAIRPERSON OLSON: George, can we have  
19 the State Board report, please?

20 MR. ROATE: Thank you, Madam Chair.

21 On July 23rd, 2012, the State Board approved  
22 Project 12-027. The permit authorized the  
23 discontinuation of an existing 122-bed long-term care  
24 facility and the construction of a 122-bed replacement

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1 facility in Pontiac. Project cost, \$14,590,261.

2 The permit holders request a project  
3 completion date of January 23rd, 2017, extending the  
4 project completion date approximately 37 months.

5 This is the Applicant's second renewal  
6 request, Madam Chair.

7 CHAIRPERSON OLSON: Comments for the  
8 Board?

9 MR. CLANCY: Just one request, if you  
10 would, if you could accommodate.

11 We also have an extension on our obligation  
12 date. That's B-1. It would be more efficient to just  
13 handle them both at the same time.

14 CHAIRPERSON OLSON: Yeah. I did ask  
15 about that. And, apparently, because they're two  
16 different categories, we're not able to do that.

17 MR. ROATE: Two different transactions.

18 CHAIRPERSON OLSON: Thank you for  
19 bringing that. I asked the same question. We were  
20 turned down so --

21 MR. CLANCY: Okay.

22 CHAIRPERSON OLSON: You can stay at the  
23 table. We can rearrange the agenda, if that's  
24 acceptable. It would have to be handled as two

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1 separate matters.

2 MR. CLANCY: That's fine.

3 CHAIRPERSON OLSON: Does anybody else  
4 have a problem with that? Is that okay with the Board?

5 MEMBER GALASSI: No. It makes sense.

6 CHAIRPERSON OLSON: Please.

7 MR. CLANCY: We were here last in  
8 August, requesting an extension for showing you proof  
9 of loan approval, which we have gotten.

10 The project is now moving forward, and we're  
11 more than happy to answer any questions that you have.

12 THE COURT REPORTER: Could you speak --  
13 tell me your name, please.

14 MR. CLANCY: Oh, my name is Ed Clancy.

15 THE COURT REPORTER: Thank you.

16 CHAIRPERSON OLSON: Questions from the  
17 Board?

18 (No response.)

19 CHAIRPERSON OLSON: So it looks like you  
20 secured your financing on October 22nd of 2013.

21 MR. CLANCY: That's right.

22 CHAIRPERSON OLSON: You're ready to  
23 roll.

24 The project is currently 4 percent complete?

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1 MR. CLANCY: We have spent approximately  
2 4 -- about \$450,000.

3 CHAIRPERSON OLSON: Questions from the  
4 Board?

5 (No response.)

6 CHAIRPERSON OLSON: There being none,  
7 I will call for a motion -- oh, I'm sorry.

8 Mr. Carvalho.

9 MR. CARVALHO: Thank you.

10 I assumed someone else would ask this  
11 question: What's your current completion date?  
12 Which you're seeking to extend.

13 MR. CLANCY: I think it's the -- yeah.  
14 The completion date is December 31st of this year.

15 MR. CARVALHO: Of this year?

16 MR. CLANCY: Yes.

17 MR. CARVALHO: And this was approved in  
18 July of 2012?

19 MR. CLANCY: That's -- I believe that's  
20 correct.

21 MEMBER GALASSI: Yeah.

22 MR. CARVALHO: So I guess my question  
23 is, if when it was approved when you didn't have  
24 financing you thought it was going to take 18 months,

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1           now that it has financing why is it going to take  
2           another 37 months?

3                           MR. CLANCY: Well, we anticipated that  
4           question.

5                           MR. CARVALHO: Good.

6                           MR. CLANCY: We believe that we're going  
7           to obligate the project and complete the project well  
8           before the dates we're asking for.

9                           The only reason we're asking for these dates  
10          is we've been here several times now, and we're just  
11          asking for the maximum dates just out of an abundance  
12          of caution, so we don't have to come here again.

13                          But they're going forward with everything.  
14          They have an architect; they're starting to finalize  
15          the plans; they've already submitted plans to IDPH.  
16          As soon as those are approved, they're going to submit  
17          it for bid, and, hopefully, they will be breaking  
18          ground in the spring.

19                          MR. CARVALHO: George, I don't know if  
20          you have this handy, but do you know what the current  
21          need in this service area is?

22                          MR. ROATE: I do not, Mr. Carvalho, but  
23          I can find it for you and get it to you here shortly.

24                          MR. CARVALHO: And the reason why

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1 I asked was, if there were -- if there were need, then  
2 your project's extension wouldn't swallow up other need  
3 because there's already need. But if the need number  
4 is commensurate with your project, you've basically  
5 blocked out anybody else for a year and a half and  
6 now you want to block out anybody else for another  
7 three years.

8 So perhaps it's useful to note the need  
9 number for this area right now.

10 MR. CLANCY: I'd just like to point out,  
11 Mr. Carvalho, that it's not a permit for a new  
12 facility. It's a replacement facility that was not on  
13 the same campus as -- it's a little down the road from  
14 the campus. So currently it's serving the need and is  
15 not really blocking a facility from coming into the  
16 planning area.

17 MR. CARVALHO: Because if this weren't  
18 permitted, you would maintain the current facility?

19 MR. CLANCY: Yes. We would maintain it  
20 until the new facility is completed.

21 MR. CARVALHO: It's been discontinued  
22 pending -- okay.

23 MR. CLANCY: Yeah. It's a little  
24 complicated. It's discontinued because the County

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1 owned it.

2 MR. CARVALHO: Yes. I guess it renews  
3 the issue that the Board continually addresses, which  
4 is approval of folks before they have their financing  
5 locked in.

6 Thank you.

7 CHAIRPERSON OLSON: Thank you,  
8 Mr. Carvalho.

9 MEMBER SEWELL: Madam Chairman.

10 CHAIRPERSON OLSON: Mr. Sewell.

11 MEMBER SEWELL: The State Agency Report  
12 says that you actually plan to submit later for  
13 90 beds.

14 Is that correct?

15 MR. CLANCY: That's correct.

16 MEMBER SEWELL: Okay.

17 CHAIRPERSON OLSON: Other questions from  
18 Board members?

19 (No response.)

20 CHAIRPERSON OLSON: There being none,  
21 I'll entertain a motion to approve 12-027, Good  
22 Samaritan Pontiac, for a permit renewal.

23 MEMBER DEMUZIO: Moved.

24 MEMBER GALASSI: Second.

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1                   MR. AGBODO: Motion made by Senator  
2 Demuzio; second by Mr. Galassi.  
3                   Mr. Bradley.  
4                   MEMBER BRADLEY: Yes.  
5                   MR. AGBODO: Dr. Burden.  
6                   MEMBER BURDEN: Yes.  
7                   MR. AGBODO: Senator Demuzio.  
8                   MEMBER DEMUZIO: Yes.  
9                   MR. AGBODO: Justice Greiman.  
10                  MEMBER GREIMAN: Yes.  
11                  MR. AGBODO: Mr. Galassi.  
12                  MEMBER GALASSI: Yes.  
13                  MR. AGBODO: Mr. Hayes.  
14                  VICE CHAIRMAN HAYES: Yes.  
15                  MR. AGBODO: Mr. Sewell.  
16                  MEMBER SEWELL: Yes.  
17                  MR. AGBODO: Madam Chair Olson.  
18                  CHAIRPERSON OLSON: Yes.  
19                  MR. AGBODO: Thank you.  
20                  The vote is 8 yes.  
21                  CHAIRPERSON OLSON: The motion passes.  
22                  And if you'll just stay at the table.  
23                  And for the record, the people at the table  
24                  are sworn in.

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1                   We'll now address Item B-1, Good Samaritan  
2 Pontiac, for an obligation extension request from  
3 January 23, 2014, to January 23, 2015.

4                   MEMBER GALASSI: I'll motion to approve.

5                   MEMBER SEWELL: Second.

6                   CHAIRPERSON OLSON: Okay. I have a  
7 motion and a second.

8                   MR. ROATE: I'm sorry. Motion made by  
9 Mr. Sewell?

10                  MEMBER SEWELL: No.

11                  MR. AGBODO: No. Motion made by  
12 Mr. Galassi; second by Mr. Sewell.

13                  MR. ROATE: Yeah.

14                  MR. AGBODO: Mr. Bradley.

15                  MEMBER BRADLEY: Yes.

16                  MR. AGBODO: Dr. Burden.

17                  MEMBER BURDEN: Yes.

18                  MR. AGBODO: Senator Demuzio.

19                  MEMBER DEMUZIO: Yes.

20                  MR. AGBODO: Justice Greiman.

21                  MEMBER GREIMAN: Yes.

22                  MR. AGBODO: Mr. Galassi.

23                  MEMBER GALASSI: Yes.

24                  MR. AGBODO: Mr. Hayes.

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ASBURY PAVILION AND REHABILITATION CENTER**

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1 VICE CHAIRMAN HAYES: Yes.

2 MR. AGBODO: Mr. Sewell.

3 MEMBER SEWELL: Yes.

4 MR. AGBODO: Madam Chair Olson.

5 CHAIRPERSON OLSON: Yes.

6 MR. AGBODO: I have 8 yes.

7 CHAIRPERSON OLSON: The motion passes.

8 Thank you very much.

9 MR. CLANCY: Thank you.

10 CHAIRPERSON OLSON: Next up we have

11 09-077, Asbury Pavilion and Rehab Center in North

12 Aurora, a permit renewal from November 30th, 2013, to

13 February 28th, 2014, a three-month renewal.

14 Please sign in and be sworn in by the court

15 reporter.

16 THE COURT REPORTER: Would you raise

17 your right hands, please.

18 (Two witnesses duly sworn.)

19 THE COURT REPORTER: Thank you.

20 CHAIRPERSON OLSON: State Board report,

21 George?

22 MR. ROATE: Thank you, Madam Chair.

23 On June 8th, 2010, the State Board approved

24 Project 09-077. This permit authorized the

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1 establishment of a 75-bed long-term care facility in  
2 North Aurora. The projected cost is \$5.4 million.

3 The permit holders request a project  
4 completion date of February 28th, 2014, extending the  
5 completion date by three months.

6 Thank you, Madam Chair.

7 CHAIRPERSON OLSON: Comments for the  
8 Board?

9 MR. CHASE: Our facility is completely  
10 ready to roll. We have all the beds made; everything  
11 is there; we're completely staffed.

12 We had Life Safety come and audit --

13 MEMBER GREIMAN: Use the microphone,  
14 would you, please.

15 MR. CHASE: I apologize.

16 Life Safety came in in August. We passed.  
17 We're literally sitting back now waiting for Public  
18 Health to come to allow us to open our doors.

19 CHAIRPERSON OLSON: Thank you.

20 Other questions from the Board?

21 THE COURT REPORTER: Excuse me. What's  
22 your name, please?

23 MR. CHASE: Oh, I'm sorry. I'm  
24 Joseph Chase.

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1 THE COURT REPORTER: Thank you.

2 CHAIRPERSON OLSON: Questions from the

3 Board?

4 (No response.)

5 CHAIRPERSON OLSON: There being none,

6 I will entertain a motion --

7 MEMBER GREIMAN: Just a question.

8 You've already paid 79 percent of the -- of

9 the project cost; is that right?

10 MR. CHASE: We're under cost.

11 MEMBER GREIMAN: Hm-m?

12 MR. CHASE: We are under cost.

13 MEMBER GALASSI: It's completed.

14 MEMBER GREIMAN: Okay.

15 CHAIRPERSON OLSON: May I have a motion

16 to approve Asbury Pavilion for a three-month permit

17 renewal?

18 MEMBER DEMUZIO: So moved.

19 MEMBER GALASSI: So moved.

20 CHAIRPERSON OLSON: Senator Demuzio and

21 Mr. Galassi.

22 MR. AGBODO: Motion made by Senator

23 Demuzio; second by Mr. Galassi.

24 Mr. Bradley.

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PHOENIX MEDICAL CENTER**

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1 MEMBER BRADLEY: Yes.  
2 MR. AGBODO: Dr. Burden.  
3 MEMBER BURDEN: Yes.  
4 MR. AGBODO: Senator Demuzio.  
5 MEMBER DEMUZIO: Yes.  
6 MR. AGBODO: Justice Greiman.  
7 MEMBER GREIMAN: Yes.  
8 MR. AGBODO: Mr. Galassi.  
9 MEMBER GALASSI: Yes.  
10 MR. AGBODO: Mr. Hayes.  
11 VICE CHAIRMAN HAYES: Yes.  
12 MR. AGBODO: Mr. Sewell.  
13 MEMBER SEWELL: Yes.  
14 MR. AGBODO: Madam Chair Olson.  
15 CHAIRPERSON OLSON: Yes.  
16 MR. AGBODO: 8 yes.  
17 CHAIRPERSON OLSON: The motion passes.  
18 Thank you.  
19 MR. CHASE: Thank you.  
20 CHAIRPERSON OLSON: Okay. 07-058,  
21 Phoenix Medical Center in Carmi, permit renewal from  
22 August 31st, 2013, to July 31st, 2014.  
23 If the Applicant would come to the table and  
24 be sworn in.

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1 (Witness duly sworn.)

2 THE COURT REPORTER: Thank you. Please  
3 state your name and also sign the register.

4 MR. MARK: Jeffrey Mark, M-a-r-k.

5 CHAIRPERSON OLSON: George, may we have  
6 the State Board report, please?

7 MR. ROATE: Thank you, Madam Chair.

8 On July 24th, 2010 -- or 2007 -- the State  
9 Board approved Project 07-058. This permit authorized  
10 the establishment of Phoenix Medical Center, a  
11 10-bed acute critical access hospital in Carmi. The  
12 anticipated cost of the project is \$2.8 million.

13 The Board staff notes this is the fourth  
14 permit renewal request for this project and they have  
15 sufficiently settled with the compliance.

16 CHAIRPERSON OLSON: Yes.

17 MR. URSO: Yes.

18 CHAIRPERSON OLSON: We did approve the  
19 settlement.

20 Okay. Comments for the Board, sir?

21 MR. MARK: Yes, Madam Chair, members of  
22 the Board. My name is Jeffrey Mark. I'm representing  
23 the Phoenix Foundation of Southern Illinois.

24 I became involved with this project and its

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1 owner about two months ago. And at that time and  
2 during this process, I've gone over with them in detail  
3 their project schedule, their construction, and so  
4 forth, as well as their reporting processes. And they  
5 have retained me, and I will assure you that they will  
6 meet their future reporting deadlines.

7 Also, in terms of their construction process,  
8 project process, we've gone over a reasonable  
9 time frame, and I would like to ask the Board at this  
10 time that the renewal time frame -- the renewal  
11 deadline time -- be actually changed to  
12 December of 2015, such that we do not come back to the  
13 Board again for a renewal permit.

14 And I would -- and if you have any questions,  
15 I'd be happy to answer them.

16 CHAIRPERSON OLSON: How does that work  
17 with our rules, George? Can I -- if the Board approves  
18 that, is it okay?

19 MR. ROATE: Yeah. There are no time  
20 constraints on the number of months they can request a  
21 permit renewal.

22 MEMBER GALASSI: So rather than July  
23 of '14, you're asking this be extended to December  
24 of '15?

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1 MR. MARK: Correct.

2 CHAIRPERSON OLSON: Basically, another  
3 year and a half?

4 MR. MARK: Yes, ma'am.

5 CHAIRPERSON OLSON: And that's because  
6 you feel confident that you can complete the project  
7 within that time frame and you're not so confident that  
8 you can complete it within with the July 31st --

9 MR. MARK: It will not be finished by  
10 July 31st of 2014.

11 CHAIRPERSON OLSON: Thank you for your  
12 honesty.

13 MEMBER GALASSI: Is that because of the  
14 State funding?

15 MR. MARK: Mr. Galassi, it's a number of  
16 things. It's -- a delay in disbursement of the funds  
17 is a major issue as well as they've had some major  
18 problems with, literally, acts of God, some tornado  
19 issues and last week they had 12 inches of snow, which  
20 actually freezes the entire area in terms of workers  
21 getting to the site, materials getting to the site.  
22 They've also had some issues with IDPH.

23 So, actually, as soon as last night I went  
24 through, with both the executive director of the

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1 foundation and the project manager of the construction,  
2 a reasonable time frame for both the completion of the  
3 construction, allowance for IDPH to come in and do  
4 their inspection, allowance for reasonable corrections,  
5 allowance for activation and protocols, training of  
6 staff, and admittance of the first patient, which, by  
7 the Board's definition, is project completion. And we  
8 actually -- for a reasonable time frame, we came up  
9 with spring of 2015.

10 Now, given their performance in the past, to  
11 given them a reasonable fudge factor, I'd like to ask  
12 the Board for December of 2015.

13 CHAIRPERSON OLSON: So you're suggesting  
14 that this decision was made as late as yesterday?  
15 Because it's a bit unusual for the request to come at  
16 this point.

17 MR. MARK: Yes, ma'am.

18 And I'm asking this of the Board because we  
19 do not want to come back six months from now or  
20 eight months from now with another renewal request.  
21 We would prefer not to.

22 CHAIRPERSON OLSON: Okay. Understood.

23 Other questions from the Board?

24 MEMBER BRADLEY: I haven't been here as

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1           long as most of the other Board members, but this is  
2           the first time I've heard an Applicant blame something  
3           on God.

4                           In the State Agency Report --

5                           MR. URSO: Mr. Bradley, could you use  
6           the microphone, please.

7                           MEMBER BRADLEY: I don't have one.

8                           In the State Agency Report, second paragraph  
9           under "Background," it says the submittal was in  
10          accordance with blah, blah, blah, which said they must  
11          be received at least 45 days prior to the expiration  
12          date.

13                          But it was actually received on the  
14          expiration date, wasn't it?

15                          MEMBER GREIMAN: They paid a late fee.

16                          MR. ROATE: Yes, sir.

17                          MEMBER BRADLEY: So this is not correct;  
18          it wasn't in accordance with it. It may have been  
19          because of it, but it didn't accord with the  
20          regulation.

21                          MR. ROATE: It was not in the 45-day  
22          time frame.

23                          MEMBER BRADLEY: Correct.

24                          MR. ROATE: They were outside of the

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1 45-day time frame, but they did pay the 1,000 -- the  
2 extra \$500 late filing fee.

3 MEMBER BRADLEY: Okay. And then the  
4 last sentence of that page, it says they were last in  
5 the submittal of their annual progress -- I assume that  
6 means they were late.

7 MR. ROATE: Yes.

8 MEMBER BRADLEY: Okay.

9 CHAIRPERSON OLSON: So just for Board  
10 clarification, I believe we heard earlier that -- is it  
11 correct that the nearest emergency room to Carmi is  
12 32 minutes away -- or 32 miles?

13 MR. MARK: That's correct.

14 And I would say that the -- just for those  
15 who are not familiar with this project, in December  
16 of 2006 there was a hospital at this location,  
17 White County Hospital. In December of 2006 the owner  
18 at that time literally padlocked the doors and walked  
19 away from this hospital.

20 The community felt it was essential mostly to  
21 have an emergency room, a comprehensive emergency  
22 service, within the community, and the community did --  
23 rallied around to get the resources to develop this  
24 hospital.

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1                   It is -- what the Board approved was a  
2           10-bed hospital with a comprehensive emergency room.  
3           It has been a long struggle to develop this hospital,  
4           but it is progressing with alacrity.

5                   CHAIRPERSON OLSON: Other questions?

6                   MEMBER BURDEN: The word "alacrity" is a  
7           bit underwhelming. But a 10-bed hospital -- I think  
8           you've answered my query. I can't imagine it being  
9           anything other than a freestanding emergency center.

10                   You can't do much in a 10-bed institution,  
11           but the people have been struggling to get it with  
12           alacrity.

13                   Thank you.

14                   MR. MARK: That's correct, Dr. Burden.

15                   MEMBER GREIMAN: May I?

16                   CHAIRPERSON OLSON: Justice.

17                   MEMBER GREIMAN: I have a question of  
18           the staff.

19                   At what point do you add the beds when  
20           you're -- to a district so you know how many hospital  
21           beds there are and what the needs are in the future?

22                   At what point do you do that?

23                   MR. ROATE: When the permit is approved,  
24           it is added to the -- the number of beds are added to

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1 the inventory.

2 MEMBER GREIMAN: So that means that  
3 since 19 -- since 2007 these 10 beds have been on the  
4 list although they haven't been there to service  
5 anybody; is that right?

6 MR. ROATE: Yes, sir.

7 MEMBER GREIMAN: So if this were a large  
8 hospital, somebody might want to go into their  
9 district. They'd say, "No, no, you can't go in there  
10 because we have too many beds" when, in fact, it's  
11 been -- since 2007 we say they're beds but they're not  
12 really beds.

13 Is that fair to say -- a fair statement  
14 to say?

15 MR. ROATE: It's a fair assumption, sir.

16 MEMBER GREIMAN: So that probably --  
17 I'm not suggesting that we approve this but . . .  
18 something about the system that allows the beds to be  
19 on the thing for almost seven years without being  
20 there, we should do something about that.

21 MEMBER GALASSI: Yeah, the inventory.

22 MEMBER GREIMAN: Yeah. Something we  
23 have to do.

24 CHAIRPERSON OLSON: I agree.

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1                   MR. ROATE: For the purpose of health  
2 planning, these beds are added to the inventory at the  
3 time of permit approval to -- in an effort to ascertain  
4 that those beds are going to be, hopefully, utilized in  
5 a fair period of time.

6                   MEMBER GREIMAN: I'm not suggesting that  
7 the staff is not doing it correctly by doing that, but  
8 we ought to make sure that it gets done within a  
9 reasonable time, not seven years but . . .

10                  MR. ROATE: Agreed.

11                  CHAIRPERSON OLSON: Other questions or  
12 comments from the Board?

13                  Mr. Hayes.

14                  VICE CHAIRMAN HAYES: Thank you,  
15 Madam Chairman.

16                  You know, in this case, approximately  
17 67 percent of 1.9 million have already been expended  
18 for this project, but the anticipated final cost of the  
19 project of 2 million 8 isn't going to change even  
20 though we're talking about extending the project from  
21 it -- to at least July 31st of 2014 or to December 31st  
22 of 2015.

23                  That is a little bit confusing to me, and  
24 I wonder if you could comment on that, in that -- and

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1 I think the general thing, this thing that we've  
2 talked -- as many of our members have mentioned and  
3 you've mentioned -- that this was in -- this permit was  
4 in 2007. And I think you started this -- what -- was  
5 it early in 2007? Because the hospital closed late  
6 in 2006.

7 MR. MARK: I believe it was July of 2007.

8 MR. ROATE: Yes, sir.

9 VICE CHAIRMAN HAYES: Well, why does --  
10 so -- I mean, we've already had this six years, and  
11 we're asking for even more time. I just don't --  
12 I'm very confused on this.

13 And I know what you -- you've -- you talk  
14 about natural disasters and --

15 MR. MARK: Everything.

16 VICE CHAIRMAN HAYES: -- everything  
17 else.

18 Why did the County close this hospital?

19 MR. MARK: Sir -- Mr. Hayes, it was not  
20 the County. It was actually a proprietary hospital at  
21 that point in time.

22 VICE CHAIRMAN HAYES: A what?

23 MR. MARK: A proprietary ownership.  
24 It was called White County Hospital --

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1 MR. URSO: Jeff, hold the microphone  
2 close.

3 MR. MARK: Closer?

4 MR. URSO: Yeah.

5 MR. MARK: It was named White County  
6 Hospital, but the ownership was a proprietary,  
7 for-profit company out of Nashville, Tennessee. I do  
8 not recall the name of that company.

9 I do recall that this Board did impose a  
10 sanction for closure without permit, and I also know  
11 IDPH tried to maintain the medical records at that time  
12 because this company just walked away from this  
13 hospital.

14 But it was not owned by the County.

15 VICE CHAIRMAN HAYES: Okay.

16 MR. MARK: It was a private, for-profit  
17 hospital at that time.

18 VICE CHAIRMAN HAYES: Well, could you  
19 comment, then, on the percentage of that -- the  
20 67 percent that has been expended so far and the idea  
21 that we're going out -- what is that? -- almost  
22 two years now -- you'd like to have it two years -- and  
23 that the cost won't change from 2 million 8, which  
24 is -- is that the cost from July of 2007?

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1                   MR. MARK: I can tell you that the  
2 executive director of the foundation assures me that it  
3 will be within the permit amount. And I will also tell  
4 you that they anticipate that the final disbursement of  
5 the grant money will be made no later than the end of  
6 January of next year. She is hoping that's going to be  
7 made earlier.

8                   VICE CHAIRMAN HAYES: Of -- January of  
9 2014?

10                  MR. MARK: Correct. Correct.

11                  VICE CHAIRMAN HAYES: And then my --  
12 what were we -- for a point of order here, what are  
13 we -- are we voting on -- about this extension to 2015,  
14 to December 31st of 2015?

15                  CHAIRPERSON OLSON: Right. That will be  
16 in the motion -- I don't know who wants to make the  
17 motion to that effect or -- that would be at the  
18 Board's request.

19                  VICE CHAIRMAN HAYES: Okay.

20                  CHAIRPERSON OLSON: So could I have a  
21 motion?

22                  MEMBER GALASSI: So moved with the  
23 extension to December '15.

24                  MR. ROATE: 28 months.

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1 CHAIRPERSON OLSON: December --  
2 MEMBER GALASSI: 31st --  
3 CHAIRPERSON OLSON: -- 2015.  
4 MEMBER GALASSI: -- 2015.  
5 CHAIRPERSON OLSON: So the motion is to  
6 approve the extension for Phoenix Medical Center in  
7 Carmi from August 31st, 2013, to December 31st of 2015?  
8 MR. ROATE: 28 months.  
9 CHAIRPERSON OLSON: 28 months?  
10 Thank you.  
11 For those of us who are math challenged, it's  
12 28 months.  
13 May I have a motion -- a second to the  
14 motion?  
15 MEMBER BURDEN: Second.  
16 CHAIRPERSON OLSON: Roll call.  
17 MR. AGBODO: Motion made by Mr. Galassi;  
18 second by Dr. Burden.  
19 Mr. Bradley.  
20 MEMBER BRADLEY: Yes.  
21 MR. AGBODO: Dr. Burden.  
22 MEMBER BURDEN: Yes.  
23 MR. AGBODO: Senator Demuzio.  
24 MEMBER DEMUZIO: Yes.

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1 MR. AGBODO: Justice Greiman.  
2 MEMBER GREIMAN: Yes.  
3 MR. AGBODO: Mr. Galassi.  
4 MEMBER GALASSI: Yes.  
5 MR. AGBODO: Mr. Hayes.  
6 VICE CHAIRMAN HAYES: Oh, I'm going to  
7 vote no because I feel that we can work -- they can  
8 work with the July 31st of 2014 date. And they can  
9 come back for another renewal request if it is needed,  
10 but we need to see progress by -- certainly before  
11 July 31st of 2014.  
12 MR. AGBODO: Thank you.  
13 Mr. Sewell.  
14 MEMBER SEWELL: Yes.  
15 MR. AGBODO: Madam Chair Olson.  
16 CHAIRPERSON OLSON: Yes.  
17 MR. AGBODO: Thank you.  
18 7 yes; 1 no.  
19 CHAIRPERSON OLSON: The motion passes.  
20 Thank you.  
21 MR. MARK: Thank you.  
22 MEMBER GALASSI: Madam Chair, if I may,  
23 this is not in today's content but perhaps some  
24 discussion for our to-do list. But it seems to me that

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1           these five items that we have are in -- they're all,  
2           you know, 25 percent done or 85 percent done, asking  
3           for extensions.

4                        I'm not convinced it requires Board action  
5           for those extensions. I think the Chair could be and  
6           should be empowered to make these actions because  
7           I really -- I find it difficult -- myself, at least --  
8           to be voting no, although we did just have a vote of  
9           no, which I certainly respect.

10                       But just a comment for the future.

11                       CHAIRPERSON OLSON: Thank you.

12                       MEMBER GALASSI: Thank you.

13                       MEMBER BRADLEY: Well, I'm curious how  
14           you decide which list they go on.

15                       Why weren't these on the list previously  
16           approved?

17                       MR. URSO: Mr. Galassi, Mr. Bradley,  
18           other Board members, the statute only authorizes  
19           first-time renewals can be approved solely by the  
20           Chair. So, therefore -- these renewals are beyond the  
21           first time and, therefore, they come before the Board.

22                       The only -- and another way that renewals  
23           come before the Board is if the Chairperson decides  
24           that full Board involvement may be needed even though

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1           it may be a first-time renewal.

2                        So those are the reasons why you see some  
3           that are approved by the Chair and some that are not.

4                        CHAIRPERSON OLSON: Thank you, Frank.

5                        Okay. Keep going?

6                        Next, we have 08-064, Asbury Health Services  
7           in Des Plaines, permit renewal from December 31st,  
8           2013, to June 30th, 2015, 18 months, and this is the  
9           second request.

10                      THE COURT REPORTER: Will you raise your  
11           right hands, please.

12                                (Three witnesses duly sworn.)

13                      THE COURT REPORTER: Thank you. And  
14           please sign and tell me your names.

15                      MEMBER BRADLEY: I have a question.

16                      What's the name of this facility?

17                      MR. CHASE: Asbury Health Services.

18                      MEMBER BRADLEY: Okay. Thank you.

19                      CHAIRPERSON OLSON: And I'm hoping that  
20           you're going to clarify for us the difference between  
21           this project and the previous one.

22                      MR. CHASE: Yeah. Just two different  
23           locations.

24                      CHAIRPERSON OLSON: Okay.

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1 MR. CHASE: The previous one is --

2 CHAIRPERSON OLSON: Same company,  
3 two different locations?

4 MR. CHASE: Yeah.

5 CHAIRPERSON OLSON: State Board report,  
6 please?

7 MR. ROATE: Thank you, Madam Chair.

8 On January 27th, 2009, the State Board  
9 approved Project 08-064, authorizing the establishment  
10 of a 75-bed general long-term care unit as part of a  
11 continuum of care retirement community.

12 The project completion date was  
13 December 30th, 2013. The project cost is \$4.2 million.

14 The permit holders request a project  
15 completion date of June 30th, 2015, which would extend  
16 the project completion date by approximately 18 months.

17 Thank you, Madam Chair.

18 CHAIRPERSON OLSON: Are the beds made?

19 MR. CHASE: No, the beds are not quite  
20 made yet, but we're over 20 percent there at this  
21 point.

22 CHAIRPERSON OLSON: Comments?

23 MR. CHASE: Oh, comments.

24 Basically, this project has had its fair

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1 share of setbacks that have led to a little bit of a  
2 dominoes effect, all of which is under control now.

3 It started off with some demands that the  
4 Village of Des Plaines had made on new sewer lines and  
5 water lines and things as such, followed by some  
6 educated -- us educating the mortgage holder on the  
7 difference between a skilled facility versus a  
8 supportive living facility, which is currently sitting  
9 on that property.

10 And then, later on, the ownership decided  
11 that they wanted to have more of a residential feel to  
12 the community, to this new skilled facility, and  
13 decided to add showers in each room. And that's where  
14 we're at now, is we had to revise the drawings in order  
15 to accommodate that to be reviewed again by IDPH.

16 CHAIRPERSON OLSON: Questions from Board  
17 members?

18 (No response.)

19 CHAIRPERSON OLSON: There being none,  
20 I would entertain a motion to approve an 18-month  
21 extension for Asbury Health Services in Des Plaines.

22 MEMBER SEWELL: So moved.

23 MEMBER BURDEN: Second.

24 MR. AGBODO: Motion made by Mr. Sewell;

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1 second by Dr. Burden.  
2 Mr. Bradley.  
3 MEMBER BRADLEY: Yes.  
4 MR. AGBODO: Dr. Burden.  
5 MEMBER BURDEN: Yes.  
6 MR. AGBODO: Senator Demuzio.  
7 MEMBER DEMUZIO: Yes.  
8 MR. AGBODO: Justice Greiman.  
9 MEMBER GREIMAN: Yes.  
10 MR. AGBODO: Mr. Galassi.  
11 MEMBER GALASSI: Yes.  
12 MR. AGBODO: Mr. Hayes.  
13 VICE CHAIRMAN HAYES: Yes.  
14 MR. AGBODO: Mr. Sewell.  
15 MEMBER SEWELL: Yes.  
16 MR. AGBODO: Madam Chair Olson.  
17 CHAIRPERSON OLSON: Yes.  
18 MR. AGBODO: 8 yes.  
19 CHAIRPERSON OLSON: The motion passes.  
20 MR. CHASE: Thank you.  
21 CHAIRPERSON OLSON: And let's do the  
22 next one, and then we'll take a potty break.  
23 10-063, Fresenius Medical Care Lakeview,  
24 Chicago.

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1                   And is this -- this one was pulled; right?

2                   MR. ROATE: This application was mailed.

3                   This wasn't included in the original Board mailing.

4                   CHAIRPERSON OLSON: Okay. But it was --

5                   MR. ROATE: But it was forwarded to the

6                   Board members in a timely manner.

7                   CHAIRPERSON OLSON: I've got it right

8                   here.

9                   MR. ROATE: Sorry about that.

10                  CHAIRPERSON OLSON: No, no -- I just

11                  knew this was . . .

12                  This is a permit renewal from December 31st,  
13                  2013, to May 31st, 2015.

14                  Be sworn in, please.

15                  (Two witnesses duly sworn.)

16                  THE COURT REPORTER: Thank you. Please  
17                  sign your names and tell me your names, as well.

18                  MS. RANALLI: Good morning. My name is  
19                  Clare, C-l-a-r-e; Ranalli, R-a-n-a-l-l-i; and with me  
20                  is Lori, L-o-r-i; Wright, W-r-i-g-h-t.

21                  THE COURT REPORTER: Thank you.

22                  CHAIRPERSON OLSON: George, State Board  
23                  report, please?

24                  MR. ROATE: Thank you, Madam Chair.

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1                   On December 14th, 2010, the State Board  
2                   approved Project 10-063, authorizing the addition of  
3                   8 stations to an existing 10-station end station renal  
4                   dialysis facility in Chicago.

5                   The current project completion date is  
6                   December 31st, 2013. The project cost is \$1.3 million.

7                   This is their second permit renewal, and they  
8                   request a project completion date of May 13th, 2015,  
9                   extending the completion date by 17 months.

10                  Thank you, Madam Chair.

11                  CHAIRPERSON OLSON: Thank you.

12                  Comments for the Board?

13                  MS. RANALLI: As mentioned, this is the  
14                  second renewal, and it's -- there have been just a  
15                  series of problems even though we're just getting  
16                  four stations.

17                  This facility is at Thorek Hospital at Irving  
18                  Park and Broadway. In order to rehab the facility to  
19                  add the four stations, we had to move clerical and  
20                  office space. We thought that would be easy. No such  
21                  luck. It took some time before we could find space to  
22                  relocate the clerical and office services.

23                  Then, once that was completed, we had  
24                  problems because this facility was one of 21 facilities

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1 that changed ownership for physician investment. For  
2 regulatory reasons we couldn't incur the cost of  
3 renovating the facility and adding stations without the  
4 physicians being on board and sharing in that cost.

5 And then, when we went to architect planning,  
6 we found out that, although there was already plumbing  
7 and drainage access for a dialysis facility, obviously,  
8 we thought there would be that plumbing access for the  
9 addition of four stations. We found out we were wrong.

10 Now we're ready to start, finally,  
11 construction in February or March. We probably will be  
12 complete by year-end but did want to provide enough  
13 time for certification for occupancy to avoid a  
14 third permit renewal request.

15 CHAIRPERSON OLSON: Thank you.

16 MS. RANALLI: We'd be happy to answer  
17 any questions.

18 CHAIRPERSON OLSON: I actually have a  
19 question.

20 If you -- I'm referring to your letter of  
21 October 4th, 2013. I'm trying to understand the key  
22 milestones because it says -- if you go down the  
23 list -- "Construction Commencement" on 2/8 of 2011.  
24 And I even looked up the definition of "commencement"

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1 to be sure I remembered correctly.

2 And then it says on the next page, 2/28 of  
3 '14, "Construction Contract Awarded."

4 I'm confused by that. If the construction  
5 already started in 2011, why are we awarding the  
6 contract for construction in 2014?

7 MS. RANALLI: That was an anticipated  
8 construction commencement, and the project, again, was  
9 significantly delayed due to the fact that this was one  
10 of the 21 clinics that was part of a change of  
11 ownership.

12 CHAIRPERSON OLSON: So despite the fact  
13 that the heading is "Key Milestones Completed" and the  
14 date it was completed, none of this was really actually  
15 completed?

16 MS. RANALLI: The construction contract  
17 at that point was executed, but construction had not  
18 commenced, no.

19 CHAIRPERSON OLSON: And so my other  
20 question is -- you've had a lease on this space since  
21 2011 and you're not going to complete until 2015, so  
22 this whole time you're paying a lease on the area?

23 MS. RANALLI: It's a current facility  
24 with 12 stations --

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1 MS. WRIGHT: 10 stations.

2 MS. RANALLI: -- 10 stations -- and we  
3 have leased space for those 12 stations for some time.  
4 It's been at Thorek Hospital for a number of years, and  
5 we've leased space for a 12-station clinic and, also,  
6 space for clerical and administrative offices at that  
7 location at Thorek.

8 So we -- the lease has been in place for a  
9 long time. We moved the office space out, and now  
10 we're ready to start construction to make it all  
11 dialysis clinic.

12 CHAIRPERSON OLSON: And, George, I think  
13 I asked, too -- in case Board members wanted to know  
14 because I was curious -- about the utilization of the  
15 other facilities in that area.

16 I know there's a 94-station need.

17 MR. ROATE: Yes, ma'am.

18 CHAIRPERSON OLSON: But were there some  
19 facilities not at capacity?

20 MR. ROATE: There are facilities in the  
21 service area that are not operating at capacity.

22 CHAIRPERSON OLSON: I don't have any  
23 other questions.

24 Other questions from the Board?

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1 (No response.)

2 CHAIRPERSON OLSON: Okay. Being no  
3 other questions, I would entertain a motion by  
4 Fresenius Medical Care Lakeview, Chicago, permit  
5 renewal from December 31st, 2013, to May 31st of 2015  
6 or 17 months.

7 MEMBER BRADLEY: I so move.

8 MEMBER BURDEN: Second.

9 CHAIRPERSON OLSON: Roll call.

10 MR. AGBODO: Motion made by Mr. Bradley;  
11 second by Dr. Burden.

12 Mr. Bradley.

13 MEMBER BRADLEY: Yes.

14 MR. AGBODO: Dr. Burden.

15 MEMBER BURDEN: Yes.

16 MR. AGBODO: Senator Demuzio.

17 MEMBER DEMUZIO: Yes.

18 MR. AGBODO: Justice Greiman.

19 MEMBER GREIMAN: Yes.

20 MR. AGBODO: Mr. Galassi.

21 MEMBER GALASSI: Yes.

22 MR. AGBODO: Mr. Hayes.

23 VICE CHAIRMAN HAYES: Yes.

24 MR. AGBODO: Mr. Sewell.

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1 MEMBER SEWELL: Yes.

2 MR. AGBODO: Madam Chair Olson.

3 CHAIRPERSON OLSON: No, based on the  
4 fact that there's facilities in the area that are not  
5 at capacity.

6 MR. AGBODO: 7 yes; 1 no.

7 CHAIRPERSON OLSON: Motion passes.

8 MS. RANALLI: Thank you.

9 MS. WRIGHT: Thank you.

10 CHAIRPERSON OLSON: Okay. It is 10:45;  
11 we'll take a 10-minute break. Be back here at  
12 five minutes to 11:00.

13 Thank you.

14 (Recess taken, 10:42 a.m. to  
15 10:54 a.m.)

16 CHAIRPERSON OLSON: If OSF HealthCare,  
17 Kewanee Hospital, would like to come to the table,  
18 we'll be ready when we get everybody back here.

19 Okay. This is Exemption Request 020-123,  
20 OSF HealthCare System, Kewanee Hospital, for a change  
21 of ownership, slash, merger.

22 Would you be sworn in, please.

23 THE COURT REPORTER: Would you raise  
24 your right hands, please.

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1 (Two witnesses duly sworn.)

2 THE COURT REPORTER: Thank you. And  
3 please tell me your names.

4 MS. FULTON: Lynn Ful ton, F-u-l -t-o-n.

5 MR. SCHOEPLEIN: And Kevi n Schoepl ein,  
6 S-c-h-o-e-p-l -e-i -n.

7 THE COURT REPORTER: Thank you.

8 CHAIRPERSON OLSON: State Board staff  
9 report, George?

10 MR. ROATE: Thank you, Madam Chair.

11 OSF HealthCare System and Kewanee Hospi tal ,  
12 both Illinois not-for-profit corporations, seek  
13 approval for an affiliation among OSF HealthCare System  
14 and Kewanee Hospi tal. Kewanee Hospi tal will merge into  
15 OSF pursuant to a statutory merger.

16 The anticipated -- or the estimated fair  
17 market value of the transaction is \$54.8 million, and  
18 the anticipated project completion date is May 30th,  
19 2014.

20 Thank you, Madam Chair.

21 CHAIRPERSON OLSON: Thank you, George.

22 Comments for the Board?

23 MS. FULTON: I'm Lynn Ful ton. I'm the  
24 CEO of Kewanee Hospi tal , and I'd entertain any

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1           questions.

2                           MR. SCHOEPLEIN: I'm Kevin Schoeplein,  
3           the CEO of OSF HealthCare. Thank you for the  
4           opportunity to be here today.

5                           CHAIRPERSON OLSON: Thank you.

6                           Questions from the Board?

7                           VICE CHAIRMAN HAYES: Madam Chair.

8                           CHAIRPERSON OLSON: I'm sorry.

9                           VICE CHAIRMAN HAYES: In this -- the  
10          value of this hospital has been pegged at 54 million,  
11          and you had -- you had a letter done by an appraisal  
12          firm; is that correct?

13                          MR. SCHOEPLEIN: Yes. There were  
14          appraisal companies that did them on behalf of both  
15          organizations.

16                          VICE CHAIRMAN HAYES: Okay. And is this  
17          an opinion of value from the -- in this appraisal  
18          report was there an opinion of value? Is that -- is it  
19          something less than that?

20                          MR. SCHOEPLEIN: No. That report they  
21          use that was attached to the application is a summary  
22          of those -- of those opinions that we received.

23                          VICE CHAIRMAN HAYES: Okay. It's just  
24          the letter, the -- and a summary of the conclusions;

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1           isn't that correct?

2                           MR. SCHOEPLEIN: That's correct.

3                           VICE CHAIRMAN HAYES: Okay.

4                           You know, my question -- there was an  
5           extensive amount of information that was done -- or  
6           projected financial information -- that was done by,  
7           essentially, Kewanee Hospital.

8                           And that took into consideration,  
9           essentially, the cost savings associated with this  
10          merger, and that's why the value of this transaction  
11          was pegged at \$54 million.

12                          It sounded like an awful -- sounded very high  
13          to me. And the way this was done in here, it describes  
14          exactly the -- the projected financial information "was  
15          provided by management and prepared by Kewanee.  
16          Management utilized a third-party health care industry  
17          consultant."

18                          And, basically, has said that -- you know,  
19          one in here -- it talks about that -- the basis for  
20          expectations for future financial performance, and it  
21          was based on some management projections and cost  
22          savings from the merger itself.

23                          Is that -- do you understand what I'm saying  
24          in my skepticism there?

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1                   MR. SCHOEPLEIN: Yeah, but that was only  
2 one methodology that was performed in terms of -- the  
3 opportunity for projected financials being one -- one  
4 methodology, right.

5                   I'm not sure I understand your point of  
6 skepticism, though, based on the question about  
7 potential savings generated by virtue of the  
8 affiliation.

9                   VICE CHAIRMAN HAYES: Well, it's all of  
10 your -- these approaches, the income aspect -- the  
11 asset and the market approach used this projected  
12 financial information tempered by a consultant and by  
13 audited financial statements that -- or audited and  
14 internally prepared financial information.

15                   So, you know, basically, the Kewanee  
16 management -- the Kewanee Hospital management --  
17 prepared, you know, projected financial information and  
18 then used that to come up with a price that they were  
19 bought out at.

20                   MR. SCHOEPLEIN: I think it would be  
21 fair to say that there was financial projection  
22 provided, reviewed by the independent organizations for  
23 fair value, and they either could accept it or not  
24 accept that based on their review and their knowledge.

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1           And they chose to accept that on the basis of the  
2           fairness of their representation.

3                           VICE CHAIRMAN HAYES: But because of  
4           that, I don't see any opinion of value in opinion-of-  
5           value language here.

6                           Am I missing something?

7                           MR. SCHOEPLEIN: Do you want to comment  
8           to that?

9                           CHAIRPERSON OLSON: If it -- can you be  
10          sworn in, please.

11                          MR. URSO: You need to raise your hand.

12   (Witness duly sworn.)

13                          THE COURT REPORTER: Thank you. And  
14          please state your name and sign in, as well.

15                          MR. PATHAK: My name is Ajay Pathak.  
16          First name, A-j-a-y; last name, Pathak, P-a-t-h-a-k.

17   To address the Vice Chair's question, the  
18          fair market value is based on projections provided by  
19          Kewanee management. There was a third-party, Alvarez &  
20          Marsal, that helped us with the fair market value  
21          determination using three different methodologies.

22   But just for the record, that is not a  
23          pro forma evaluation that takes into account the  
24          transaction or affiliation. It is an independent

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1 snapshot based on three different approaches to select  
2 a value of the assets and performance of the Kewanee  
3 Hospital.

4 If you look at the actual cash considerations  
5 in the transaction, there is zero dollars being  
6 transferred in any part of this transaction.

7 So what you're thinking of in terms of the  
8 fair market value, that's the value of the assets of  
9 the organization at the snapshot in time --

10 THE COURT REPORTER: I'm sorry. Can you  
11 speak up or get closer?

12 (Discussion off the record.)

13 MR. PATHAK: So what you're looking at  
14 in terms of the fair market value is not pro forma for  
15 the affiliation or transaction. It's three different  
16 methods to look at projections provided by Kewanee  
17 management, by a third-party independent appraiser, on  
18 what the value is as of today, as -- at a point in time  
19 using three different methodologies.

20 It's not pro forma on what the transaction  
21 would equate to, the value of the assets posted here.

22 VICE CHAIRMAN HAYES: So this is -- is  
23 this an opinion of value, then?

24 MR. PATHAK: This is a fair market

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1 valuation determined by Alvarez & Marsal, correct.

2 VICE CHAIRMAN HAYES: But are they  
3 willing to -- do they -- is this a calculation of  
4 value?

5 MR. PATHAK: Absolutely. And the three  
6 methods they used to calculate that is laid out in the  
7 memo that's attached to the State Agency Report.  
8 But yes.

9 VICE CHAIRMAN HAYES: But is this an  
10 opinion of value? Are they standing behind this?

11 MR. PATHAK: The answer is yes, which is  
12 why I think they generated their memo and have  
13 authorized it.

14 VICE CHAIRMAN HAYES: Now, are you -- do  
15 you work for this Alvarez . . . do you work for them?

16 MR. PATHAK: I do not. For the record,  
17 I work for OSF HealthCare System.

18 VICE CHAIRMAN HAYES: Okay. Yeah. And  
19 this report was directed to them.

20 Okay. So you'll -- you'll use this --  
21 these asset values in the financial statements, the  
22 audited financial statements of OSF, and you'll use  
23 that in government reporting?

24 MR. PATHAK: Post the approval and

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1 closing of the transaction, correct.

2 VICE CHAIRMAN HAYES: Okay.

3 Who is the third party that assisted Kewanee  
4 in these projections? Is that -- do you know that?

5 The third-party consultant.

6 MS. FULTON: We utilized Wipfli.

7 They're our accountants that actually did our year-  
8 ending financial statements. They also helped us with  
9 an evaluation on Kewanee's side and helped us with the  
10 projections.

11 VICE CHAIRMAN HAYES: And they're out of  
12 what office?

13 MS. FULTON: Wisconsin.

14 VICE CHAIRMAN HAYES: What is it again?  
15 Whitley?

16 MS. FULTON: Wipfli, W-i-p-f-l-i. And  
17 it's an accounting firm.

18 VICE CHAIRMAN HAYES: Okay. All right.

19 MR. PATHAK: Mr. Hayes, what may be  
20 confused here is so that -- we're talking about the  
21 fair market value of the organization currently, but  
22 the transaction price is actually zero.

23 Those are the two distinctions that are made  
24 in the State Agency Report.

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1 VICE CHAIRMAN HAYES: Okay. Thank you.

2 CHAIRPERSON OLSON: Any other questions  
3 from Board members?

4 MR. CARVALHO: Kathy.

5 CHAIRPERSON OLSON: Yes.

6 MR. CARVALHO: Thank you.

7 I have a couple questions relating to the  
8 ethical directives and the change at Kewanee. Let me  
9 first allay any concern. The Board's approval or not  
10 of this transaction cannot and is not grounded on the  
11 change in circumstances by the directives; however,  
12 this is a public process, and part of the purpose of  
13 this public hearing is to both inform the public and  
14 the Board as to what services are or are not available  
15 in an area so that planning can be done.

16 So I'd like to walk through what changes, if  
17 any, are going to be occasioned by this transaction in  
18 the services that are available at Kewanee. Because  
19 Kewanee is a 25-bed critical access hospital, I suspect  
20 that some of the questions that come up in connection  
21 with larger hospitals that have a broader range of  
22 services than your typical CAH would not come up at  
23 Kewanee.

24 So, for example, does Kewanee currently do

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1 family planning?

2 MS. FULTON: We do not do obstetrics and  
3 gynecology --

4 MR. CARVALHO: At all?

5 MS. FULTON: -- at Kewanee Hospital.

6 We do not have any ob-gyns that are on staff  
7 currently at our hospital.

8 MR. CARVALHO: And how does -- does  
9 Kewanee have standby emergency or a basic emergency  
10 department?

11 MS. FULTON: We have an emergency  
12 department, 24/7 physician staffed.

13 MR. CARVALHO: Oh. So in the Department  
14 of Public Health's hierarchy of standby, basic, and  
15 comprehensive, which one are you? Do you know?

16 You're probably basic.

17 MS. FULTON: Basic.

18 MR. CARVALHO: Yeah.

19 What would be the situation -- what is the  
20 situation now at Kewanee with respect to emergency  
21 contraceptives?

22 MS. FULTON: We currently do not  
23 distribute emergency contraceptives out of our  
24 emergency department. There are pharmacies available

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1 in our area that actually can distribute that.

2 MR. CARVALHO: And does Kewanee  
3 currently have to deal with end-of-life directives?

4 MS. FULTON: End-of-life care?

5 MR. CARVALHO: Yes.

6 MS. FULTON: Yes, as every hospital  
7 does.

8 MR. CARVALHO: Right. So will there be  
9 changes in the way that Kewanee deals with end-of-life  
10 directives? In particular, if someone has asked not to  
11 have feeding.

12 MS. FULTON: We will be working through  
13 that with OSF through our integration. There will be  
14 some changes, but for the basic services that we  
15 provide -- for instance, we don't generally have  
16 inpatient hospice. We'll have hospice respite care,  
17 but we don't have specific hospice beds. So a lot of  
18 those issues that are currently at the larger  
19 facilities aren't necessarily relevant to our hospital.

20 MR. CARVALHO: There was reference in  
21 the documents to changes to the medical staff bylaws.

22 Do you have -- are your doctors currently  
23 employed or on staff?

24 MS. FULTON: We have both.

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1                   MR. CARVALHO: Will there be  
2                   restrictions on the doctors who are on staff as to what  
3                   they can do at other locations other than Kewanee?

4                   MS. FULTON: No. There will not be  
5                   restrictions based on what they do outside of Kewanee  
6                   Hospital, if I am -- if I'm interpreting your question  
7                   correctly.

8                   MR. CARVALHO: Yes. My question is, if  
9                   you're a doctor on staff at Kewanee and you currently  
10                  do things that the ethical directives of the Catholic  
11                  hospitals say you can't do, if you do them at another  
12                  place that is not a Catholic hospital, will that impact  
13                  your medical staff privileges at Kewanee?

14                  MS. FULTON: It will not impact their  
15                  privileges at Kewanee.

16                  MR. CARVALHO: And is there anything  
17                  else in the nature of the services that are currently  
18                  offered at Kewanee that will change as a result of the  
19                  ethical directives now being applicable to Kewanee?

20                  MS. FULTON: No. For the most part, no.  
21                  We will be able to -- be able to offer the  
22                  breadth of services that we are now. There's different  
23                  policies we will have to put in place, but the breadth  
24                  of our services will remain the same.



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1 CHAIRPERSON OLSON: Okay. I would  
2 entertain a motion to approve 020-13, OSF HealthCare  
3 System and Kewanee Hospital, for a change of ownership,  
4 slash, merger.

5 MEMBER GALASSI: So moved.

6 MEMBER BRADLEY: Second.

7 CHAIRPERSON OLSON: Mr. --

8 MR. AGBODO: Thank you.

9 Motion made by Mr. Galassi; second by  
10 Mr. Bradley.

11 Mr. Bradley.

12 MEMBER BRADLEY: Yes.

13 MR. AGBODO: Dr. Burden.

14 MEMBER BURDEN: Yes.

15 MR. AGBODO: Senator Demuzio.

16 MEMBER DEMUZIO: Yes.

17 MR. AGBODO: Justice Greiman.

18 MEMBER GREIMAN: Yes.

19 MR. AGBODO: Mr. Galassi.

20 MEMBER GALASSI: Yes.

21 MR. AGBODO: Mr. Hayes.

22 VICE CHAIRMAN HAYES: Yes.

23 MR. AGBODO: Mr. Sewell.

24 MEMBER SEWELL: Yes.

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1 MR. AGBODO: Madam Chair Olson.

2 CHAIRPERSON OLSON: Yes.

3 MR. AGBODO: 8 yes.

4 CHAIRPERSON OLSON: The motion passes.

5 MR. SCHOEPLEIN: Thank you.

6 MS. FULTON: Thank you.

7 CHAIRPERSON OLSON: There are no  
8 alteration requests.

9 Declaratory rulings or other business:  
10 Freeport Memorial Hospital in Freeport, correcting  
11 hospital data for 2010, 2011, and 2012.

12 I would note that there is no opposition and  
13 no findings.

14 Is anybody from Freeport Memorial Hospital  
15 present?

16 (No response.)

17 CHAIRPERSON OLSON: I would entertain a  
18 motion to allow this declaratory ruling for correction  
19 of hospital data for Freeport Memorial Hospital for  
20 2010, 2011, and 2012.

21 MEMBER GALASSI: So moved.

22 MEMBER BURDEN: Second.

23 MR. AGBODO: Thank you.

24 Motion made by Mr. Galassi; second by

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1           Dr. Burden.

2                       Mr. Bradley.

3                               MEMBER BRADLEY: Yes.

4                               MR. AGBODO: Dr. Burden.

5                               MEMBER BURDEN: Yes.

6                               MR. AGBODO: Senator Demuzio.

7                               MEMBER DEMUZIO: Yes.

8                               MR. AGBODO: Justice Greiman.

9                               MEMBER GREIMAN: Yes.

10                              MR. AGBODO: Mr. Galassi.

11                              MEMBER GALASSI: Yes.

12                              MR. AGBODO: Mr. Hayes.

13                              VICE CHAIRMAN HAYES: Yes.

14                              MR. AGBODO: Mr. Sewell.

15                              MEMBER SEWELL: Yes.

16                              MR. AGBODO: Madam Chair Olson.

17                              CHAIRPERSON OLSON: Yes.

18                              MR. AGBODO: 8 yes.

19                              CHAIRPERSON OLSON: The motion passes.

20                              There is no Health Care Referral Service --

21                              Self -- Health -- Let me start that again.

22                              Health Care Worker Self-Referral Act, there's

23                              no business.

24                              Status report on conditional /contingent

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1 permits, there is no action.

2 Applications subsequent to initial review,  
3 13-040, Fresenius Medical Care Lemont in Lemont.

4 Please be sworn in for the court reporter.

5 THE COURT REPORTER: Would you raise  
6 your right hands, please.

7 (Three witnesses duly sworn.)

8 THE COURT REPORTER: Thank you. Please  
9 sign in.

10 CHAIRPERSON OLSON: George, the State  
11 Board staff report, please.

12 MR. ROATE: Thank you, Madam Chair.

13 The Applicants are proposing the  
14 establishment of a 12-station end stage renal dialysis  
15 facility located in Lemont. The cost of the project is  
16 \$4.7 million.

17 The Board staff reports that no public  
18 hearing was requested; no letters of support and  
19 three letters of opposition were received by State  
20 Board staff.

21 The Board staff also notes that  
22 Project 13-061, to be heard later in this meeting, is  
23 scheduled to be heard and, if approved, will  
24 discontinue a 15-station dialysis center in the same

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1 planning area.

2 The Applicants also noted to -- in a -- the  
3 Applicants also noted that there was some incorrect  
4 data in Table 2, which is the utilization data on  
5 page 6 of your report.

6 If I can direct you to Fresenius Medical Care  
7 Joliet, the utilization data is incorrectly reported,  
8 and that facility operated at 50 percent for the  
9 reporting period of September 2013.

10 Thank you, Madam Chair.

11 CHAIRPERSON OLSON: Thank you, George.

12 Comments for the Board?

13 MS. MULDOON: Good morning. My name is  
14 Colleen Muldoon. I'm a regional vice president for  
15 Fresenius Medical Care, and with me are Clare Ranalli  
16 and Lori Wright, our CON specialist.

17 And I'd like to just start by thanking the  
18 staff for preparing this report, the State Board  
19 report, and just to go over a few things. I'm not  
20 going to take too much of your time, just to let you  
21 know that we have been before you with projects in this  
22 area, this general area, and there have been concerns  
23 from the Board.

24 However, when we were before you previously,

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1 as in the case of other companies looking to establish  
2 clinics in this area, there was much less need. Now  
3 there is definite need based on the new inventory of  
4 84 stations.

5 Also, we want you to understand that we are  
6 focusing on this area because we work with a doctor in  
7 this practice sector who allows us -- who has an active  
8 practice and a CKD program in this area who has urged  
9 us to come before the Board on this project.

10 Dr. Alausa has a long-standing membership --  
11 a member of our medical staff at Fresenius clinics --  
12 and he has practiced -- has -- always has been trusted  
13 by Fresenius and its clinical partners.

14 Dr. Alausa has told us he has a significant  
15 number of patients who will need dialysis in the near  
16 future in this particular area. When we are able to --  
17 always been able to get the projects approved, he has  
18 always filled those clinics.

19 Two examples would be the Joliet clinic,  
20 which was opened just over a year ago and is at  
21 50 percent utilization with 48 patients, and then our  
22 Plainfield clinic, which has been open a couple years.  
23 We've added four stations since it did open, and  
24 they're well over 80 percent in this area. Both of

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1 those are run by Dr. Alausa as medical director and his  
2 partners.

3 Dr. Alausa's practice also has a 15 percent  
4 Medicaid mix in this area, and we know that this is  
5 important to the Board, and we always report the  
6 Medicaid at all of our facilities on the State Board  
7 report.

8 I hope this is helpful in your understanding  
9 of why we are coming back to the Board for approval in  
10 this area of Lemont. We've had projects before you for  
11 Lockport and this area, also, so we have come before  
12 you, and we do see a significant need, and that's why  
13 we are again before you today.

14 I'm going to hand this over to Clare, who's  
15 going to -- Ranalli -- who will just talk a little bit  
16 about the negative findings in the State Board report.

17 MS. RANALLI: Thank you.

18 The reason I wanted to talk to these findings  
19 is because, again, you may say, "Well, why would they  
20 come back before us again in front of Lemont when you  
21 look at the utilization chart and see the utilization  
22 of area providers within 30 minutes?" And we do want  
23 the Board to understand, regardless of your decision,  
24 that we aren't just whistling Dixie here. There truly

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1 is a need.

2 And I think if you look at the chart in black  
3 and white, it doesn't tell an accurate story of the  
4 utilization picture. As Mr. Roate noted, one of the  
5 clinics, Fresenius Naperville, which is at 2 percent --  
6 actually pursuant to our own condition that we made to  
7 you -- is going to accept all of the Fresenius  
8 Naperville clinic patients.

9 The Naperville discontinuation application is  
10 before you today. When those patients transfer, which  
11 will be not too long from now, Naperville will be well  
12 over 80 percent utilization because the Naperville  
13 clinic is over 80 percent utilization.

14 That leaves eight clinics that are  
15 underutilized on this chart. Of those eight clinics,  
16 five are new clinics, still in the ramp-up period.  
17 That includes DaVita Silver Cross, which just recently  
18 added stations -- it's not a new clinic but it just  
19 recently added stations and is also in the ramp-up  
20 period.

21 When you look at those clinics -- as an  
22 example, Fresenius Joliet, where Dr. Alausa admits,  
23 it's at 50 percent, well over what it should be for  
24 having operated one year. The same is true for

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1 US Renal Bolingbrook, DaVi ta Palos Park, US Renal  
2 Oak Brook, and the Silver Cross clinic. So when you  
3 take that into consideration, the utilization in the  
4 area is not exactly as daunting as it looks.

5 That still, however -- I grant you -- leaves  
6 three clinics that are under the 80 percent target, and  
7 one of those is at 74 percent and, quite frankly, in  
8 Orland Park could not accept Dr. Alausa's patients. He  
9 practices in the Plainfield, Joliet, Lemont area. He  
10 doesn't admit patients there. If he were to refer  
11 patients there, he would no longer be their  
12 nephrologist. That's not good for continuity of care.  
13 And, also, it's at 74 percent. It really could not  
14 accept the number of patients he's identified with this  
15 application.

16 Then you have Fresenius Willowbrook and  
17 Fresenius Downers Grove. They're in the 60 percent  
18 utilization range. Those are large facilities.  
19 Frequently the larger-station facilities don't hit  
20 target, but more importantly, once again, Dr. Alausa  
21 doesn't admit there.

22 That doesn't mean they couldn't accept his  
23 patients. I'm not trying to say that. But they would  
24 lose their physician-patient relationship with

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1 Dr. Alausa and his practice partners, which I don't  
2 think is ideal. Patients shouldn't have to lose a  
3 relationship that they may have had with the physician  
4 for years just because of slightly lower utilization at  
5 two clinics in our proposed service area.

6 Lastly, I would like to briefly address some  
7 of the public opposition comments.

8 This is not the same project as the US Renal  
9 Lemont project. The need in the area has increased  
10 significantly since they presented to you. When  
11 Naperville is discontinued today, if you grant the  
12 discontinuation request, it will go up to 97. That is  
13 significantly higher than when US Renal Lemont was  
14 before you.

15 Also, when it was before you, its Bolingbrook  
16 clinic, its -- and the Joliet clinic and the Oak Brook  
17 clinic had 0 percent utilization. You can now see that  
18 they've been open and they're on target to meet  
19 80 percent utilization after two years. That  
20 information was not available to you when they were  
21 before you previously. The application also duplicated  
22 patients that US Renal was submitting for a Plainfield  
23 facility.

24 And, lastly, while the comment was that we,

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1           too, were not serving the service area, that's not  
2           true. We are serving a 5-mile radius. This clinic is  
3           located on the border of HSA VII and HSA IX.

4                        We found a site in HSA VII because there's a  
5           need there, not in HSA IX. That was intentional. But  
6           you can't tell if maybe -- when a clinic's on the  
7           border, it's very difficult -- and your rules don't  
8           require that you can't treat patients from another HSA.  
9           What they say is you have to serve the market area and  
10          you look at zip codes, and this clinic serves a 5-mile  
11          radius from the proposed site.

12                      We had said previously, in the US Renal  
13          Lemont situation, that the patients they were going to  
14          serve were all over the place, as evidenced in part by  
15          the fact they were duplicating Plainfield patients.  
16          So, you know, I don't want to reiterate our opposition  
17          to that project, but it's somewhat unfair to say this  
18          is the exact same thing as what we had opposed  
19          previously.

20                      And, finally, Dr. Chawla spoke about the  
21          issue -- the Sun Health clinic isn't even in the  
22          service area according to this chart. You've heard  
23          before Dr. Chawla's practice only runs two shifts. His  
24          choice. That's fine. But that's the reason it's

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1 always underutilized, and it does not accept Medicaid  
2 patients.

3 Dr. Alausa's practice is 15 percent Medicaid.  
4 At Joliet there are 12 percent Medicaid patients. So  
5 we need a clinic that he can admit to that will accept  
6 Medicaid patients in this area.

7 Thank you for your time.

8 CHAIRPERSON OLSON: Thank you.

9 Questions from the Board?

10 MEMBER SEWELL: Madam Chair.

11 CHAIRPERSON OLSON: Mr. Sewell.

12 MEMBER SEWELL: During the public  
13 comment period, there was a comment made about your not  
14 having control of the property.

15 Do you remember that?

16 MS. RANALLI: Right. The letter of  
17 intent -- I don't have it in front of me, and  
18 I apologize for that. Lori may have it.

19 But I believe we -- the -- we're holding the  
20 site for a hundred days pursuant to the letter of  
21 intent. If you were to deny the application here  
22 today, then we'd have to negotiate with the landlord  
23 to -- pay the landlord to hold it longer because we'd  
24 come back in front of you, presumably, for the second

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1 chance that we might have.

2 But the landlord could say, you know,  
3 "I don't -- no, I'm not going to let you -- I'm not  
4 going to hold the site for you." Or he could say, "I'm  
5 going to charge you so much" that we may say, "No,  
6 thank you."

7 I believe that's what he was referring to.

8 CHAIRPERSON OLSON: Mr. Hayes.

9 VICE CHAIRMAN HAYES: Thank you,  
10 Madam Chairman.

11 In the State Agency Report, you know, the  
12 Naperville Dialysis Center that is scheduled to be  
13 heard at this meeting, if approved, would discontinue a  
14 15-station dialysis center in HSA VII ESRD planning  
15 area, and that discontinuation application was  
16 conditioned of the approval of Fresenius Medical Care  
17 Naperbrook facility.

18 And I was wondering if -- we'll be hearing  
19 this application today from Naperville Dialysis Center.  
20 How does that -- have you -- do you use that already,  
21 the discontinuation, in the -- for the Naperbrook --  
22 the Naperbrook facility, to get that approved by the  
23 Board?

24 MS. RANALLI: When we were in front of

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1           you on Naperbrook, we explained that we would be  
2           discontinuing Naperville. We couldn't do a relocation  
3           application from Naperville so we -- the permit was  
4           conditioned upon our coming before you to discontinue  
5           Naperville, if that's your question.

6                        So those patients will transfer to  
7           Naperbrook, and the need will increase in the HSA as  
8           revealed by Mr. Roate in the State Board report because  
9           currently the Naperbrook 16 stations are in your  
10          inventory, as are Naperville. Now Naperville will go  
11          out, if you approve the discontinuation.

12                      VICE CHAIRMAN HAYES: Okay. So -- and  
13          this is -- this project is in HSA VII.

14                      MS. RANALLI: (Ms. Ranalli nodded her  
15          head up and down.)

16                      VICE CHAIRMAN HAYES: Okay. And that  
17          has need; is that correct?

18                      MS. RANALLI: Yes. If Naperville is  
19          approved, 97 stations is the need.

20                      VICE CHAIRMAN HAYES: Okay. And what  
21          is the -- now, in the -- you're on the border between  
22          two facilities; is that correct? For two HSAs.

23                      CHAIRPERSON OLSON: VII and IX.

24                      VICE CHAIRMAN HAYES: VII and IX.

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1 MS. RANALLI: Right.

2 VICE CHAIRMAN HAYES: And what is the  
3 need calculation or the need in -- or the excess in  
4 HSA IX? And maybe I can turn to George for that,  
5 as well.

6 MR. ROATE: Yes, sir.

7 The November 14th update to the inventory  
8 shows an excess of 23 stations in HSA IX. And just for  
9 your information, for HSA VII the November 14th update  
10 shows a need for 82 end stage renal dialysis stations.

11 VICE CHAIRMAN HAYES: Okay. So,  
12 basically, in HSA IX there is an excess amount of  
13 stations of, what, 23?

14 MR. ROATE: Yes, sir, in IX.

15 VICE CHAIRMAN HAYES: All right.

16 Thank you very much.

17 CHAIRPERSON OLSON: I just want to  
18 piggyback on Mr. Hayes' point because it seems to me  
19 that you've already used the closing of the Naperville  
20 center as justification for opening of Naperbrook. Now  
21 it kind of feels like you're using the closing of that  
22 center once again to justify the opening of Lemont.

23 Can you help me out with that?

24 MS. RANALLI: We're not using it to

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1           justify. What we wanted to do was explain the chart  
2           here and utilization so, once again, you don't look at  
3           that and say, "Why in the world would the Applicant be  
4           before us when there are nine facilities that are  
5           underutilized?"

6                        Naperville really isn't underutilized.  
7           I mean, in a very short amount of time, it's going to  
8           be accepting the patients from Naperville. It will be  
9           above 80 percent target.

10                      So it's -- it's really -- really, there are  
11           eight facilities that are underutilized; again, five of  
12           which are new facilities in the ramp-up phase.

13                      CHAIRPERSON OLSON: Thank you.

14                      Other questions from the Board?

15                                      (No response.)

16                      CHAIRPERSON OLSON: Seeing none, I would  
17           entertain a motion to approve Fresenius Medical Care  
18           Lemont in Lemont.

19                      MEMBER BRADLEY: So moved.

20                      MEMBER BURDEN: Second.

21                      MR. AGBODO: Thank you.

22                      Motion made by Mr. Bradley; second by  
23           Dr. Burden.

24                      Mr. Bradley.

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1                   MEMBER BRADLEY: I believe this project  
2 would increase patient access, and so I vote yes.

3                   MR. AGBODO: Thank you.

4                   Dr. Burden.

5                   MEMBER BURDEN: Based on the State Board  
6 statements and listening carefully to the opposition,  
7 as well, I feel, with the planning area need situation  
8 being discussed and, also, the unnecessary duplication  
9 of services, despite what I heard in argument to that,  
10 I vote no.

11                  MR. AGBODO: Thank you.

12                  Senator Demuzio.

13                  MEMBER DEMUZIO: Yes. Based upon the  
14 State Board finding and the size of the project, the  
15 planning area need, which is overutilized, and the  
16 necessary duplication of services, I vote no.

17                  MR. AGBODO: Thank you.

18                  Justice Greiman.

19                  MEMBER GREIMAN: Based on the  
20 suggestions above, the doctor, I vote no.

21                  MR. AGBODO: Mr. Galassi.

22                  MEMBER GALASSI: No. Previous comments.

23                  MR. AGBODO: Thank you.

24                  Mr. Hayes.

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1                   VICE CHAIRMAN HAYES: No, because of  
2 previous comments.

3                   MR. AGBODO: Thank you.

4                   Mr. Sewell.

5                   MEMBER SEWELL: No. Comments already  
6 stated.

7                   MR. AGBODO: Madam Chair Olson.

8                   CHAIRPERSON OLSON: I vote no based on  
9 nine facilities within 30 minutes are not at capacity.

10                  MR. AGBODO: I have 8 -- 7 no; 1 yes.

11                  CHAIRPERSON OLSON: The motion does  
12 not pass.

13                  MR. URSO: You're going to be receiving  
14 an intent to deny.

15                  MS. MULDOON: Thank you.

16                  MR. URSO: You'll have another  
17 opportunity to come before the Board as well as submit  
18 additional information.

19                  MS. MULDOON: Thank you.

20                  MS. RANALLI: Thank you.

21                  CHAIRPERSON OLSON: 13-050, DaVi ta  
22 Chicago Ridge Dialysis in Worth.

23                         If the Applicant would come to the table.

24                         Please state your name and be sworn in.

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1 MS. DAVIS: Penny Davis.

2 MR. SHEETS: Chuck Sheets.

3 (Two witnesses duly sworn.)

4 THE COURT REPORTER: Thank you.

5 CHAIRPERSON OLSON: State Board staff  
6 report, George?

7 MR. ROATE: Thank you, Madam Chair.

8 The Applicants are proposing to establish a  
9 16-station end stage renal dialysis facility in  
10 7,400 -- approximately -- 7,400 gross square feet of  
11 space in Worth. The project cost is \$3.4 million with  
12 an anticipated project completion date of May 31st,  
13 2015.

14 Board staff notes that no public hearing was  
15 requested for this project. State Board staff received  
16 one letter of support and no letters of opposition.

17 Lastly, Board staff notes on November 13th of  
18 this year the Applicant submitted a Type B modification  
19 to increase the gross square footage from 6800 gross  
20 square foot to 7400 gross square foot.

21 Thank you, Madam Chair.

22 CHAIRPERSON OLSON: Thank you, George.

23 Comments for the Board?

24 MS. DAVIS: Thank you.

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1           My name is Penny Davis, the division vice  
2 president for DaVita in the Chicago area. With me at  
3 the table is Chuck Sheets, our CON attorney.

4           This proposed facility is a joint venture  
5 between DaVita and Dr. Pallath, who you met earlier in  
6 support testimony. She was, unfortunately, unable to  
7 stay due to patient concerns.

8           This facility is located on the immediate  
9 border of both Chicago Ridge and Worth. And, in fact,  
10 the parking lot's in one town and the building's in  
11 the other. There is a need in this HSA VII for  
12 82 additional dialysis stations.

13           Given the immediate need for a facility,  
14 Dr. Pallath's referral base, and community  
15 demographics, we ask that you approve this project.

16           Other facilities open more than a year in  
17 this community, the average utilization is at  
18 80 percent within a 30-minute travel time, no surprise  
19 based on the significant size of Dr. Pallath's patient  
20 base. Dr. Pallath, along with her two partners,  
21 Dr. Jim Rydel and Dr. Mike Arvan, are treating  
22 791 Stage 3, 4, and 5 chronic kidney disease patients.  
23 Dr. Pallath will be the medical director for this  
24 proposed facility.

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1                    Nearly all these patients reside within  
2                    30 minutes of the proposed service area. In fact,  
3                    137 of their Stage 4 and 5 CKD patients actually live  
4                    within 20 minutes of the proposed facility. This means  
5                    approximately 87 of these patients, based on our  
6                    calculations, will initiate dialysis at the proposed  
7                    facility within 24 months of project completion,  
8                    resulting in 91 percent utilization within the same  
9                    time period.

10                    Dr. Pallath's practice currently rounds on  
11                    patients at our Stony Creek facility, West Lawn, and  
12                    Beverly dialysis facilities. Those three facilities  
13                    are collectively at 89 percent.

14                    Stony Creek and Beverly are nearly full, and  
15                    West Lawn, which commenced operation in 2011, increased  
16                    utilization by 77 percent in the last year. As of this  
17                    week, they are currently at 80 percent. The trend at  
18                    West Lawn is expected to continue for the foreseeable  
19                    future, resulting in the third highly utilized  
20                    facility. This represents significant scheduling  
21                    challenges for her patients, Dr. Pallath's patients and  
22                    her partners', that desire to dialyze during a daytime  
23                    shift.

24                    As a result, without operating a fourth

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1 shift, these facilities cannot accommodate her large  
2 and continuously growing patient base. Operation of a  
3 fourth shift will mean that the patients and staff are  
4 commuting home from treatments sometimes past midnight,  
5 which is suboptimal and sometimes dangerous in these  
6 communities.

7 The dialysis facilities operate nearly around  
8 the clock with staff operating the facility from  
9 4:00 a.m. and closing at 11:00 p.m. Not only is  
10 staffing a fourth shift difficult for the  
11 clinic personnel, it's also suboptimal for the patients  
12 themselves who are chronically ill and usually elderly.  
13 And we do offer fourth shift at several facilities and  
14 will, in fact, start one at Stony Creek because of the  
15 severe demand.

16 Utilizing underutilized facilities within the  
17 geographic service area is not feasible. Dr. Pallath  
18 and her partners are already going to multiple dialysis  
19 centers. The proposed Chicago Ridge facility is  
20 located about 12 minutes from Dr. Pallath's medical  
21 office in Oak Lawn. They are right near Christ  
22 Hospital.

23 Dr. Pallath currently refers, as I said, to  
24 Stony Creek, Beverly, and West Lawn, and all three

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1 facilities are located within 10 minutes of Oak Lawn.  
2 Having a dialysis facility that's close to home is  
3 integral to patient compliance, and as we've recently  
4 seen in mortality data that's come out, DaVi ta in  
5 Chicago -- our mortality rate has dropped to the second  
6 lowest in the country, at 9.7 percent. It's because of  
7 the level of care that we're able to provide to  
8 patients within their communities.

9 At this time I'd be happy to answer any  
10 questions that the Board might have.

11 Thank you.

12 CHAIRPERSON OLSON: Thank you.

13 Questions from the Board?

14 (No response.)

15 CHAIRPERSON OLSON: There being none,  
16 I would entertain a motion to approve DaVi ta Chi cago  
17 Ridge Di alysis of Worth.

18 MEMBER BRADLEY: So moved.

19 MEMBER BURDEN: Second.

20 MR. AGBODO: Motion made by Mr. Bradley;  
21 second by Dr. Burden.

22 Mr. Bradley.

23 MEMBER BRADLEY: I believe approving  
24 this project would improve patient access, and so

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1 I vote yes.

2 MR. AGBODO: Dr. Burden.

3 MEMBER BURDEN: Again, the State Board  
4 standards that are in front of me demonstrate  
5 significant absence of target utilization in 18 of  
6 32 facilities within 30 minutes. Even though allowing  
7 for the fact that four are still under construction,  
8 that's still a pretty high number, so on that basis, as  
9 well as impact on area providers, unnecessary  
10 duplication, I vote no.

11 MR. AGBODO: Senator Demuzio.

12 MEMBER DEMUZIO: Yes. Under the State  
13 Board standards for the planning area need and the  
14 unnecessary duplication of services, I vote no.

15 MR. AGBODO: Justice Greiman.

16 MEMBER GREIMAN: Yes.

17 MR. AGBODO: Mr. Galassi.

18 MEMBER GALASSI: No, due to utilization.

19 MR. AGBODO: Mr. Hayes.

20 VICE CHAIRMAN HAYES: Because of the  
21 utilization and because of the utilization at over  
22 70 percent at many of these facilities, I believe  
23 that -- and, also, patient access I think will be  
24 improved -- so I'm going to vote yes.

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1 MR. AGBODO: Mr. Sewell.

2 MEMBER SEWELL: I vote no, based on the  
3 utilization in the State Agency Report.

4 MR. AGBODO: Madam Chair Olson.

5 CHAIRPERSON OLSON: I vote no for the  
6 reasons stated.

7 MR. AGBODO: I have 3 yes; 5 no.

8 CHAIRPERSON OLSON: The motion does  
9 not pass.

10 MR. URSO: You're going to be receiving  
11 an intent to deny. You'll have another opportunity to  
12 come before the Board, as well as supply additional  
13 information.

14 MS. DAVIS: Great. Thank you.

15 MR. SHEETS: Thank you.

16 CHAIRPERSON OLSON: Okay. 13-053,  
17 RCG Evanston in Evanston.

18 MR. ROATE: Madam Chair, Board staff  
19 wishes to note that a comment to the State Agency  
20 Report was handed out and left on each Board member's  
21 table or place this morning.

22 Board staff asked that the -- that Board  
23 members review the information and vote it into the  
24 record, please.

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1 CHAIRPERSON OLSON: May I have a motion  
2 to vote the letter dated December 5th, 2013, into the  
3 record?

4 MR. URSO: Madam Chairman, before you --  
5 can I just ask a question?

6 CHAIRPERSON OLSON: Sure.

7 MR. URSO: George, this is a timely  
8 document and it's also responsive to the State Board  
9 staff report?

10 MR. ROATE: It is, sir.

11 MR. URSO: So, therefore, the Board has  
12 two choices, Madam Chair. They can accept the document  
13 for further analysis or they can accept the document  
14 and they can consider this project and move forward.

15 CHAIRPERSON OLSON: Thank you for the  
16 clarification.

17 So I still need a motion?

18 MR. URSO: Yeah, you do.

19 MEMBER GALASSI: I would move to accept  
20 the document and move forward on the project.

21 MEMBER SEWELL: Second.

22 CHAIRPERSON OLSON: Can we do that with  
23 a voice vote?

24 MR. ROATE: Just an aye.

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1 CHAIRPERSON OLSON: All those in favor  
2 of accepting the document into the record say aye.

3 (Ayes heard.)

4 CHAIRPERSON OLSON: Opposed, I like sign.

5 (No response.)

6 CHAIRPERSON OLSON: The motion carries.  
7 Okay. You have more for us?

8 MR. ROATE: Thank you, Madam Chair.

9 CHAIRPERSON OLSON: State Board staff  
10 report.

11 MR. ROATE: The Applicants are proposing  
12 to add 6 end stage renal dialysis stations to an  
13 existing 14-station facility in Evanston, Illinois.  
14 Project cost is approximately \$115,000. There's an  
15 anticipated project completion date of December 31st,  
16 2015.

17 No public hearing was requested for this  
18 project. The application file contains one letter of  
19 support and one letter of opposition.

20 Board staff wishes to note that the -- that,  
21 while the report contains no negative findings, this  
22 facility operated beneath the 80 percent operational  
23 capacity for the last two reporting quarters of  
24 September and -- or June and September of this year.

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1 In June they operated at 72.6 percent capacity; at  
2 September they -- in September they operated at  
3 76.1 percent capacity.

4 Thank you, Madam Chair.

5 CHAIRPERSON OLSON: Thank you, George.  
6 Comments from the Board?

7 MEMBER SEWELL: Can I ask the staff a  
8 question?

9 CHAIRPERSON OLSON: Sure.

10 MR. ROATE: Sure.

11 MEMBER SEWELL: I just wanted your --  
12 how you respond to this letter saying that the project  
13 was not reviewed under the correct criteria.

14 MR. ROATE: The criteria that we -- that  
15 was utilized was for the establishment when it should  
16 have been used for expansion.

17 And the expansion information included the  
18 information that I just -- expansion information should  
19 have included the data that I just supplied to you.  
20 It was an error on the State staff part.

21 MEMBER GALASSI: George, I need a little  
22 more clarification. I'm not sure I know what that  
23 means.

24 MR. ROATE: Sure.

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1                   MEMBER GALASSI: So the data is correct,  
2 but it was --

3                   MR. ROATE: Yes. The data wasn't added  
4 into the State Agency Report, sir, because it was used  
5 under establishment criteria. They're expanding their  
6 facility.

7                   MEMBER GALASSI: So is that --  
8 I'm sorry.

9                   Is that changing your report?

10                  MR. ROATE: The report would -- the  
11 report would -- technically, using expansion criteria,  
12 there would be a negative finding because the facility  
13 did not -- was not operating at the standard  
14 utilization of 80 percent for the last two reporting  
15 quarters.

16                  MEMBER GALASSI: Well -- the last  
17 four quarters?

18                  MR. ROATE: The last two reporting  
19 quarters.

20                  MEMBER GALASSI: Okay. Thank you.

21                  MR. ROATE: Thank you.

22                  MEMBER BURDEN: Do I understand --  
23 excuse me for jumping in here.

24                  MR. ROATE: Sure.

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1                   MEMBER BURDEN: But it was based on your  
2 statement a minute ago -- a second ago -- about  
3 September? Or was it more recent that it was  
4 76 percent?

5                   Is that correct or did I misunderstand you?

6                   MR. ROATE: The data is reported on a  
7 quarterly basis, sir, that being in June, September,  
8 and then our next quarterly reporting data would be due  
9 this month, which we would receive at the end of this  
10 month or early next month.

11                   And for the months of June -- for the month  
12 of June, we had 72.6 percent reported for this  
13 facility. For the month of September, it was operating  
14 at 76.1 percent capacity.

15                   MEMBER BURDEN: What month was that?

16                   MR. ROATE: This is June of 2013 at  
17 72.6 percent, September of this year at 76.1 percent.

18                   MEMBER BURDEN: Thank you.

19                   CHAIRPERSON OLSON: Okay.

20                   Comments for the Board?

21                   THE COURT REPORTER: Excuse me.

22                   Would you raise your right hands, please.

23                   CHAIRPERSON OLSON: Thank you.

24   (Three witnesses duly sworn.)

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1 THE COURT REPORTER: Thank you.

2 MR. BRANDENBURG: Good morning. My  
3 name's Brian Brandenburg. I'm the regional vice  
4 president for Fresenius Medical Care. I'm here with  
5 Clare Ranalli, our counsel, and Lori Wright, our  
6 CON specialist. I just wanted to make a couple of  
7 notes about this project.

8 In coming here today, the project did meet  
9 all Board criteria. I think there were concerns and  
10 questions about the utilization, and I just want to  
11 clarify that the clinic has grown at a significant  
12 rate. It's been under the 80 percent utilization for  
13 the past two periods; however, it is above 80 percent  
14 currently, so we do think that there's a need at this  
15 location for additional stations.

16 CHAIRPERSON OLSON: Currently it's above  
17 80 percent?

18 MR. BRANDENBURG: It's above 80 percent  
19 right now. And in working with the physicians who  
20 operate out of the Evanston Hospital location and have  
21 a chronic kidney disease program on-site at the  
22 facility, we do think that there's a significant need  
23 for the project.

24 It actually does also serve -- provide care

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1 for an underserved patient population; some parts of  
2 Evanston fall into that category. We do have  
3 13 percent Medicaid patients at the clinic, and we do  
4 have -- over 50 percent patient population are African-  
5 American, who tend to have a higher disposition toward  
6 kidney disease and dialysis services, as well.

7 CHAIRPERSON OLSON: So just to clarify,  
8 George --

9 MR. ROATE: Yes.

10 CHAIRPERSON OLSON: -- the report says  
11 that there are no findings on Part 1110 or 1120;  
12 however, there should have been a negative finding  
13 based on utilization. However, the Applicant is now  
14 saying that they're currently at 80 percent  
15 utilization.

16 I understand that when the application was  
17 sent in they were at 76 percent but --

18 MR. ROATE: Yes, ma'am.

19 CHAIRPERSON OLSON: Okay. I just wanted  
20 to clarify.

21 MR. BRANDENBURG: And, actually,  
22 83 percent utilization is the exact.

23 CHAIRPERSON OLSON: Questions from --

24 MR. URSO: Did George answer your

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1 question?

2 CHAIRPERSON OLSON: Yes, he did.

3 You answered my question.

4 MR. ROATE: Okay.

5 CHAIRPERSON OLSON: Yeah.

6 Questions from Board members?

7 VICE CHAIRMAN HAYES: Madam Chairman.

8 CHAIRPERSON OLSON: Yes.

9 VICE CHAIRMAN HAYES: In this

10 application you have -- you're basically saying that

11 the project completion date will be December 31st of

12 2015, so that's two years from now. And you're just

13 adding six stations and the project cost is 115,000.

14 It sounds like it's a little bit -- I'm

15 confused on that.

16 MEMBER GALASSI: I had the same

17 question.

18 MR. BRANDENBURG: Actually, the

19 completion date on the application is 2014.

20 MEMBER GALASSI: Ours -- our paperwork

21 says "' 15. "

22 CHAIRPERSON OLSON: Can you confirm

23 that, George?

24 MR. ROATE: Yes, ma'am.

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1 I'll right now take a look.

2 MEMBER GALASSI: On page 2 of our packet.

3 MS. RANALLI: The Board report may say  
4 "' 15," but the application says "' 14," and we're happy  
5 to amend it to '14. I mean, that's fine.

6 MR. BRANDENBURG: That's the intent,  
7 yes, 2014.

8 MEMBER GALASSI: Great.

9 CHAIRPERSON OLSON: Does that answer  
10 your question?

11 VICE CHAIRMAN HAYES: Yes.

12 CHAIRPERSON OLSON: Other questions?

13 (No response.)

14 CHAIRPERSON OLSON: I'll entertain a  
15 motion, then, to accept -- approve 13-053, RCG Evanston  
16 in Evanston, Illinois, for a completion date of  
17 December 31st of 2014.

18 MEMBER BRADLEY: So moved.

19 MEMBER BURDEN: Second.

20 MR. AGBODO: Motion made by Mr. Bradley;  
21 second by Dr. Burden.

22 Mr. Bradley.

23 MEMBER BRADLEY: I believe approval  
24 would improve access, and so, therefore, I vote yes.

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1 MR. AGBODO: Dr. Burden.

2 MEMBER BURDEN: Based on the statement  
3 that they are clearly approaching -- inching to  
4 80 percent or actually above it, I would feel  
5 comfortable voting positively for this Applicant.

6 MR. AGBODO: Thank you.

7 MEMBER BURDEN: I vote yes.

8 MR. AGBODO: Thank you.

9 Senator Demuzio.

10 MEMBER DEMUZIO: Yes, due to the fact  
11 that I think they're close to their 80 percent  
12 capacity.

13 MR. AGBODO: Justice Greiman.

14 MEMBER GREIMAN: I vote yes for reasons  
15 stated.

16 MR. AGBODO: Mr. Galassi.

17 MEMBER GALASSI: Yes, reasons previously  
18 stated.

19 MR. AGBODO: Mr. Hayes.

20 VICE CHAIRMAN HAYES: Yes, for reasons  
21 previously stated.

22 MR. AGBODO: Mr. Sewell.

23 MEMBER SEWELL: Yes, for reasons stated.

24 MR. AGBODO: Madam Chair Olson.

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1 CHAIRPERSON OLSON: Yes, for the same  
2 reasons.

3 MR. AGBODO: I have 8 yes.

4 CHAIRPERSON OLSON: The motion passes.  
5 Congratulations.

6 MR. BRANDENBURG: Thank you.

7 MS. WRIGHT: Thank you.

8 CHAIRPERSON OLSON: I'm going to suggest  
9 that we adjourn now until 12:30.

10 Is that all right?

11 MEMBER GALASSI: Sounds great.

12 Quarter to.

13 CHAIRPERSON OLSON: Is that all right?

14 MS. CLARKE: Lunch is twelve o'clock.

15 MEMBER GALASSI: Well, turn those  
16 burners up a little bit.

17 CHAIRPERSON OLSON: It's 10 to 12:00.

18 I'm going to suggest that we adjourn until  
19 12:30. Is that enough time?

20 MEMBER GALASSI: Sure.

21 CHAIRPERSON OLSON: All right. We're  
22 adjourned until 12:30.

23 Thank you.

24 (Discussion off the record.)

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1 CHAIRPERSON OLSON: Make it 12:45,  
2 actually.  
3 (Recess taken, 11:48 a.m. to  
4 12:45 p.m.)  
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1 AFTERNOON SESSION

2 TUESDAY, DECEMBER 17, 2013

3 12:45 P.M.

4 CHAIRPERSON OLSON: I think it's time to  
5 get started. We are officially back in session.

6 Next at the table is 13-054, NxStage --  
7 NxStage? Am I saying that right? -- Oak Brook in  
8 Oak Brook, Illinois.

9 The Applicant -- Applicant will be sworn in.

10 THE COURT REPORTER: Would you raise  
11 your right hands, please.

12 (Three witnesses duly sworn.)

13 THE COURT REPORTER: Thank you.

14 CHAIRPERSON OLSON: State Board staff  
15 report, George?

16 MR. ROATE: Thank you, Madam Chair.

17 The Applicants are proposing the  
18 establishment of an eight-station end stage renal  
19 dialysis facility located in Oak Brook. The emphasis  
20 behind this facility is to provide respite dialysis and  
21 a replacement for the -- as a replacement to home  
22 dialysis or peritoneal dialysis.

23 The cost of the project is \$1 million, and  
24 the anticipated project completion date is

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1           September 30th, 2014.

2                       The Applicants note the traditional three-  
3 a-week home hemodialysis treatments will not be  
4 available at the proposed facility.

5                       And no public hearing was requested, and no  
6 letters of support or opposition were received by the  
7 State Board.

8                       Thank you, Madam Chair.

9                       CHAIRPERSON OLSON: Thank you.

10                      Comments for the Board, gentlemen?

11                      MR. BURBANK: Thank you, Board and  
12 Chairman.

13                      My name is Jeff Burbank. I'm the CEO and  
14 founder of NxStage Medical. I'm joined with Jack Axel  
15 and Dr. Whittier, who will -- has agreed to act as  
16 our medical director for this facility.

17                      So if I could, I'd like to kind of lay a  
18 little bit of groundwork for why we're in front of you.

19                      I'd really like to personally thank the staff  
20 that has worked with us through the submission and  
21 resolution, and I hope that we've demonstrated how  
22 different and innovative what we're trying to provide  
23 to the community is. But let me step back.

24                      A number of years ago, there were some

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1 investigations in Italy, in the UK, in Canada and  
2 Australia that looked at what the possibility was to  
3 change the paradigm of care. Traditionally in the US  
4 for hemodialysis we see treatments done about  
5 three times a week, but they looked at what happened if  
6 you extended the treatment time or you did it more  
7 frequently. They had some wonderful clinical results.

8 Based on that, I and a group of folks started  
9 a technology company to try to bring a technology that  
10 facilitated treatment in more frequent utilization but  
11 where patients wanted it when they wanted it. So  
12 instead of having it based in a dialysis center, which  
13 requires a large water treatment facility, a lot of  
14 technicians and support, we wanted to make a machine  
15 that you could have that's portable so patients could  
16 learn how to use it because it was simple enough and  
17 safe enough.

18 It took us a number of years to develop it.  
19 We finally got clearance for home utilization from the  
20 FDA in 2005, and we've been building the market ever  
21 since. We've had a lot of success. There's now  
22 thousands of patients on the treatment across the  
23 country.

24 And what we've learned is that, when

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1 innovative providers adapt it and start to provide it,  
2 you can achieve very high penetration rates. Actually,  
3 the bogie for us is what's been achieved in Australia  
4 and New Zealand, which is close to 15 percent of the  
5 patients are on home hemodialysis in those markets.  
6 We're at right around 1 percent nationally, and in this  
7 geography, in the Chicago area, we're less than the  
8 national average.

9 So we went out and looked at how to grow this  
10 market and how to increase access for dialysis patients  
11 to home and more frequent therapies and realized that  
12 providers really have to change the way they're doing  
13 things.

14 Traditionally they have really had to focus  
15 on efficiency and have set up these centers that have,  
16 you know -- as you've seen today -- 15, 20 stations.  
17 You come in for a three- to four-hour treatment. They  
18 have multiple shifts per day. It's really an attempt  
19 at giving the maximum volume of care for the minimum  
20 amount of cost.

21 That served the community well, but what we  
22 found was there's a better way to do it, we believe,  
23 which is to invest in the patients early, give them the  
24 skills to allow them to do more and more of their care.

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1                   And if you make that investment up front, you  
2                   can transition them to an environment where they're  
3                   doing more of their care; therefore, you're reducing  
4                   the cost, but, more importantly, you're giving them the  
5                   ability to do their treatment where they want it when  
6                   they want it and the frequency.

7                   And then we focused on developing the  
8                   clinical data that supports the indication, and I'll  
9                   wait and have Dr. Whittier focus on that.

10                  So you all are probably familiar with -- we  
11                  wouldn't need to be in front of you if we were asking  
12                  for a home hemodialysis center. What's different for  
13                  us is that we believe it's very important to have the  
14                  care team take care of a patient through the whole  
15                  paradigm from care, from the day they say "I'm  
16                  interested in home care" all the way through to being  
17                  on home care to the situations that arise where a  
18                  family member or their support isn't what it is and  
19                  they need to move back into the center.

20                  They don't want to go to any center. They  
21                  want to go to the center that has been providing them  
22                  their care, that has the nurse, the social worker, the  
23                  dietician, their medical director, and their physician  
24                  that's overseeing them. They don't want to have to

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1 switch centers when they need to go back into a respite  
2 mode for a while.

3 So we think it's very important to have this  
4 continuity of service, which really gives patients the  
5 confidence that they can go home and they have the  
6 backup they need if their life situation changes.

7 So there's really four fundamental things  
8 that are different about our center.

9 This will be our second center. We started  
10 one in St. Louis about four or five months ago. It's  
11 been very successful. We're delivering great care and  
12 growing quite nicely.

13 But the four differences are -- the one is  
14 that we will not be offering three-times-a-week. So  
15 we're not adding three-time-a-week traditional capacity  
16 to the marketplace. Our primary dialysis modality will  
17 be home, and our objective is to get more patients  
18 independent and home.

19 We will offer four- or -- to six-times-a-week  
20 dialysis in-center because sometimes it takes time for  
21 patients to experience the benefit before they commit  
22 to home, and then we can move them through and help  
23 them make that transition, and we also want to provide  
24 the respite care.

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1                   And our model does not include investment  
2                   from a physician. We believe it's very important to  
3                   have that level of medical independence.

4                   So with that, I'd like to hand it over to  
5                   Dr. Whittier to summarize some of the benefits of more  
6                   frequent and home dialysis.

7                   DR. WHITTIER: Thanks, Jeff.

8                   I'm Dr. Whittier. I'm the medical director  
9                   of the NxStage Oak Brook center. I'm also an associate  
10                  professor at Rush University Medical Center in Chicago.

11                  Our outpatient dialysis unit that takes care  
12                  of outpatient dialysis for Rush is called Circle  
13                  Medical Management, and we have about 160 dialysis  
14                  patients there at Circle Medical Management. As of  
15                  last week, my current census, 26 percent of my patients  
16                  wanted home dialysis, including peritoneal and home  
17                  hemo.

18                  About 30 percent of my time is in teaching,  
19                  about 30 percent of my time is in clinical trials, and  
20                  then 40 percent is in patient care.

21                  The center that we're discussing today here  
22                  at Oak Brook is one that, like Jeff said, focuses on  
23                  more frequent dialysis. More frequent dialysis has  
24                  many medical benefits. The most important and the

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1 number one benefit is an improved mortality.

2 My typical in-center dialysis that goes to  
3 dialysis on a Monday, Wednesday, and a Friday or on a  
4 Tuesday, Thursday, and a Saturday -- that's their  
5 schedule -- the day of the week that they die is on a  
6 Monday if they're on Monday, Wednesday, Friday. The  
7 day of the week they die is a Tuesday if it's on a  
8 Tuesday, Thursday, Saturday schedule.

9 This has been shown in many studies, most  
10 recently in Kidney International in 2012 and another  
11 one by Dr. Foley in 2011, September New England Journal  
12 of Medicine, showing that patients that have the  
13 highest mortality for in-center dialysis is on the day  
14 after their two-day skip.

15 Okay? So they go from Friday, no dialysis  
16 Saturday, no dialysis Sunday. That's two days for  
17 their toxins to build up, two days for their potassium  
18 to go higher, two days for their fluid overload to take  
19 control or their blood pressure to be up, and then they  
20 don't make it on Monday.

21 So the improvement in mortality is -- with  
22 more frequent dialysis -- is we mitigate that two-day  
23 skip. That doesn't occur -- okay? -- and that leads to  
24 an improved mortality.

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1           There's other benefits. There's an improved  
2 cardiovascular control, improvement in blood pressure,  
3 improvement in something called LVH, left ventricular  
4 hypertrophy. The heart actually changes to a better  
5 configuration over time with more frequent dialysis  
6 compared to in-center.

7           On average, my three-times-a-week dialysis  
8 patients are on somewhere between three and five blood  
9 pressure pills a day, and their average blood pressure  
10 is 150 over a hundred. Okay?

11           My in -- my more frequent dialysis patients,  
12 95 percent of them are off blood pressure pills and  
13 they have normal blood pressure. It's because we're  
14 gradually removing, every day, the fluid and the sodium  
15 and they can't get hypertensive. Okay.

16           So they're on less pills for blood pressure,  
17 but they're also on less pills that -- for other things  
18 that dialysis doesn't remove effectively. So they're  
19 on less phosphorous binders. Okay?

20           They can actually have a more liberal diet.  
21 The diet for my in-center, three-times-a-week dialysis  
22 patient is one that is -- I'm not sure the best way to  
23 describe it, but it's something like "horrible."  
24 Because it's low in potassium; it's low in phosphorus;

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1       it's low in taste. Okay? It's low in salt; it's low  
2       in fluid.

3                But my more frequent dialysis patients can  
4       have almost whatever they want, within reason, because  
5       they're going to dialyze those toxins off every day or  
6       every other day. They're not going to go to that  
7       two-day skip. So their diet can also be better, as  
8       well, and that leads to a more healthy lifestyle, and  
9       their lifestyle is very important to my patients.

10              On average, my three-times-a-week dialysis  
11       patients, it takes them somewhere between four to  
12       five hours to recover from that dialysis treatment.  
13       For the more frequent dialysis patients, their recovery  
14       time is down to one hour.

15              So if you can imagine, you know, getting up  
16       to go to your 4:00 a.m. dialysis in-center spot, you  
17       have to -- you know, let's say it's 4:00 a.m. when you  
18       start. You wake up at 3:00 a.m., you travel through a  
19       Chicago winter, you dialyze there for four hours, you  
20       go through the Chicago winter again to go home, you  
21       have five hours to recover; it's dinnertime. You've  
22       just lost that whole day.

23              And then guess what? You get one normal day,  
24       and then you go right back to it the next day.

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1           But with the more frequent dialysis, they  
2           have about a one-hour recovery time. They can do their  
3           dialysis in the morning, and then they go to work.  
4           They're more active in the community. They can do  
5           volunteer work, whatever it takes to get them back in  
6           the community.

7           This is probably -- probably I misspoke  
8           earlier when I said the mortality was the best benefit.  
9           My patients actually care a lot more about having a  
10          functional life, as opposed to just prolonging it, but,  
11          fortunately, NxStage's model of more frequent dialysis  
12          does both. It gives them a more functional life and  
13          prolongs their life.

14          So if I had to choose dialysis for myself, if  
15          I couldn't get a kidney transplant and I had kidney  
16          failure, I would choose home dialysis, six-days-a-week  
17          hemodialysis. Okay? More frequent.

18          And I'm not alone. I'm not unique. There's  
19          this survey of nephrologists. 95 percent of them chose  
20          that method -- or chose home dialysis, whether it be  
21          peritoneal or home hemo. The survey of nephrology  
22          nurses, it was the same. Over 90 percent wanted to do  
23          dialysis on their own time. And they cited medical  
24          benefits and, you know, also, convenience, getting back

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1 into the community, wanting to keep their jobs, all as  
2 reasons to do that.

3 So sort of the real question is, "Why aren't  
4 more patients on it?" You know, I think Jeff mentioned  
5 it's less than 1 percent in the Chicagoland area.

6 And not -- it's not for everybody. It's  
7 difficult to do home dialysis. You have to be  
8 medically able to do it. You have to have enough  
9 dexterity to cannulate your fistula several times a  
10 week by yourself. You know, we teach them how to do  
11 it, but you have to be able to do that to yourself.

12 You have to have enough vision, and a lot of  
13 my patients who have diabetes, diabetes affects their  
14 eyes. They may not be able to stick themselves or read  
15 the monitor. Okay?

16 So it's not for everybody, but I think that  
17 there's an opportunity out there for more dialysis.  
18 It can be, I think, up to 30 percent, and in my home --  
19 or my patients right now, where I dialyze, where we  
20 have a dialysis center, it's around 26 percent at home.

21 The other real issue, I think, that limits  
22 the amount of availability of home is that about half  
23 of my patients find out about their kidney failure  
24 first in the emergency room. They never had prior

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1 kidney care. They come to the ER; they're sick;  
2 they're nauseated; they're vomiting; they're short of  
3 breath; they have swollen legs.

4           And I see them for the first time, and I have  
5 to tell them that their kidneys are no longer working  
6 and that we need to start them on dialysis. They're  
7 not quite ready psychologically to take that -- to  
8 grasp that, "Oh, there's different types of dialysis;  
9 one is better than the other." They just need to be  
10 rescued right then. Okay?

11           But NxStage's model actually can get that  
12 patient right into the more frequent program and start  
13 to develop a tailored therapy for them, individualized  
14 therapy for the patient. So that's what we're talking  
15 about.

16           So the -- the other sort of gorilla in the  
17 room that I think is here is that, if we're so focused  
18 on home and so focused on more frequent, then why do we  
19 need chairs? And the main reason -- not the only  
20 reason but the main reason -- is for respite care.

21           So respite care, if I could just take a  
22 second here to define it for you, it's the provision of  
23 short-term, temporary relief to those who are caring  
24 for family members who might otherwise require

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1 placement in a facility outside the home.

2 So let's say that I'm on home dialysis; my  
3 wife is my partner; she and I are dialyzing me six days  
4 a week. She's sort of sick of me. Okay? She's sick  
5 of me in general, but let's say that she's also sick of  
6 dialysis and this thing.

7 So what -- you know, she's been doing this  
8 for six months, and she wants a break. She wants to go  
9 to Vegas for a week with the girls. Okay? Who's going  
10 to dialyze me while I'm -- while she's in Vegas? Okay?

11 Or more realistically, let's say a pipe  
12 bursts in my house and I no longer have plumbing;  
13 I can't make the water for dialysis. Or let's say a  
14 tornado hits my house or a fire hits my house. I need  
15 to go somewhere to dialyze while I don't have the  
16 ability to do so that I have at home, and that's what  
17 these chairs are for.

18 There's thought -- they should be thought of  
19 as backup chairs. And when they surveyed dialysis  
20 patients and the caregivers about what was an important  
21 quality for the dialysis program, they listed three:  
22 One, mortality; two, the ability to provide the therapy  
23 at home; three, respite care. That was a study in  
24 Nephrology Dialysis Transplantation in 2011. So,

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1 obviously, respite care is a really important part of a  
2 program because you need that backup chair in case  
3 something happens at home.

4 So I think the last question that sort of  
5 remains on my mind when I'm thinking about this new  
6 model, thinking about home dialysis or more frequent,  
7 is "Why is the penetration so low in this area?" If  
8 it's really being offered to everyone, why is it  
9 1 percent here?

10 There are other markets in America that have  
11 higher home hemodialysis penetration. I think I have  
12 some of the numbers here. Albany is 10 percent  
13 compared to less than 1 percent here. Seattle is  
14 5 percent; Indianapolis is 7 percent. So there's other  
15 markets that have a higher home hemo penetration.

16 Why is it? If I can be frank, I think  
17 that -- if I think about my daily practice, it's harder  
18 for me to put a patient on home dialysis, and it's  
19 harder for me and my staff to put a patient on home  
20 dialysis.

21 See, the infrequent -- the frequent -- I'm  
22 sorry.

23 The three-times-a-week dialysis has been the  
24 standard of care forever. It's a system. So if I have

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1       25 patients on my shift, let's say, and it takes me the  
2 morning to round on them, and it -- and the  
3 nutritionist is there; the social worker's there; my  
4 whole staff is there.

5               Then if I add a 26th patient, it doesn't  
6 really increase the workload. It's very easy for me to  
7 shunt another person into that system. Okay? I'll  
8 still finish rounds in the morning.

9               But if it's now going to a new place, a new  
10 system, I need to set up a day to see that person from  
11 home, and I need to make sure my social worker gets  
12 there, my nutritionist gets there, my home dialysis  
13 nurse gets there. And it's a whole separate day that  
14 would technically take another nephrologist, I guess,  
15 away from doing procedures or the hospital rounds or  
16 from something else that they may be doing.

17               So I think it's sort of a -- the reason --  
18 if -- again, if I can be frank -- is I think it's  
19 harder for most nephrologists to do it. And you also  
20 have to have a dedicated person who believes in it to  
21 do it.

22               And so NxStage's model really provides me  
23 with a platform that we can do this dialysis.  
24 I've been, over the last 15 years at Rush, trying to

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1 improve the outcomes such that they can mimic those  
2 that we've seen in Europe and, you know, the UK and  
3 even Japan. New Zealand, Australia have some of these  
4 better outcomes.

5 I've been trying to do that at Rush, and now  
6 I want to try and bring it to the western suburbs, and  
7 NxStage's model is the perfect model that can afford me  
8 that opportunity.

9 Thank you.

10 MR. AXEL: What I'd like to do before we  
11 close is touch on the review criteria -- and thank you,  
12 Chairman Olson, for not asking me to get into that  
13 quicker.

14 We were found to be in noncompliance with  
15 only three of the review criteria. The first was the  
16 project service's utilization criteria -- criterion.  
17 That is the one where you're asked to show evidence  
18 that you're going to hit 80 percent utilization of your  
19 stations within two years.

20 We don't believe we can do that. We don't  
21 believe that's realistic for us. Our stations are  
22 going to be used, as you've heard, for home training,  
23 for respite care, and for four- to six-time-a-week  
24 dialysis. We think it's going to be closer to four

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1 years before we get there. Again, we're only looking  
2 for eight stations, the minimum number that your rules  
3 allow.

4 Also, under that criteria, we did not go to  
5 nephrologists, asking them how many patients we're  
6 going to send -- or they're going to send to us. We're  
7 not relying on physicians.

8 Mr. Burbank would be happy to discuss with  
9 you how we're going to be attracting patients, but we  
10 don't think that it's going to be physician driven. We  
11 think it's going to be patient driven; therefore, we  
12 didn't even attempt to get any letters typical to most  
13 applications.

14 Our project just isn't typical to most  
15 projects. This is a different delivery model. We  
16 believe it will work, but we, you know, really won't  
17 know until we try it and get in and see what happens.  
18 We believe that the patient care benefits warrant the  
19 risk, and we're proposing a minimally sized facility,  
20 eight stations, and we're willing to take that risk.

21 Because we're not relying on physician  
22 referrals and because our stations will be used only  
23 for home dialysis, home dialysis training, respite  
24 dialysis, and four- to six-time-a-week dialysis, this

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1 criterion simply cannot be addressed, cannot be met.

2 The second negative finding covers two  
3 criteria. It's the planning area need criteria and the  
4 unnecessary duplication of services criteria.

5 We concur with staff's finding that there are  
6 underutilized facilities in the area. With only  
7 1 percent of the Chicago area dialysis patients on home  
8 dialysis, we can't agree that what we are proposing to  
9 do is duplicative of what's out there now.

10 You know, for years I've been hearing the  
11 question, "Why don't we do dialysis similar to the way  
12 they're doing it in some other countries?" That's why  
13 we're here. That's what we're proposing to do, and  
14 that's why what we are proposing to do is not  
15 duplicative.

16 Before I close, why are we here at all today?  
17 We had technical assistance -- a lengthy technical  
18 assistance conference with your staff nearly a year  
19 ago, trying to determine whether or not our model  
20 required approval of this Board. And we don't need  
21 approval for the home dialysis component, and we don't  
22 need approval for the peritoneal dialysis component;  
23 however, because we are going to provide respite care  
24 and because we are going to provide four-, five-, or

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1 six-time-a-week dialysis for those patients while  
2 they're training to pick up their dialysis at home,  
3 that's why we needed to come before you.

4 Jeff, would you like to close?

5 And then we'll be -- answer any questions.

6 MR. BURBANK: So put simply, when we  
7 looked around to see best practices, how did some of  
8 these other geographies get to 6 to 10 percent of  
9 patients on home hemodialysis, it was really a package  
10 of services.

11 It wasn't just training patients and sending  
12 them home. It was having the backup to provide respite  
13 when they needed it; it was giving them the opportunity  
14 to try a more frequent therapy to see if it was right  
15 for them.

16 So, really, a great home program as we've  
17 seen the successful ones around the company -- or  
18 country -- really involve all those aspects. We're  
19 asking you for the opportunity to show you that that's  
20 what works and that's what could help grow the access  
21 and the penetration of home hemodialysis in this  
22 community.

23 So with that, I'll open it up for questions.

24 CHAIRPERSON OLSON: Thank you.

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1 MEMBER GALASSI: Judge.

2 CHAIRPERSON OLSON: Justice.

3 MEMBER GREIMAN: Is it fair -- this is a  
4 question for staff: Is it fair to say -- might it be  
5 fair to say that the notion that they are competing  
6 with an area that has more beds than they need -- it  
7 doesn't apply to them because, essentially, they're not  
8 in competition with the other places? Is that a fair  
9 statement?

10 MR. ROATE: Technically there's a need  
11 for stations as we look at the most recent update;  
12 however, the establishment -- to look at the rules  
13 plain and simple --

14 MEMBER GREIMAN: Yeah.

15 MR. ROATE: -- the establishment of end  
16 stage renal dialysis stations while there are  
17 underperforming facilities in the area does promote --  
18 or does -- I guess I'd say -- would result in the  
19 negative findings that we have acknowledged.

20 For there to be no competition or for them  
21 not to be harmful to the existing dialysis station  
22 inventory -- I shouldn't say "harmful" but -- for them  
23 to affect the existing dialysis station inventory,  
24 there would have to be some assurances that their

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1 facility would not treat station -- would not treat  
2 patients ongoing with the traditional -- with -- in the  
3 ongoing, three-time-a-week modality.

4 MEMBER GREIMAN: Uh-huh.

5 MR. ROATE: They'd have to --

6 MEMBER GREIMAN: They said -- they said  
7 they'd have --

8 MR. ROATE: -- they would have to be  
9 strictly for respite dialysis.

10 MEMBER GREIMAN: -- some patients like  
11 that.

12 MR. ROATE: I'm sorry?

13 MEMBER GREIMAN: They said they'd have  
14 some patients like that but -- but that was not what  
15 they were doing; their major work was the other  
16 kind, yeah.

17 MR. AXEL: Judge, we did not say we have  
18 three-day-a-week dialysis patients, in-center dialysis  
19 patients. And, in fact, we stated in our  
20 application -- perhaps a half a dozen times -- that  
21 that is a service we will not be providing.

22 We will occasionally be providing four- to  
23 six-day-a-week dialysis patients services primarily as  
24 they are transitioning into home dialysis.

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1                   MEMBER GREIMAN: But, basically --  
2                   basically, you're not providing the treatment that most  
3                   of the people in this area are going to get, 45 --  
4                   45 other places are giving; is that fair to say?

5                   MR. AXEL: Absolutely.

6                   MEMBER GREIMAN: All right.

7                   CHAIRPERSON OLSON: Mr. Galassi.

8                   MEMBER GALASSI: Well, I appreciate your  
9                   presentation. And for a lengthy presentation, which it  
10                  was, seldom, if ever, do I say that. It was  
11                  informative and educational, and I do appreciate that.

12                  But there's a finite number of people who  
13                  need dialysis at the end of the day. So introducing a  
14                  new service is by itself, in my mind, competitive.  
15                  It's not necessarily a bad thing. The issue is whether  
16                  or not it meets our standards. That's what I keep  
17                  coming back to.

18                  This is, however, a new -- I'll use the  
19                  term -- to me, at least -- a new model that is being  
20                  proposed here.

21                  I'll stop. I just want to make that comment.

22                  CHAIRPERSON OLSON: How did I know you  
23                  were going to weigh in here? I'm anxious to hear what  
24                  you have to say.

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1                   MEMBER BURDEN:  Actually -- well,  
2                   number one, I speak for myself.  I don't know how these  
3                   other Board members feel.

4                   I'm a retired urologist.  I'm listening to a  
5                   didactic that I've talked about amongst our fellow  
6                   members.  We need a retreat on the treatment, the  
7                   entire prospect, the entire modality of end stage renal  
8                   disease treatment.  You gave us a wonderful beginning  
9                   from your aspect of what you're providing, and I, for  
10                  one, enjoyed it a lot.

11                  I think, basically, I want to shut up here in  
12                  a second, but I've seen -- I'm old enough to have seen  
13                  a lot of changes.  Andy Redberg [phonetic] received  
14                  medicine at your place.  Hank Bruxy [phonetic] was one  
15                  of the finest internists I ever met.  I loved him and  
16                  he's gone.

17                  But I remember talking to them over a period  
18                  of 50-some years of how few changes really have  
19                  occurred that wound up changing treatment plans, one of  
20                  which was gastric resection.  Since those GI people in  
21                  Australia discovered H pylori, that operation just  
22                  disappeared.

23                  Bradley Young [phonetic] and I went to  
24                  Stanford and took classes on operations on little

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1           Caucasian girls for reflux. They don't do that  
2           anymore.

3                       So if plaintiffs' lawyers sitting out there  
4           go back and look at all my operations at Children's  
5           Hospital for that disease, I'm guilty. We did it.

6                       So this represents an attempt, in my book, to  
7           provide something new. I don't -- I've heard -- we've  
8           got a Board, we've got State regulations, and this is  
9           more of a bureaucratic experience.

10                      Mine is not. I'm the only doctor here.  
11           I sense that this is something that needs to be looked  
12           at. We would look forward to having a retreat on the  
13           whole program of treatment of renal disease even  
14           closer. Your moderator here has had some personal  
15           experience with this disease.

16                      So I, for one, am talking generically. And  
17           more specifically, I enjoyed very much what you had to  
18           say. However anybody feels about your avocation is up  
19           to them. That's just -- you can see how I feel.

20                      Thank you much for allowing me to speak.

21                      MR. BURBANK: We share your passion for  
22           change here. What we were trying to do is give you the  
23           opportunity to agree to something small. We chose the  
24           smallest number of stations to try to fit within the

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1       smallest bite, if you will, and give us a chance to  
2       show you what can happen when a different opportunity  
3       is provided. And we have a lot of passion for that  
4       so . . .

5                               CHAIRPERSON OLSON: Mr. Carvalho.

6                               MR. CARVALHO: An observation and a  
7       question.

8                               The observation is, in some odd way, this is  
9       a little analogous to the CCRC model where, in order to  
10      do that model, you need nursing home beds but they're  
11      nursing home beds that aren't intended to be used the  
12      way nursing home beds that are available to the general  
13      public are used. They just need to be there to have  
14      the whole model, and they're, in effect, kind of a  
15      place for the people who are in the CCRC to get their  
16      nursing home care, but we don't make them available to  
17      the general population.

18                              And from what you've described, you want ESRD  
19      beds as a transition and a backup for the people who  
20      are in this other model of delivery of care at home,  
21      and so you need that because you can't provide that  
22      home service -- or it's certainly difficult to see how  
23      you'd provide that home service without that ability to  
24      transition people and to provide backup.

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1                   In fact, ironically, on the topic of ESRD  
2 generally, Senator Demuzio and I were just talking at  
3 lunch not about applications but about the topic. And  
4 I had said, you know, one of the real challenges with  
5 home dialysis, I imagine, is the person who's helping  
6 you do it is going to get pretty weary of doing it all  
7 the time. And I didn't really even have your  
8 application in mind with the idea that there would be  
9 respite care.

10                   So my -- as I said, an observation and a  
11 question.

12                   The question is, is there some sort of  
13 limitation that could be fashioned -- and you probably  
14 have given thought to this -- in terms of a limitation  
15 that the Board could put on this so that, having  
16 authorized the beds for the purpose that you describe,  
17 that you don't deploy them for, you know, general use  
18 of the three-day-a-week person who's outside that  
19 modality, that you're only using it for the purposes  
20 that you use?

21                   Because, you know, the important thing --  
22 I've been around about 10 years. And a question I get  
23 all the time is, "Couldn't this just be an objective  
24 process? Why do we need a Board? Couldn't it be a

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1 computer that decides these applications?"

2 And the answer is no because there's always a  
3 reason why a particular standard or particular rule may  
4 not apply to a particular situation, and you need nine  
5 human beings up here analyzing those standards rather  
6 than just rotely saying, "If it meets the standards,  
7 it's okay. If it doesn't meet the standards, it's not  
8 okay."

9 So we haven't replaced this process with a  
10 computer, but whether there's an opportunity to  
11 accomplish what you're trying to accomplish might be  
12 influenced by the ability to craft a provision.

13 MR. AXEL: David, you -- thank you.  
14 You've brought up some really good points, and they're  
15 points that are actually addressed in the application.

16 Respite dialysis will not be provided,  
17 according to what we put in the application, for more  
18 than 30 days. In actuality, we believe respite  
19 dialysis will typically be provided for no more than  
20 5 to 10 days at a time.

21 In terms of your comment of -- you know,  
22 relating to how we can limit the provision of  
23 three-day-a-week dialysis like all the other facilities  
24 are providing -- and we talked about this internally --

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1 we would certainly be willing to accept a stipulation  
2 or a condition on our permit that would prohibit us  
3 from providing traditional, three-day-a-week dialysis  
4 services with the understanding that should, at some  
5 point in the future -- because the future is an awfully  
6 long time -- at some point in the future, should we  
7 find a need to do so, we would come back before this  
8 Board.

9 But three-day-a-week traditional dialysis is  
10 not in our program right now.

11 CHAIRPERSON OLSON: Thank you.  
12 I appreciate that.

13 I actually have a question on the utilization  
14 because you said that it would be four years before you  
15 would reach the 80 percent.

16 If I understand your model correctly -- and I  
17 agree it was also a very interesting presentation --  
18 you're really more successful if you're not at that  
19 80 percent target utilization, which is kind of a . . .

20 MR. BURBANK: That's very insightful,  
21 yes. Hopefully, you do build the program so that, if  
22 you take the frequency of respite and you limit it to  
23 eight stations, you do start to fill those eight  
24 stations. But the reality is, you know, we need as

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1 much flexibility as we can because you want to  
2 accommodate how that patient wants to fit into the  
3 lifestyle and not force it. So a little excess  
4 capacity is probably something that we're always going  
5 to seek, but we think, for the meantime, eight should  
6 give us that.

7 You're right. And you'd love to see patients  
8 not need respite. That would be a wild success, as  
9 well.

10 But we're trying to strike the balance  
11 between -- we don't have all the answers. And you have  
12 some regulations that we're trying to fit ourselves  
13 into. And I think, you know, we'll have to see how it  
14 evolves, and we may have to come back in front of you  
15 as that changes.

16 CHAIRPERSON OLSON: I want to be of  
17 record as saying I really appreciate your candor about  
18 that, too. It's really nice to have somebody say, "We  
19 believe this will work; the evidence shows this will  
20 work; we don't know for sure, but we're willing to take  
21 a chance for access to patients."

22 Questions, comments, Board members?

23 Yes.

24 VICE CHAIRMAN HAYES: Thank you, Madam

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1           Chairman.

2                               Will you do nocturnal dialysis at this  
3           facility?

4                               MR. BURBANK:   So nocturnal dialysis --  
5           right now there is not a product that's been cleared by  
6           the FDA to do home nocturnal.   We hope to be the  
7           leading product that does that.   We're in clinical  
8           trials and hope to be submitting for that in the  
9           spring.

10                              We'll monitor whether there's an opportunity  
11           to do multiple-point nocturnal dialysis.   Most of  
12           the -- so we'll watch it but that's not our primary  
13           focus.   We want to get that nocturnal home clearance  
14           done, and we think that's where patients would prefer  
15           to do it, sleeping at home while they're doing the  
16           treatment versus coming into a center.

17                              VICE CHAIRMAN HAYES:   But isn't -- the  
18           nocturnal dialysis is already providing four to six --  
19           maybe four treatments but for six hours?   Isn't that  
20           the norm -- that's what nocturnal dialysis is right now  
21           in the state of Illinois; is that right?

22                              MR. BURBANK:   My knowledge on that --  
23           and there may be others that can correct this but -- my  
24           understanding is, when nocturnal is done at an

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1 in-center location, it's typically done three times a  
2 week so on a -- so three long treatments a week.  
3 That's the most common form of in-center nocturnal  
4 dialysis.

5 DR. WHITTIER: There's a slight  
6 difference here that we might be missing, that there's  
7 an in-center nocturnal and what we would be focusing on  
8 if the FDA came in with the approval for the NxStage  
9 machine, is we'd be doing nocturnal at home, not  
10 nocturnal in the center. It would still be a focus on  
11 home dialysis.

12 Nocturnal in the center is still three times  
13 a week in the state of Illinois.

14 MR. BURBANK: There's a continuum  
15 paradigm that I always use with folks that, on one  
16 side, we have three-time-a-week in-center dialysis; on  
17 the other side you have the native kidney that does it  
18 24 hours a day, 7 days a week.

19 What the clinical literature has said, any  
20 motion toward that ultimate goal -- whether it's longer  
21 duration three times a week, which is more typical  
22 nocturnal in-center, or more frequent or more frequent  
23 longer -- as you move in that direction, you accrue  
24 clinical benefits. You remove their -- any

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1 hypertensive medication, liberalize their diet.

2           So what we're really focused on is the other  
3 end of that continuum, and I think some centers are  
4 saying, "Well, three-time-a-week, short, in-center is  
5 not quite enough dialysis, so we're going to offer  
6 three-time-a-week nocturnal as an alternative to that."

7           It's very possible --

8           VICE CHAIRMAN HAYES: And they will come  
9 before this Board describing that.

10           MR. BURBANK: Yeah. That's not what our  
11 focus is.

12           VICE CHAIRMAN HAYES: But you're not  
13 going to -- that's not in your model here.

14           DR. WHITTIER: That's in-center and  
15 we --

16           MR. BURBANK: No. And we agreed to the  
17 same limitation. We'd call that three-time-a-week  
18 therapy. Whether it's daily or nocturnal, we don't  
19 care about that distinction.

20           We're focused on more frequent and then home,  
21 and that's really where we're trying to play a role.

22           VICE CHAIRMAN HAYES: But you do  
23 envision some people that would come into your center  
24 and stay there on the four- to six-times-per-week over

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1 a period of this longer dialysis? They don't have --  
2 they can't do home dialysis, they like the longer, so  
3 they'll be there four to six treatments a week.

4 MR. BURBANK: That's right. So that's  
5 another application that we think is underserved in the  
6 community because the way dialysis program are set  
7 up -- for the efficiency they need to be financially  
8 functional -- they do it on a Monday-Wednesday-  
9 Thursday, Tuesday-Thursday-Saturday schedule with  
10 multiple shifts.

11 It's very difficult to schedule in another  
12 patient -- or a patient for a fourth treatment because  
13 they're not typically open on Sunday, where they would  
14 have time and capacity to do it.

15 So that's the other reason why we think  
16 having stations that are available to provide the  
17 flexibility to have additional treatments during the  
18 week would be very important. That's an underserved  
19 need in the community.

20 VICE CHAIRMAN HAYES: Now, your company,  
21 it's . . . NxStage Medical, Inc.; is that correct?

22 MR. BURBANK: That's correct.

23 VICE CHAIRMAN HAYES: And this is a  
24 medical device company that produces a whole dialysis

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1 system that, I think, tries to market itself as being  
2 more convenient.

3 MR. BURBANK: That is.

4 VICE CHAIRMAN HAYES: In other words,  
5 you're providing this equipment.

6 MR. BURBANK: That's right. Yes. We've  
7 been the -- the real effort behind creating home  
8 hemodialysis in the United States. We have the vast  
9 majority of market share. Over 90 percent of home  
10 hemodialysis is done on our system. We've really been  
11 the leaders in this area, trying to create the  
12 technology and grow the market to create that option  
13 for patients across the country -- and beyond now.  
14 We're international, as well.

15 VICE CHAIRMAN HAYES: So some of the  
16 competitors in Illinois -- and they've talked to us in  
17 the public participation -- you're their -- you're  
18 their appliance. You're their client.

19 MR. BURBANK: Yeah. That's the auto  
20 industry. We work together on some things, and we  
21 compete on things so -- our two biggest customers are  
22 DaVi ta and Fresenius, yes.

23 VICE CHAIRMAN HAYES: Thank you.

24 CHAIRPERSON OLSON: Other questions or



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1 CHAIRPERSON OLSON: No. Actually, we're  
2 going to go with Mr. Galassi.

3 MR. AGBODO: Oh, Mr. Galassi.

4 Motion made by Mr. Galassi; second by Senator  
5 Demuzio.

6 MEMBER GALASSI: Thank you.

7 MR. AGBODO: Mr. Bradley.

8 MEMBER BRADLEY: I think part of the  
9 role in maintaining a healthy health care system is to  
10 encourage innovation. I think this was a very  
11 informative presentation.

12 I think they have a good plan, and  
13 I certainly hope it works, and for that reason  
14 I vote yes.

15 MR. AGBODO: Thank you.

16 Dr. Burden.

17 MEMBER BURDEN: For some of the same  
18 reasoning as expressed by Mr. Bradley, I vote yes.

19 MR. AGBODO: Justice Greiman.

20 MEMBER GREIMAN: I vote yes.

21 MR. AGBODO: Mr. Galassi.

22 MEMBER GALASSI: Yes.

23 MR. AGBODO: Mr. Hayes.

24 VICE CHAIRMAN HAYES: Yes, for the

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1 reasons described in the -- by other members.

2 MR. AGBODO: Mr. Sewell.

3 MEMBER SEWELL: Yes, for reasons  
4 previously stated.

5 MR. AGBODO: Madam Chair Olson.

6 CHAIRPERSON OLSON: Yes, for the reasons  
7 stated by Mr. Bradley.

8 MR. AGBODO: 8 yes.

9 CHAIRPERSON OLSON: Motion passes.

10 Good luck, gentlemen.

11 MR. AXEL: Thank you.

12 CHAIRPERSON OLSON: We'll be anxious to  
13 hear about it.

14 MR. BURBANK: Thank you very much.

15 CHAIRPERSON OLSON: Okay.

16 Next up we have 13-057, Parkview Home of  
17 Freeport.

18 Would the Applicant come to the table.

19 MEMBER GALASSI: I wonder if the Board  
20 could ask staff to talk to those folks and see if we  
21 can't get some feedback a year from now.

22 CHAIRPERSON OLSON: Did you hear that,  
23 Mr. Axel?

24 MR. ROATE: To follow up?

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1 MEMBER GALASSI: Yeah.

2 MR. ROATE: Annual follow-up?

3 MEMBER GALASSI: I think the Board would  
4 appreciate that.

5 CHAIRPERSON OLSON: You're talking just  
6 about information?

7 MEMBER GALASSI: Yes. Yes.

8 CHAIRPERSON OLSON: We'll arrange that.  
9 But one of the things that Dr. Burden talked  
10 about that we need to put on the fast track is to do an  
11 ESRD retreat so that we can learn more about these new  
12 modalities, too.

13 Okay. Would you raise your hands and be  
14 sworn in.

15 THE COURT REPORTER: All three of you,  
16 please raise your right hands.

17 (Three witnesses duly sworn.)

18 THE COURT REPORTER: Thank you.

19 CHAIRPERSON OLSON: State Board staff  
20 report, George?

21 MR. ROATE: Thank you, Madam Chair.

22 The Applicant is proposing to add 15 beds to  
23 its existing 30-bed long-term care facility in  
24 Freeport. The project involves both new construction

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1 and modernization of existing space.

2 Total cost of the project is \$9 million, and  
3 the anticipated completion date is April 30th, 2016.

4 A public hearing was offered on the project;  
5 no hearing was requested. State Board staff have  
6 received five letters of support and no letters of  
7 opposition in regard to this project.

8 The Applicants also wish to stipulate that  
9 the application itself contained 11 support letters in  
10 the community-related functions criteria section.

11 Thank you, Madam Chair.

12 CHAIRPERSON OLSON: Thank you, George.

13 Comments for the Board?

14 MS. GITZ: Good afternoon, Madam  
15 Chairperson and Board.

16 Ken Urban is with me. He's the chairman of  
17 our voluntary board of directors, and then Chris is our  
18 CON specialist.

19 Let me tell you first that the residents  
20 wanted us to load them up on the bus and bring them  
21 along so they could all tell you how bad they think we  
22 need this new wing, but we left them home today so --

23 CHAIRPERSON OLSON: Good choice.

24 MS. GITZ: Parkview Home is a

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1 not-a-profit 501(c)(3) private-pay facility started by  
2 local businessmen and the Freeport community. It was  
3 founded in 1914 as The Home for the Aged.

4 Over the years Parkview has evolved,  
5 expanded, and changed to meet the needs of the seniors  
6 in the Freeport community. It is the only  
7 not-for-profit locally managed facility with a  
8 volunteer board of directors consisting of local  
9 businesspeople.

10 Many people have benefited by Parkview's  
11 charitable care policy. Because we are a life care  
12 facility, our residents plan on staying at Parkview for  
13 the rest of their days and move through the levels of  
14 care we offer here in their familiar environment.

15 Many of our residents have bought into the  
16 Parkview with a lifetime care plan that guarantees they  
17 will have a skilled care bed when the need arises.  
18 With our aging population and limited number of beds  
19 available, we need this addition to allow us to fulfill  
20 our lifetime care commitment to our residents.

21 Our original buildings are becoming outdated  
22 and more difficult to keep up to code. The original  
23 wing is nearly 100 years old. While it has been kept  
24 up and maintained very well, it is cost prohibitive and

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1       nearly structurally impossible to make the necessary  
2       changes.

3               Our technology capability is limited due to  
4       the age of the building. Although our service meets  
5       and exceeds market expectations, our available  
6       accommodations have had our residents and the community  
7       asking for improvements. We received a letter recently  
8       from a husband of a former resident in our skilled care  
9       division that stated the care was wonderful but the  
10      accommodations need improvement.

11              Due to our small size, we are unable to  
12      renovate our current skilled care unit while still  
13      having a home for our residents without the new wing.  
14      We have to act now.

15              All of our current beds are in semiprivate  
16      rooms. Families and residents are requesting and  
17      demanding private rooms. They have had their own  
18      private space throughout their lives, then, all of a  
19      sudden, they have to share a room. This is difficult  
20      for both residents and for families.

21              The addition of the 15 beds would allow  
22      Parkview to meet this demand and accommodate our  
23      residents and families. In addition to more space,  
24      there is less interruption and more privacy for the

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1 residents in a private room. Our residents are  
2 constantly asking us for new skilled care units, as  
3 they do not want to go to our older wing when the need  
4 for skilled care arises.

5 Even though we do not have Medicare beds at  
6 this time, some of our residents prefer to come to our  
7 skilled care area instead of going to a Medicare  
8 facility, as this is their home. We also do not have  
9 the flexibility to use the rooms as private at this  
10 time if someone needs to be isolated for one reason or  
11 another.

12 Parkview is different in that we are a  
13 continuum of care community, and the skilled care beds  
14 are mainly there for our residents as their health care  
15 needs increase, either for a temporary or permanent  
16 stay. The addition of the 15 beds is necessary for  
17 Parkview to meet these needs.

18 We have not increased our skilled care  
19 license since February of 2010 when we changed a  
20 sheltered care room into two skilled care beds. Our  
21 areas are cramped and storage is at a minimum.

22 The new wing would consist of 15 private  
23 rooms. It would also consist of 15 additional  
24 assisted-living or sheltered care beds and 15 dementia

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1 care beds, which is in desperate need in the Freeport  
2 area.

3 This is our first step in a many-year  
4 process. Our long-range plan is to offer some of our  
5 current 30 skilled care beds as private rooms after the  
6 new wing is utilized and the bank loan repaid.

7 We also plan on finding alternative uses for  
8 our current, original wing that houses sheltered care  
9 at this time and using the new wing in its place.

10 The excess skilled care beds in Stephenson  
11 County really has little bearing on our request for  
12 15 additional beds, as we will use them primarily for  
13 the residents of our campus. If availability exists,  
14 area residents who are familiar with Parkview's  
15 long-standing excellent reputation and have planned to  
16 make Parkview their final home may be admitted on a  
17 limited basis.

18 In summary, we need the new wing to offer  
19 private skilled care rooms, upgrade our outdated  
20 facilities, and make sure we have a room for our  
21 lifetime care residents. Also, to bring the needed  
22 dementia beds to the community.

23 Please consider approving our project and  
24 issuing us a permit today so we can proceed with this

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1 much needed wi ng.

2 Thank you very much.

3 CHAIRPERSON OLSON: Thank you.

4 THE COURT REPORTER: Could you tell me  
5 your name, please. I'm sorry.

6 MS. GITZ: Debra Gitz. I'm the  
7 administer at Parkview.

8 THE COURT REPORTER: Thank you.

9 CHAIRPERSON OLSON: Questions from Board  
10 members?

11 (No response.)

12 CHAIRPERSON OLSON: I have a question.  
13 So you don't take any Medicare or Medicaid?

14 MS. GITZ: No. We're strictly private  
15 pay right now.

16 CHAIRPERSON OLSON: And so people buy in  
17 initially and then you agree to take care of them?

18 MS. GITZ: Yeah, continuum -- the CCRC  
19 like he was talking about earlier.

20 CHAIRPERSON OLSON: But if I got this  
21 correctly reading the application, your intention is to  
22 become Medicare certified?

23 MR. DIALS: That's right. We would  
24 look at having the capacity to add Medicare at a later

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1 date, yes.

2 Currently the facility is not capable of  
3 doing so.

4 CHAIRPERSON OLSON: Because?

5 MR. DIALS: Just the plant, the size of  
6 the rooms, the size of the hallways, things required  
7 for certification.

8 CHAIRPERSON OLSON: So you -- because we  
9 talk about the Medicare rating system, and you don't  
10 even have stars because you don't even --

11 MR. DIALS: That's correct, yeah.

12 MS. GITZ: Right.

13 CHAIRPERSON OLSON: I would think that  
14 would be difficult for financial viability with  
15 everybody there -- because if you commit to taking care  
16 of those patients until the end of their life, I would  
17 assume many times their money's run out long before  
18 that.

19 MS. GITZ: They pay an entrance fee to  
20 come in and that helps, along with the trust funds that  
21 the community has left us.

22 MR. DIALS: And the facility does take a  
23 few members from the greater community, and this  
24 project would increase their ability to take members

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1 from the community that aren't currently residents of  
2 the greater campus.

3 CHAIRPERSON OLSON: Senator Demuzio and  
4 then Dr. Burden.

5 MEMBER DEMUZIO: Just a quick question.  
6 What is the median income of your area there? Say  
7 Stephenson County. Any idea?

8 MS. GITZ: Boy, I don't know.

9 MR. URBAN: Median?

10 MEMBER DEMUZIO: Yeah.

11 MR. URBAN: I guess I'm not aware. It's  
12 a small community.

13 CHAIRPERSON OLSON: It's not an affluent  
14 area. I'll tell you that.

15 MEMBER DEMUZIO: So you -- so do you  
16 have more, well -- elderly? Or how -- what is the  
17 makeup of your area there?

18 MR. URBAN: Demographics?

19 MS. GITZ: The demographics -- we did a  
20 study. The demographics showed that there was an aging  
21 population.

22 MEMBER DEMUZIO: It's an aging  
23 population. Okay. But we don't know what the median  
24 income is?

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1                   40? 30? 25,000 a year? 22?

2                   MR. DIALS: I've done a number of market  
3 studies in the area, and I would say it's in the  
4 vicinity of what you're talking about.

5                   It's certainly not like Bolingbrook that  
6 we're sitting in, where the median income is more  
7 like 70, 80,000. It's definitely in the 30-to-  
8 40,000 range, yes.

9                   MEMBER DEMUZIO: Okay. So they're on  
10 either Medicare or Medicaid at some point -- probably  
11 Medicare -- and then, when they decide to come into  
12 your facility, then they go off of that; is that  
13 correct?

14                  MR. DIALS: No, not necessarily so. As  
15 a campus that offers independent living, which is  
16 basically an apartment with services --

17                  MEMBER DEMUZIO: Okay.

18                  MR. DIALS: -- and with a life care  
19 contract, you know, we have farmers that went out from  
20 the area who have lifetime savings that, you know, sign  
21 a contract with Parkview Home and pay the buy-in fee  
22 privately and then, for the most part, do not use  
23 Medicaid and Medicare services.

24                  MEMBER DEMUZIO: So the buy-in fee is

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1 based upon their income? Or is it that set fee?

2 MS. GITZ: It's based upon what type of  
3 unit they come into.

4 MEMBER DEMUZIO: What they're -- what  
5 they can afford?

6 MR. DIALS: Yeah.

7 MS. GITZ: Right.

8 MEMBER DEMUZIO: Okay.

9 CHAIRPERSON OLSON: Dr. Burden.

10 MEMBER BURDEN: I'm impressed. I've  
11 been on this Board too long, 5 1/2 years. I've never  
12 seen any institution give 9 percent of revenue to  
13 charity care.

14 Tell me. That's amazing.

15 MS. GITZ: 90 percent?

16 MEMBER BURDEN: 9 percent is mentioned  
17 here, 200 -- what it says here --

18 MS. GITZ: Did you say "9 percent" or  
19 "90 percent"?

20 MEMBER BURDEN: "9 percent." 9.

21 MS. GITZ: 9.

22 MEMBER BURDEN: We're accustomed to  
23 1 1/2 to 2, is not uncommon.

24 There's a certain member of this Board who's

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1 very interested in seeing charity care expand, but  
2 I wonder how you can make ends meet. 9 percent is --  
3 going to charity care -- I think it's admirable but --

4 MS. GITZ: From the trust funds that  
5 we've been --

6 MR. URBAN: The trust funds that we have  
7 have provided that support. There have been very many,  
8 over the years, charitable contributions of people in  
9 the community. In fact, we had a big fund-raising for  
10 this project, and it went -- it exceeded -- we were  
11 looking at -- originally, I think -- at a million. It  
12 came up to a million and a half in a very short time.

13 So the community support to desire to keep  
14 this institution going has been very strong. And to  
15 answer your question specifically, a lot of the  
16 additional support comes from some of those  
17 contributions that have been made to the long-term  
18 endowments that provide the support of those needy  
19 people.

20 MR. CARVALHO: Madam Chair, could I just  
21 follow up? Because I want to make sure that we  
22 understand because, as Dr. Burden said, you see it so  
23 rarely, you want to make sure you understand it when  
24 you see it.

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1                   Is what you characterize as charity care  
2 someone who you admit without resources or someone who  
3 you have admitted whose resources run out or someone  
4 who you have admitted whose resources you run out and  
5 the charity care is what you provide for them until you  
6 discharge them?

7                   So what is it that you do that turns into  
8 charity care?

9                   MS. GITZ: Our charity care is people  
10 that have paid their entrance fee and then they run out  
11 of funds. And they can stay living there for their  
12 entire life.

13                  MEMBER CARVALHO: Okay. So you don't do  
14 any involuntary termination and dismissals, ITDs?

15                  MS. GITZ: No.

16                  MR. CARVALHO: So once they're in,  
17 they're -- the charity -- the trust funds help keep  
18 them there if, for whatever reason -- your fee is  
19 probably based on some actuarial estimate of how long  
20 people live, and some people live longer than you  
21 estimate and --

22                  MR. URBAN: Right.

23                  MEMBER CARVALHO: Got it. Okay.

24                               Thank you.

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1 CHAIRPERSON OLSON: Mr. Bradley.

2 MEMBER BRADLEY: One thing I don't  
3 understand. You say that the additional beds will  
4 allow you to have private rooms?

5 MS. GITZ: Correct.

6 MEMBER BRADLEY: Well, let's say you  
7 have two people in a room now and you're going to  
8 move -- after this is done each of them will have a  
9 private room.

10 Why does that require the addition of a  
11 number of beds?

12 MS. GITZ: That's our long-term care  
13 plan, years down the road, to make those rooms private  
14 beds. We won't be able to do it right now because  
15 we'll need to be bringing some more money in for those  
16 beds in the meantime.

17 MR. DIALS: So at a future date, maybe  
18 we achieve all private beds, but that would include,  
19 you know, a 10-year renovation plan, which is outside  
20 the scope of this project.

21 MEMBER BRADLEY: So this doesn't have  
22 anything to do with -- this is simply adding 15 private  
23 beds?

24 MR. DIALS: Correct. So a new --



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1 with the way this institution functions, and their  
2 obvious community support is very strong.

3 I vote yes.

4 MR. AGBODO: Thank you.

5 Senator Demuzio.

6 MEMBER DEMUZIO: Yes.

7 MR. AGBODO: Judge Greiman.

8 MEMBER GREIMAN: I am fixated on what  
9 they do with the profit. They're putting up  
10 30 percent -- 34 percent of the purchase of this  
11 coupled with \$3 million.

12 So I'll vote yes but I just am curious.

13 MR. AGBODO: Mr. Galassi.

14 MEMBER GALASSI: Yes.

15 MR. AGBODO: Mr. Hayes.

16 VICE CHAIRMAN HAYES: I'm going to  
17 vote yes.

18 I understand there is a -- you know -- there  
19 is an update and we have in excess of 83 long-term beds  
20 in the area, but I think that this institution provides  
21 a service in this community and it does have the  
22 financial resources from their, you know, fund-raising  
23 and trust funds to be able to finance this project.

24 MR. AGBODO: Thank you.

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1 Mr. Sewell.

2 MEMBER SEWELL: I vote no.

3 I don't think we need the additional beds.  
4 The facility will be fine as is.

5 MR. AGBODO: Madam Chair Olson.

6 CHAIRPERSON OLSON: I vote yes for the  
7 reasons stated by Mr. Hayes.

8 MR. AGBODO: 7 yes; 1 no.

9 CHAIRPERSON OLSON: The motion passes.

10 MS. GITZ: Thank you very much.

11 MR. URBAN: Thank you.

12 MR. DIALS: Thank you.

13 CHAIRPERSON OLSON: Okay. Staying in  
14 Freeport, I guess, 13-059, Freeport Memorial Hospital  
15 in Freeport.

16 Is there anybody here from Freeport Memorial  
17 Hospital?

18 (No response.)

19 CHAIRPERSON OLSON: Okay. State Board  
20 staff report?

21 MR. ROATE: Thank you, Madam Chair.

22 The Applicant is requesting to discontinue a  
23 15-bed pediatrics category of service due to declining  
24 utilization.

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1                   There are no costs to this project, and the  
2                   completion date is set for February 2nd, 2014.

3                   Thank you, Madam Chair.

4                   CHAIRPERSON OLSON: I would note for the  
5                   Board that this -- there was no opposition and no  
6                   findings on this application.

7                   Is there discussion?

8   (No response.)

9                   CHAIRPERSON OLSON: If not, I'll  
10                  entertain a motion.

11                  MEMBER GALASSI: So moved.

12                  MEMBER BURDEN: Second.

13                  CHAIRPERSON OLSON: That would be a  
14                  motion to approve 13-059, Freeport Memorial Hospital in  
15                  Freeport, for the discontinuation of the 15-bed  
16                  pediatric category of service.

17                  MR. AGBODO: Thank you, Madam Chair.

18                  Motion made by Mr. Galassi; second by  
19                  Dr. Burden.

20                  Mr. Bradley.

21                  MEMBER BRADLEY: Yes.

22                  MR. AGBODO: Dr. Burden.

23                  MEMBER BURDEN: Yes.

24                  MR. AGBODO: Senator Demuzio.

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1 MEMBER DEMUZIO: Yes.

2 MR. AGBODO: Judge Greiman.

3 MEMBER GREIMAN: I'd like to hear what  
4 they're going to do with the space, so I'm going to  
5 vote present.

6 MR. AGBODO: Present. Thank you.

7 Mr. Galassi.

8 MEMBER GALASSI: Yes.

9 MR. AGBODO: Mr. Hayes.

10 VICE CHAIRMAN HAYES: Yes.

11 MR. AGBODO: Mr. Sewell.

12 MEMBER SEWELL: Yes.

13 MR. AGBODO: Madam Chair Olson.

14 CHAIRPERSON OLSON: Yes, based on the  
15 positive State Agency Report and 0 percent utilization  
16 in 2012 of their pediatrics beds.

17 MR. AGBODO: 7 yes; 1 present.

18 CHAIRPERSON OLSON: The motion passes.

19 Next is Naperville -- wait a minute --  
20 Fresenius Naperville Dialysis Center in Naperville,  
21 13-061, discontinuation of a 15-station ESRD facility  
22 in Naperville.

23 Do you want to --

24 MEMBER GALASSI: Flow on in.

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1 (Witness duly sworn.)

2 THE COURT REPORTER: Thank you.

3 CHAIRPERSON OLSON: State Board staff  
4 report, George?

5 MR. ROATE: Thank you, Madam Chair.

6 The Applicants propose to discontinue its  
7 15-station Naperville -- the 15-station Naperville  
8 Dialysis Center located in Naperville, Illinois.

9 There is no cost to this project, and the  
10 anticipated completion date is August 31st, 2014.

11 This project is part of the condition of  
12 approval of Application No. 11-038 for the Naperville  
13 Dialysis -- for the Naperbrook dialysis center.

14 There were no negative findings on the  
15 project and no comment or public hearing.

16 CHAIRPERSON OLSON: And I just might add  
17 for clarification, the Board actually requested, in  
18 January of 2012, the discontinuation of this facility  
19 based on the approval of the Naperbrook facility.

20 MR. ROATE: That's correct.

21 MS. RANALLI: Right.

22 CHAIRPERSON OLSON: Do you have  
23 comments?

24 MS. RANALLI: No. I'd just be happy to

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1 answer any questions you have.

2 CHAIRPERSON OLSON: Also, there were no  
3 opposition and no findings.

4 MR. ROATE: No opposition, no findings.

5 CHAIRPERSON OLSON: Questions from the  
6 Board?

7 MEMBER DEMUZIO: No, just a motion.

8 MEMBER SEWELL: Second.

9 CHAIRPERSON OLSON: Okay. I would  
10 entertain a motion, then, to approve the  
11 discontinuation of the 15-station ESRD Fresenius  
12 Naperville Dialysis Center in Naperville.

13 Senator Demuzio.

14 And a second, please?

15 MEMBER SEWELL: Second.

16 MEMBER GALASSI: Second.

17 MR. AGBODO: Motion made by Senator  
18 Demuzio; second by Mr. Sewell.

19 Mr. Bradley.

20 MEMBER BRADLEY: Yes.

21 MR. AGBODO: Dr. Burden.

22 MEMBER BURDEN: Yes.

23 MR. AGBODO: Senator Demuzio.

24 MEMBER DEMUZIO: Yes.

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1 MR. AGBODO: Judge Greiman.  
2 MEMBER GREIMAN: Yes.  
3 MR. AGBODO: Mr. Galassi.  
4 MEMBER GALASSI: Yes.  
5 MR. AGBODO: Mr. Hayes.  
6 VICE CHAIRMAN HAYES: I'm going to vote  
7 yes even though I do note that the Naperbrook facility  
8 also has an extension now on their renewal request for  
9 five months.  
10 So I hope that the patients from this  
11 dialysis center -- which I understand is in Edward  
12 Hospital -- they will be able to easily transition over  
13 to the Naperbrook or other facilities.  
14 I -- so I'm going to vote yes.  
15 MR. AGBODO: Thank you.  
16 Mr. Sewell.  
17 MEMBER SEWELL: Yes.  
18 MR. AGBODO: Madam Chair Olson.  
19 CHAIRPERSON OLSON: I vote yes based on  
20 the condition for an approval that the Board put on  
21 Fresenius in January of 2012.  
22 MS. RANALLI: Thank you.  
23 MR. AGBODO: 8 yes.  
24 CHAIRPERSON OLSON: Motion passes.

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1                   Okay. 13-062, Alexian Brothers Medical  
2 Center in Elk Grove Village, to establish a 25-bed  
3 acute mental illness category of service at its acute  
4 care hospital in Elk Grove Village.

5                   If you would be sworn in and sign the pad,  
6 please.

7                   THE COURT REPORTER: Would you raise  
8 your right hands, please.

9                   (Four witnesses duly sworn.)

10                  THE COURT REPORTER: Thank you.

11                  CHAIRPERSON OLSON: State Board staff  
12 report, George?

13                  MR. ROATE: Thank you, Madam Chair.

14                  The Applicants propose to establish an acute  
15 mental illness category of service at the Alexian  
16 Brothers Medical Center in Elk Grove Village.

17                  The 25-bed AMI unit is estimated to cost  
18 \$1.3 million, and there's an anticipated project  
19 completion date of June 30th, 2014.

20                  The Board staff notes there is no public  
21 hearing. No letters of opposition have been received,  
22 and support letters have been received by State Board  
23 staff.

24                  State Board staff notes there are negative

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1 findings in terms of planning area need and duplication  
2 of service based on an excess of 122 acute mental  
3 illness beds in the has VII planning area.

4 Thank you, Madam Chair.

5 CHAIRPERSON OLSON: Thank you, George.  
6 Comments for the Board?

7 MS. ROGERS: Good afternoon, Chairman  
8 Olson and members of the Board. My name is Tracy  
9 Rogers, and I am the senior vice president and chief  
10 operating officer of Alexian Brothers Health System,  
11 which includes Alexian Brothers Medical Center, Alexian  
12 Brothers Behavioral Health Hospital, and St. Alexius  
13 Medical Center.

14 With me at the table are Dr. Greg Teas, the  
15 chief medical officer; and Clay Ciha, the CEO of  
16 Alexian Brothers Health Hospital; and Jack Axel, our  
17 CON consultant.

18 Frankly, this is not a project that we would  
19 have brought before you 10 years ago. While the mental  
20 health needs of the communities that we are privileged  
21 to serve have not appreciably changed, the fiscal  
22 realities of providing services and the facilities  
23 required of those services have.

24 Alexian Brothers Behavioral Health Hospital

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1 is a 141-bed acute mental health hospital -- mental  
2 illness hospital -- that has had an occupancy rate of  
3 90 percent-plus for over five years. Last year they  
4 deflected approximately 1,200 patients to other  
5 providers because there wasn't a bed available for a  
6 patient.

7 In an earlier time we would be before you  
8 seeking approval to build an addition to that hospital.  
9 Today we are coming before you with a much less costly  
10 alternative and one that some would say we are  
11 fortunate to have at our disposal.

12 We are proposing to convert a  
13 medical/surgical unit at Alexian Brothers Medical  
14 Center, which is about 15 miles from our psychiatric  
15 hospital, into a 25-bed acute mental illness unit to be  
16 managed by our psychiatric hospital.

17 The clinical programs and treatment protocols  
18 that we have developed over the years will be  
19 duplicated, and care will be provided under the  
20 direction of our psychiatric hospital's team of  
21 psychiatrists, psychologists, nurses, and social  
22 workers.

23 As discussed in the State Agency Report, we  
24 have a sufficient number of patients within our own

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1 system to support an additional 25 beds, and that's  
2 without the 1200 patients that we are deflecting from  
3 our psychiatric hospital each year.

4 Alexian Brothers Health System offers the  
5 most comprehensive spectrum of acute mental health  
6 services available in our area. In addition to the  
7 inpatient, partial hospitalization, and outpatient  
8 programs we offer through our psychiatric hospital, we  
9 provide a wide scope of outpatient programs through the  
10 Alexian Center for Mental Health, which is the former  
11 publicly funded center that was on the verge of closing  
12 due to funding cutbacks in 1997.

13 We assumed responsibility for that center and  
14 have operated it ever since. Services offered through  
15 the center have been expanded, and the center, which is  
16 the primary resource for the lower-income population in  
17 our service area, has been awarded Joint Commission  
18 accreditation.

19 The project we are bringing before you today  
20 has received no opposition, and we are grateful for the  
21 support provided by Representative Moylan and Senator  
22 Kotowski, as well as organizations like the National  
23 Alliance of Mental Health Illinois, also known  
24 as NAMHI, and OCD Midwest, and we are particularly

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1 appreciative of Mr. Bruski's comments on behalf of the  
2 Kenneth Young Center this morning.

3 Our project has been planned consistent with  
4 every review criterion that we can control, and your  
5 staff report notes noncompliance with only two review  
6 criteria. These two criteria are related to one  
7 another, and I'd like to address them together.

8 Specifically, there is a calculated excess of  
9 beds in our State-designated service area, and there  
10 are hospitals located within a half hour of Alexian  
11 Brothers Medical Center that are not operating at the  
12 85 percent target occupancy rate.

13 None of the providers of inpatient  
14 psychiatric services in the area are new. They have  
15 all been providing the service for at least 5 years and  
16 most for over 20 years.

17 Patient referral patterns are set, and we are  
18 one of the very few providers that, year after year,  
19 enjoys an extraordinarily high utilization level. We  
20 think that this is a tribute to our clinicians, the  
21 scope of specialty services that we provide, and the  
22 reputation that has been earned over the years.

23 In fact, many of the hospitals not meeting  
24 the 85th target occupancy rate are actually referring

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1 and transferring patients to us. We are admitting  
2 approximately 300 patients a year as transfers from  
3 other hospitals, and even that number is limited by our  
4 bed availability.

5 For example and as discussed in our  
6 application, this year we'll be accepting approximately  
7 150 patients from Advocate Lutheran General and  
8 Northwest Community Hospital alone. Neither one of  
9 those hospitals' AMI units is operating at the target  
10 occupancy level, yet they are referring and  
11 transferring patients to us.

12 In addition and as noted in your staff  
13 report, two of the largest providers in the area,  
14 Streamwood Behavioral Health Hospital and the Scott A.  
15 Nolan Center, with a combined 287 beds, limit their  
16 services to children and adolescents. Photocopies of  
17 the face pages of their Web sites have been provided as  
18 confirmation of this limited accessibility.

19 Typically Applicants proposing either the  
20 establishment or expansion of an AMI service need to  
21 justify the number of beds, providing letters from  
22 psychiatrists documenting prospective admissions.

23 We did not have to do that. We have a  
24 sufficient number of patients at our own three

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1 hospitals, and the vast majority of these are emergency  
2 department patients desiring admission to our own  
3 psychiatric hospital but needing to go elsewhere due to  
4 lack of beds. Confirmation that we have documented  
5 demand is noted on page 14 of your staff report.

6 In conclusion, Alexian Brothers has a long  
7 history of providing high quality mental health service  
8 to the communities we serve, and we provide those  
9 services regardless of a patient's ability to pay.

10 We have historically stepped in to fill the  
11 programmatic gaps in mental health services to our  
12 community. We are proposing a responsible alternative  
13 to the building of an addition onto Alexian Brothers  
14 Behavioral Health Hospital, and the behavioral health  
15 hospital's clinical management of the proposed unit  
16 will ensure a high quality of care that residents of  
17 our service area have come to expect from our  
18 psychiatric services.

19 Thank you for your attention and your  
20 consideration, and we'd be happy to answer any  
21 questions that you have.

22 CHAIRPERSON OLSON: Thank you.

23 Questions from the Board?

24 MEMBER GALASSI: I don't have a

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1 question, but I have a comment.

2 I want to recognize and -- and thank the  
3 Alexian Brothers administration and Alexian Brothers  
4 themselves for living within their mission. This Board  
5 sees a whole lot more AMI beds taken off the charts  
6 than brought on, so I, for one, really appreciate  
7 seeing this application in front of us.

8 MS. ROGERS: Thank you.

9 CHAIRPERSON OLSON: Thank you.

10 Other comments or questions?

11 David.

12 MR. CARVALHO: Just a quick one.

13 It's really to you, Jack, because you can  
14 help reconcile this.

15 Everything about what was presented is great  
16 and good and what Alexian Brothers does is great and  
17 good. It seems that in some ways this application is  
18 the clash between the theory of CON and the theory of  
19 the free market because the whole theory of CON is  
20 absolutely at some point some facilities are going to  
21 reach capacity and people are going to be deflected to  
22 others. That's the whole point.

23 The application is seeking to increase  
24 capacity because we've reached that point. So the

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1 theory of CON would say that's not above; that's a  
2 feature, that's what's supposed to happen, is that all  
3 of the facilities in an area get to capacity as we  
4 define it -- not a hundred percent but -- in each  
5 category of service before we let new capacity be  
6 added. We don't let the marketplace decide some are  
7 going to keep growing because people want to use them  
8 and let others be unused.

9 So because of that tension, perhaps there's  
10 some way you can help reconcile why this isn't totally  
11 askew to the CON process.

12 MR. AXEL: David, another good question  
13 from you. The points you raise are good.

14 I think that, when you look at psychiatric  
15 services, it makes some sense to look at them as a  
16 specialty service like, perhaps, this Board has looked  
17 at the rehabilitation services in the past, pediatric  
18 services in the past.

19 We're fortunate living as I do, as you do, in  
20 the metropolitan Chicago area where we have a variety  
21 of levels of providers on the rehab side; we have  
22 world-renowned institutions, Rehab Institute of  
23 Chicago.

24 On the pediatric side we've got Children's

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1 Memorial. We've got some extraordinary, comprehensive  
2 providers of pediatric services and rehabilitation  
3 services.

4 We also have general hospitals, med/surg  
5 hospitals providing pediatric units, providing rehab  
6 units, typically not of the scope that are provided in  
7 those specialty hospitals.

8 What we have in the northwest suburbs are a  
9 number of providers. There's a couple psychiatric  
10 hospitals. Alexian Brothers Behavioral Health Hospital  
11 happens to be the only psychiatric hospital in the  
12 northwest suburbs that provides a full spectrum of  
13 age group-specific services.

14 For example -- and Ms. Rogers mentioned the  
15 Scott Nolan Center in Des Plaines and Streamwood  
16 Behavioral Health Hospital in Streamwood, both of which  
17 provide services only to individuals through their  
18 teenage years.

19 Here we have a facility that provides  
20 services to adolescents, to adults, to older adults.  
21 It's a facility that the other hospitals have actually  
22 come to rely on for specialty services and transfer a  
23 couple hundred patients a year into Alexian Brothers  
24 Medical Center for their specialty services even though

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1 those hospitals provide psychiatric services. There  
2 are psychiatric services and then there are psychiatric  
3 services.

4 I think one of the comments that Ms. Rogers  
5 made -- that being that all of the providers in the  
6 northwest service -- in the northwest suburbs -- have  
7 been around for quite a while and they've all had more  
8 than ample opportunity to mature; most of them have  
9 been there for 20 years -- referral patterns have been  
10 set. And those referral patterns have been established  
11 and set for a reason, and that is because certain types  
12 of patients are best treated in the programs that  
13 Alexian is offering. That's why we've got the other  
14 hospitals sending patients from their psych units  
15 into ours.

16 I hope that answers your question, David.

17 MEMBER CARVALHO: Yes. And that's  
18 helpful because, you know, especially in light of the  
19 litigious environment in which the CON process is  
20 finding itself, when there is an application that  
21 doesn't meet some standards but has reasons why the  
22 Board might be inclined to approve it anyway, it's  
23 helpful to the Board to have those articulated in a way  
24 that they can then refer back to to consider whether

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1 they're going to approve something even if all the  
2 standards haven't been met, so thank you for that.

3 MR. AXEL: Thank you.

4 And one other point: None of the other  
5 providers in the metropolitan area anywhere have voiced  
6 any opposition, whether it be through calling a public  
7 hearing, through simply sending in a letter of  
8 opposition, or providing public comment this morning in  
9 opposition to these plans.

10 CHAIRPERSON OLSON: Thank you.

11 Other questions?

12 Mr. Sewell.

13 MEMBER SEWELL: Yeah.

14 So, Jack, to push David's point a little  
15 further, if the rules were written in such a way where  
16 they reflected the actual levels of care, you're sort  
17 of implying or saying that Alexian Brothers actually  
18 has another level of acute medical illness inpatient  
19 care because they're receiving referrals from other  
20 institutions that have the same category of beds but  
21 there's more of a specialty notion?

22 Is that what you're saying or --

23 MR. AXEL: The simple answer to your  
24 question is yes. But, Mr. Sewell, if you would like

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1 greater detail, Dr. Teas can certainly walk you through  
2 a number of the specialty programs that they're  
3 offering now that aren't available elsewhere.

4 Would you like that?

5 MEMBER SEWELL: No. That won't be  
6 necessary.

7 CHAIRPERSON OLSON: Other questions or  
8 comments?

9 (No response.)

10 CHAIRPERSON OLSON: Being none, I would  
11 entertain a motion to approve 15-062, Alexian Brothers  
12 Medical Center, Elk Grove Village, to establish a  
13 25-bed acute mental illness category of service at its  
14 acute care hospital in Elk Grove Village.

15 MEMBER DEMUZIO: Motion.

16 MEMBER BURDEN: Second.

17 MR. AGBODO: Motion made by Senator  
18 Demuzio; second by Dr. Burden.

19 Mr. Bradley.

20 MEMBER BRADLEY: I would note that the  
21 vast majority of the criteria that were reviewed met  
22 our standards so -- there were only two that didn't.

23 And I would also say, personally, that, just  
24 as I praised innovation earlier, I don't think the CON

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1 process should function in a way that it penalizes  
2 success, and I think what we're being asked to do here  
3 is to support an institution that has been very  
4 successful in what it's doing.

5 And for that reason I vote yes.

6 MR. AGBODO: Thank you.

7 Dr. Burden.

8 MEMBER BURDEN: I vote yes for  
9 essentially the same reasons even though, obviously,  
10 there's an excess of beds.

11 They're doing a wonderful job and I vote yes.

12 MR. AGBODO: Senator Demuzio.

13 MEMBER DEMUZIO: I vote yes, even though  
14 there is the excess of beds. However, I want to make  
15 sure that we do have that excess just for the mere fact  
16 that -- for what happened about two weeks ago where a  
17 young man was turned away from not having beds in one  
18 of -- in our state and went home and not only shot  
19 himself but his father.

20 So we want to make sure that we have that  
21 excess available for those instances -- for those  
22 cases -- for this amount of volume so I vote yes.

23 MR. AGBODO: Thank you.

24 Judge Greiman.

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1 MEMBER GALASSI: Alexian Brothers, sir.  
2 MEMBER GREIMAN: That's fine, yeah.  
3 MEMBER GALASSI: Thank you.  
4 MR. ROATE: That's a yes, then.  
5 MR. AGBODO: Yes? Okay. Thank you.  
6 Mr. Galassi.  
7 MEMBER GALASSI: Yes.  
8 MR. AGBODO: I'm sorry.  
9 Mr. Hayes.  
10 VICE CHAIRMAN HAYES: Yes, because they  
11 have met -- 14 criteria have been met and, also, with  
12 this -- to support this institution, which has been  
13 very willing to go into an area that -- we've seen a  
14 lot more that have actually cut back services.  
15 And their innovative programs, you know,  
16 should be supported by the Board so I vote yes.  
17 MR. AGBODO: Thank you.  
18 Mr. Sewell.  
19 MEMBER SEWELL: I vote no.  
20 I suspect that what we have here is another  
21 level of acute mental illness care, but I don't think  
22 we would change a clear, unambiguous rule like this on  
23 the fly.  
24 MR. AGBODO: Thank you.

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1 Madam Chair Olson.

2 CHAIRPERSON OLSON: I vote yes for the  
3 reasons stated prior.

4 MR. AGBODO: I have 7 yes; 1 no.

5 CHAIRPERSON OLSON: Motion passes.

6 Congratulations.

7 MR. AXEL: Thank you.

8 CHAIRPERSON OLSON: Mr. Axel, just to go  
9 back for one second, we just wanted to clarify when  
10 NxStage was up here.

11 What the Board is really asking for is  
12 just -- like in a year from now -- just some -- like a  
13 letter of information just saying how is it going.  
14 I mean, we're all interested in the outcome --

15 MEMBER GALASSI: Population.

16 CHAIRPERSON OLSON: Excuse me?

17 MEMBER GALASSI: The population.

18 CHAIRPERSON OLSON: Right, what kind of  
19 patient you're seeing. We just want to know.

20 MR. AXEL: They'd be happy to provide  
21 that. And I -- it's my assumption that you will  
22 include that request in the permit letter. Or would  
23 you like me to --

24 MR. URSO: That will be part of the

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1           condi ti on --

2                                   MR. AXEL:    Yes.

3                                   MR. URSO:   -- to report back in a year.

4                                   MR. AXEL:    Absolutely no problem.

5                                   CHAIRPERSON OLSON:    Just information.

6                                   MR. AXEL:    They'll be happy to do that.

7                                   CHAIRPERSON OLSON:    Great.   Thank you.

8                                   MR. URSO:    Thank you.

9                                   CHAIRPERSON OLSON:    Okay.   13-063,

10           McDonough County District Hospital in Macomb.

11                                   Would the Applicant come to the table.

12                                   This is to discontinue a 16-bed long-term

13           care unit and a 6-bed pediatric service and reduction

14           in the med/surg bed complement from 56 to 31 beds.

15           Correct?

16                                   MEMBER GALASSI:    I think so.

17                                   CHAIRPERSON OLSON:    Okay.   If you'd be

18           sworn in, please.

19                                   THE COURT REPORTER:    Would you raise

20           your right hands, please.

21   (Five witnesses duly sworn.)

22                                   THE COURT REPORTER:    Thank you.   And

23           please sign the -- print your names.

24                                   CHAIRPERSON OLSON:    State Board staff

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1 report, George?

2 MR. ROATE: Thank you, Madam Chair.

3 In addition to the discontinuation of the  
4 facility's 16-bed long-term care unit, 6-bed pediatric  
5 category of service, and for the reduction of the  
6 medical/surgical beds from 56 to 31, the Applicants are  
7 proposing to construct a three-story addition to the  
8 hospital and to renovate the existing space.

9 The total project cost is \$39.7 million, and  
10 there's an anticipated project completion date of  
11 December 31st, 2016.

12 A public hearing was offered on this project,  
13 but no hearing was requested. No letters of support or  
14 opposition were received by State Board staff.

15 Board staff wants to point out that this  
16 project will include the construction of 10,295 gross  
17 square feet of shell space to be used in the future to  
18 establish a geriatric psychiatric unit. This will  
19 be established under a different CON application.

20 There are -- one, two, three four --  
21 five negative findings on the State Agency Report.

22 Thank you, Madam Chair.

23 CHAIRPERSON OLSON: Thank you, George.

24 Comments by the Applicant, please.

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1                   MR. BOYD: Thank you, Madam Chairperson,  
2                   members of the Board, for allowing us to come before  
3                   you this morning.

4                   My name is Kenny Boyd. I'm president and CEO  
5                   of McDonough District Hospital in Macomb, Illinois.  
6                   With me at the table is Mike Copelin, our CON  
7                   consultant; Linda Dace, our VP of finance; John Jessen,  
8                   our administrative leader of support services; and  
9                   Kent Slater, chairman of the board of directors.

10                  CHAIRPERSON OLSON: Thank you.

11                  MR. BOYD: A little bit of background on  
12                  MDH. We are a community-owned District hospital, as is  
13                  outlined under District law in the state of Illinois.  
14                  MDH opened in 1958, and one thing that we are proud of  
15                  is the facility has not levied a tax on our community  
16                  since the mid-1980s. We've been able to support  
17                  ourselves through operations and business  
18                  decision-making and exceptional care for our patient  
19                  population, which leads to a number of reasons for the  
20                  undertaking of the proposed project.

21                  The first is the fact that the building  
22                  opened in 1958. Our inpatient rooms are the original  
23                  inpatient rooms of the facility, and they are all  
24                  semi private rooms. On top of that, the emergency

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1 department -- the last time that we did any updates to  
2 our emergency department was 1980, so, hence, we are  
3 operating out of a 33-year-old emergency department.  
4 And, also, we have several ADA issues as far as access  
5 to bathrooms in the patient rooms.

6 I'll address those when addressing the --  
7 some of the negative findings in the State Agency  
8 Report. The first had to do with the size of the  
9 project.

10 Our medical/surg beds, the rooms inside are  
11 larger than what is listed inside of the -- your  
12 guidelines. The main reason behind this is the fact  
13 that we are going to work with -- inside the  
14 constraints of the existing building; that is, the  
15 support columns on the building as well as the window  
16 placements in the current building.

17 So our proposal is to gut the current  
18 semi-private patient rooms, rebuild them as private  
19 rooms, hence allowing the institute to convert to  
20 private patient rooms, which is not only the new  
21 industry standard but, also, the expectation of  
22 patients throughout the community that we serve.

23 By doing this and converting a semi-private  
24 room to a private room, hence the larger square footage

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1 per room size that was noted inside of our application.

2 And the emergency department. It has also  
3 been noted that the size of the emergency department is  
4 larger than what is inside of the Board's requirements.  
5 There are multiple reasons behind this -- behind this,  
6 as well, in our proposed new emergency department.

7 The first is the fact that we are located  
8 30 minutes away from the next nearest facility which  
9 are critical access hospitals. The next nearest  
10 facility with like services and ability of ours is  
11 45 minutes away from us.

12 Adding to that, the fact that we're also home  
13 to Western Illinois University, so nine months a year  
14 our population almost doubles with the influx of  
15 students into the community during the school year.  
16 With that, we have to ensure that we minimize the need  
17 for the facility to go on bypass at any point during  
18 the year to ensure we can provide the services to our  
19 community as needed.

20 In addition to that, we also own and operate  
21 the County ambulance and EMS service. Those services  
22 are also housed inside of our emergency department,  
23 therefore driving the need for additional space to  
24 handle that, which are not inside of a normal

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1 hospital's emergency room.

2           Lastly, we'll deal with bed size inside of  
3 the emergency room. The current standards justify  
4 8 rooms, and we are proposing 10 rooms. If you look at  
5 our projections into 2017, the projections would  
6 support 9 rooms. We are recommending inside of our  
7 plan to propose a tenth room, and that tenth room would  
8 be a psychiatric room inside of the emergency  
9 department.

10           Psychiatric services in west central  
11 Illinois -- access to those -- are extremely difficult  
12 and have been made more so because of the closing of  
13 some State facilities and the reduction in funding for  
14 mental health services across the state. Because of  
15 that we find ourselves on a regular basis with patients  
16 in the emergency room being held until we can find  
17 appropriate placement for them in an inpatient unit.

18           Therefore, we're proposing the construction  
19 of a tenth room to be a psychiatric room that would be  
20 safe for patients to be held in until we can find them  
21 appropriate placement at an inpatient facility so that  
22 they could achieve the treatment they need.

23           With that, I would defer to the Board for any  
24 questions that they may have.

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1 CHAIRPERSON OLSON: Thank you.

2 Questions?

3 Mr. Sewell.

4 MEMBER SEWELL: Yes.

5 Would you say a little more about why you  
6 need to put the shell space proposal in this  
7 discontinuation proposal instead of your future plans  
8 for geriatric psychiatric.

9 MR. BOYD: Yes, sir.

10 MEMBER SEWELL: Why is it even in this  
11 application?

12 MR. BOYD: The shell space is there  
13 simply because it is more cost-efficient for us to  
14 build the space now than it is to come back, and it's  
15 also much less disruptive. If we did the shell space  
16 later, we would have to shut down access to the  
17 emergency room to build the shell space, therefore  
18 increasing costs and, also, increasing access issues  
19 for our emergency services as well as our patient  
20 population.

21 MR. COPELIN: The other reason that it's  
22 in there now is because of the fact that it's the  
23 middle floor of a three-story addition. In order to  
24 make the connections we need to make with the other

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1 floors, that was the best place to put it.

2 And we hope to have that application in to  
3 you within the next 30 to 60 days.

4 CHAIRPERSON OLSON: Other questions?

5 MEMBER GALASSI: I just -- so you're a  
6 County District facility?

7 MR. BOYD: Yes, sir.

8 MEMBER GALASSI: Owned and operated by  
9 the County? Or is the District a separate, independent  
10 entity?

11 MR. BOYD: The District encompasses the  
12 County. So that we are -- we are a District hospital;  
13 hence, the assets are owned by the District.

14 MEMBER GALASSI: And there's no tax --  
15 there's no levy?

16 MR. BOYD: No. We have not levied a tax  
17 since the mid-1980s.

18 MEMBER GALASSI: That's remarkable.  
19 Thank you.

20 CHAIRPERSON OLSON: Other questions or  
21 comments?

22 (No response.)

23 CHAIRPERSON OLSON: I was wondering if  
24 you could address the 38.72 per square foot over the

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1 State standard for the modernization. Can somebody  
2 address that? That seems some -- that seems  
3 exceptional.

4 UNIDENTIFIED MALE: On modernization  
5 cost?

6 CHAIRPERSON OLSON: Yes.

7 UNIDENTIFIED MALE: Yes.

8 I guess, from a modernization process, we're  
9 running the gamut of what they include. As Kenny  
10 mentioned, our hospital was built in 1958 -- can you  
11 hear me?

12 MR. URSO: Move it closer, maybe.

13 UNIDENTIFIED MALE: The patient -- acute  
14 care patient rooms are in the wings that go back to the  
15 original 1958 project, so they're including much more  
16 than cosmetic upgrades. There's a considerable amount  
17 of plant upgrades to our building infrastructure, new  
18 windows, plumbing, electric, HVAC upgrades from what  
19 was there.

20 It does add the required number of ADA  
21 patient bathrooms, which none of our existing patient  
22 rooms have ADA bathrooms. And it enlarges all the  
23 patient bathrooms, not necessarily up to ADA size but  
24 larger than what they are now. It adds showers to all

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1 the patient rooms, none of which now currently have  
2 their own showers.

3 There's some asbestos abatement anticipated,  
4 given the age of the building.

5 And the patient wings, the way they sit,  
6 they're -- they sit on the second and third floor of  
7 the hospital -- directly over the first floor,  
8 obviously -- but the first floor contains all of our  
9 outpatient services.

10 And with the infrastructure upgrades and the  
11 need for the vertical integration and tying into  
12 existing items, a lot of the work's going to have to be  
13 done on premium hours, after the outpatient services  
14 are closed, to get access to those areas, so we're  
15 figuring premium wages for overtime or after-hours  
16 work.

17 And then, also, we are -- as a District  
18 hospital we are required to pay prevailing wage rates  
19 for all laborers on the project, so that would be  
20 another reason we feel that the costs would be slightly  
21 higher for our project.

22 CHAIRPERSON OLSON: Thank you.

23 I'm sorry Mr. Penn wasn't here to hear that.  
24 Justice.

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1                   MEMBER GREIMAN: You indicate that you  
2 will have to borrow about 90 percent -- or maybe 85,  
3 88 percent -- of the construction costs. How will you  
4 raise -- how is that intended to be raised?

5                   MS. DACE: I'm sorry. I didn't hear the  
6 question. How was it . . .

7                   MR. BOYD: Can you repeat the last part  
8 of your question, please?

9                   MEMBER GREIMAN: Yeah.

10                   How are you -- you have a rather small  
11 equity. How are you raising the rest of the money?

12                   MS. DACE: Well, actually, we have -- in  
13 our cash position we have the \$4 million, and the rest  
14 of it we will be borrowing through a direct bank loan.

15                   MEMBER GREIMAN: Through a mortgage?

16                   MEMBER GALASSI: Yeah.

17                   MEMBER GREIMAN: Is that it? Will the  
18 mortgage be on the whole property or just on this  
19 property?

20                   MS. DACE: It will be based on the  
21 revenues of the hospital. We won't be mortgaging  
22 anything for security.

23                   We do --

24                   MEMBER GREIMAN: So the hospital will be

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1           totally involved with the mortgage? Is that it?

2                           MS. DACE: Yes. And we do have  
3           \$27 million in a funded depreciation account that is  
4           not included in our current assets, but it is  
5           available -- that we fund on an annual basis through  
6           our budgeting process -- for capital projects.

7                           But the rates currently as they are, we felt  
8           that it was a better situation.

9                           MEMBER GREIMAN: Okay. Keep the  
10          27 million. Okay.

11                          MEMBER GALASSI: And, again --  
12          I'm sorry.

13                          CHAIRPERSON OLSON: Other questions?

14                          MEMBER GALASSI: No, that's okay.

15                          CHAIRPERSON OLSON: Mr. Sewell.

16                          MEMBER SEWELL: Oh, I thought  
17          Mr. Galassi had a question.

18                          CHAIRPERSON OLSON: He said -- are you  
19          passing?

20                          MEMBER GALASSI: I'm just -- I'm still  
21          not clear.

22                          The 27 million fund you mentioned, that's the  
23          District fund?

24                          MS. DACE: Those are the funds of the

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1 hospital that we have set aside for our project.

2 MEMBER GALASSI: Just the hospital?

3 MS. DACE: Yes.

4 MEMBER GALASSI: Thank you.

5 CHAIRPERSON OLSON: Mr. Sewell.

6 MEMBER SEWELL: Yeah.

7 I wanted to ask about your financial  
8 viability because you went off on some of the ratios.  
9 And I don't know if this is a question for you or our  
10 staff.

11 One of these ratios, this percent debt to  
12 total capitalization and --

13 MR. URSO: Mr. Sewell, use the  
14 microphone.

15 MEMBER SEWELL: I'm sorry?

16 MR. URSO: Use the microphone, please.

17 MEMBER SEWELL: Oh, yeah. I'm mumbling  
18 here.

19 MEMBER BURDEN: That's all right.

20 MEMBER SEWELL: This one ratio is --  
21 the percent debt to total capitalization it says is not  
22 applicable. It is not applicable -- why is it not  
23 applicable since debt is involved here?

24 MR. ROATE: I believe it was deemed

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1 applicable -- or not applicable -- based on the fact  
2 that there is -- that their . . . the -- or the income  
3 or the source of funds is going to be through a bond  
4 issuance as opposed to a straight mortgage.

5 MR. COPELIN: The other reason it's not  
6 applicable -- or it wasn't applicable in the  
7 historical -- is because we don't owe anybody anything.

8 MEMBER SEWELL: I see. Oh, yeah, for  
9 these years.

10 MR. COPELIN: For those years there's  
11 no debt.

12 MEMBER SEWELL: That's right. The debt  
13 obligation will be used in the future because of what  
14 you're trying to do.

15 MR. COPELIN: In the future.

16 MEMBER SEWELL: Okay. I got thrown off  
17 on that.

18 What about some of the others that you don't  
19 meet? Can you give us sort of a -- your assessment as  
20 to why you're off on some of these?

21 MS. DACE: Yeah.

22 I think the one that we were off on was the  
23 current ratio.

24 MEMBER SEWELL: Yeah.

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1 MS. DACE: As I mentioned, we do have  
2 \$27 million in a variety of capacities. 20 of that is  
3 in a funded depreciation account; 7 of that we set  
4 aside as a safety reserve.

5 Those items aren't in our current assets, but  
6 as a District hospital we invest those, and we're  
7 required to invest those in certain government paper.  
8 And those investments are laddered such that they  
9 become available to us in a flexible fashion when we  
10 need them.

11 MEMBER SEWELL: Uh-huh. Okay.

12 CHAIRPERSON OLSON: Other questions or  
13 comments?

14 MEMBER CARVALHO: Just one.

15 CHAIRPERSON OLSON: Mr. Carvalho.

16 MR. CARVALHO: Quick one: I can't seem  
17 to get Internet access, so I just wanted to confirm --  
18 I've been looking at an older profile of the  
19 hospital -- and just see if this still reflects.

20 It said -- one of your older profiles  
21 indicated that your payer mix is about -- in terms of  
22 revenue -- is about 57 percent Medicare, 31 percent  
23 private insurance, and about 5 percent Medicaid.

24 Is that still about what -- where you are?

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1 MS. DACE: Yeah. Our current payer mix,  
2 we enjoy about 26 percent contracts and managed care  
3 contracts.

4 We have about 40, 45 percent Medicare,  
5 10 percent Medicaid, and the rest are just basic other  
6 insurances --

7 THE COURT REPORTER: I'm sorry. "The  
8 rest are" . . .

9 MS. DACE: Other insurances that we're  
10 not contracted with and self-pay.

11 THE COURT REPORTER: Thank you.

12 MEMBER CARVALHO: So your Medicaid is up  
13 a little bit and your Medicare is down a little bit  
14 since the last form?

15 MS. DACE: Yes.

16 MR. CARVALHO: Thanks.

17 CHAIRPERSON OLSON: Doctor.

18 MEMBER BURDEN: Yes. That was along the  
19 line that I was going to ask, if I might.

20 CHAIRPERSON OLSON: In the microphone,  
21 please.

22 MEMBER BURDEN: Is there some estimate  
23 of med/surg occupancy? Just how active is this  
24 hospital? You're dropping down to 31 beds.

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1                   Can you give me some idea? There's no  
2 hospital profile with this application, which David  
3 alluded to. I was looking for it.

4                   MR. COPELIN: Bear with me for just a  
5 second, Doctor.

6                   MEMBER BURDEN: I assume you have one  
7 more recent than the previously mentioned one.

8                   MR. COPELIN: Yes. We . . . the  
9 patient -- the patient days for medical/surgical for  
10 2012 was 5,424. We have not completed the 2013 year  
11 yet, and that . . .

12                  MEMBER BURDEN: The occupancy percentage  
13 for 50-some-odd beds must have been suboptimal if there  
14 was --

15                  MR. COPELIN: Right. It very definitely  
16 is. And we still maintain that we will not be able to  
17 achieve the 75 percent occupancy that you require  
18 because of the fact that we are maintain -- we're  
19 maintaining 31 of those beds, and we will -- we don't  
20 want to reduce that further because it puts us too much  
21 in danger of going on bypass because our fee  
22 occupancies exceed that 31 beds, on an average, for the  
23 last five years, I believe.

24                  And so we wanted -- the 31 beds was as far we

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1 thought we could go. It still will not meet your  
2 requested occupancies. But we have stated that in the  
3 application that, in good conscience, we couldn't say  
4 that we'll get there because we don't think we will,  
5 but we also don't think we can go any lower and ensure  
6 that we have a bed available. And given the fact that  
7 there are -- it's at least 30 minutes to the next  
8 closest hospital, we can't afford to bypass -- or to go  
9 on bypass or to not have a bed available.

10 MEMBER BURDEN: How many students come  
11 down there during the scholastic year?

12 MS. DACE: About 12,000.

13 MEMBER BURDEN: 12,000?

14 MR. COPELIN: There's approximately  
15 12,000 students at the University -- or Western  
16 Illinois University.

17 MEMBER BURDEN: That's Western?

18 MR. COPELIN: Yes.

19 MEMBER BURDEN: Thank you.

20 CHAIRPERSON OLSON: Other questions or  
21 comments?

22 (No response.)

23 CHAIRPERSON OLSON: There being none,  
24 I'll entertain a motion to approve 13-063, McDonough --

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1 am I saying that right?

2 MR. BOYD: McDonough.

3 CHAIRPERSON OLSON: -- McDonough County  
4 District Hospital in Macomb.

5 This is a modernization and includes  
6 discontinuation of a 16-bed long-term care unit,  
7 discontinuation of a 6-bed pediatric service, and  
8 reduction of medical/surgical beds from 56 to 31 beds.

9 May I have a motion?

10 MEMBER GREIMAN: So moved.

11 MEMBER BURDEN: Second.

12 MR. AGBODO: Motion made by Judge  
13 Greiman; second by Dr. Burden.

14 Mr. Bradley.

15 MEMBER BRADLEY: Yes.

16 MR. AGBODO: Dr. Burden.

17 MEMBER BURDEN: I'll vote yes even  
18 though there are some criteria somewhat of concern.  
19 But there isn't any option in the immediate area for  
20 medical care of substance and I'll vote yes.

21 MR. AGBODO: Thank you.

22 Senator Demuzio.

23 MEMBER DEMUZIO: Yes.

24 MR. AGBODO: Judge Greiman.

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1 MEMBER GREIMAN: Yes.

2 MR. AGBODO: Mr. Galassi.

3 MEMBER GALASSI: Yes, for reasons  
4 stated.

5 MR. AGBODO: Mr. Hayes.

6 VICE CHAIRMAN HAYES: Yes. They met  
7 16 criteria, and I think that there isn't an option,  
8 realistic option, for this area and because of the  
9 population of students.

10 And so I vote yes.

11 MR. AGBODO: Thank you.

12 Mr. Sewell.

13 MEMBER SEWELL: I'm going to vote yes  
14 because I think that the Applicant's presentation has  
15 put in context the State Agency Report findings that  
16 are negative. This financial viability standard  
17 probably is more a by-product of them being a part of  
18 the District than anything else.

19 So I vote yes.

20 MR. AGBODO: Thank you.

21 Madam Chair Olson.

22 CHAIRPERSON OLSON: I vote yes for all  
23 the reasons stated.

24 MR. AGBODO: Thank you.

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CONCERTO DIALYSIS CRESTWOOD CARE CENTRE**

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1                   8 yes.

2                   CHAIRPERSON OLSON: Motion passes.

3                   Congratulations.

4                   MR. COPELIN: Thank you.

5                   MR. BOYD: Thank you.

6                   CHAIRPERSON OLSON: We're going to take

7 a -- 5 minutes? 10 minutes?

8                   How many minutes do your fingers need?

9                   THE COURT REPORTER: Five is good.

10                  CHAIRPERSON OLSON: -- five-minute

11 break.

12                  We'll be back at 2:35.

13                                (Recess taken, 2:25 p.m. to

14                                2:35 p.m.)

15                                (Ex-officio Member Hammoudeh left

16                                the proceedings.)

17                  CHAIRPERSON OLSON: Okay. If we can

18 reconvene and finish up here, please.

19                   13-065, Concerto Dialysis Crestwood Care

20 Centre in Crestwood. This is for the authorization of

21 a change of ownership of a seven-station ESRD facility

22 in Crestwood.

23                   If the Applicants would come to the table and

24 be sworn in, please.

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1 THE COURT REPORTER: Would you raise  
2 your right hands, please.

3 (Three witnesses duly sworn.)

4 THE COURT REPORTER: Thank you. Please  
5 print your names.

6 CHAIRPERSON OLSON: State Board staff  
7 report, please, George.

8 MR. ROATE: Thank you, Madam Chair.

9 The Applicants, Symphony Healthcare, are  
10 proposing to acquire control of Direct Dialysis, an  
11 existing seven-station ESRD facility located in --  
12 Crestwood Care Centre located at 14255 South Cicero  
13 Avenue in Crestwood.

14 The proposed cost of the transaction is  
15 \$594,717. The anticipated project completion date is  
16 January 31st, 2014.

17 There was no public hearing, and there were  
18 no letters of support or opposition received in regard  
19 to the project.

20 And the State Board had no negative findings  
21 on the project.

22 Thank you, Madam Chair.

23 CHAIRPERSON OLSON: Thank you, George.

24 Since there are no negative findings and no

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CONCERTO DIALYSIS CRESTWOOD CARE CENTRE**

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1           opposition, would you like to -- do you have a  
2           statement you'd like to make or do you --

3                           UNIDENTIFIED MALE:    Sure.

4                           We don't have to.    That's fine.

5                           CHAIRPERSON OLSON:   Okay.   If we have  
6           questions, I mean -- do people have questions for the  
7           Applicant?

8                           MEMBER GREIMAN:    Yeah, I have a  
9           question.

10                          CHAIRPERSON OLSON:    Sure.

11                          MEMBER GREIMAN:    So you're going to --  
12           you're renting the bottom floor; right?

13                          How long a lease is it?

14                          MR. MUNTER:    Do you want me to take it?

15                          So the lease -- assuming this transaction is  
16           approved, sir -- would be approximately five years.

17                          MEMBER GREIMAN:    Five years.

18                          MR. MUNTER:    Yes.

19                          MEMBER GREIMAN:    And explain to me --  
20           I'm not sure -- so it's -- that -- its fair market  
21           value is the value of most of this 500-and-some  
22           thousand dollars.

23                          MR. MUNTER:    Right.

24                          MEMBER GREIMAN:    What does that mean?

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CONCERTO DIALYSIS CRESTWOOD CARE CENTRE**

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1           How much are you putting in? How much do you have to  
2           write a check for to get into a rental place?

3                       MR. MUNTER: I'm sorry. I couldn't hear  
4           that.

5                       CHAIRPERSON OLSON: He wants to know how  
6           much the check is for.

7                       MR. MUNTER: There are a couple things.  
8                       We have to write a check immediately for  
9           roughly \$16,000 for the equipment, so starting there.

10                      MEMBER GREIMAN: Okay.

11                      MR. MUNTER: And the bulk of the -- of  
12           the transaction value here is essentially five years  
13           worth of rent going forward.

14                      MEMBER GREIMAN: So you're going to pay  
15           rent -- so it's -- the rest of it is rent?

16                      MR. MUNTER: It's the fair market value  
17           of rent based on square footage in the building.

18                      MEMBER GREIMAN: Okay. All right.  
19           Okay.

20                      CHAIRPERSON OLSON: Other questions or  
21           comments?

22                      Doctor.

23                      MEMBER BURDEN: Mine are more on the  
24           human interest.

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CONCERTO DIALYSIS CRESTWOOD CARE CENTRE**

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1                   Who's the musician? "Concerto"?

2                   CHAIRPERSON OLSON: The musician?

3                   MR. MUNTER: Take the mic.

4                   MEMBER BURDEN: Everybody's got a small  
5 piece of the action. I'm just -- why is somebody  
6 else --

7                   MR. HARTMAN: Honestly, it was -- it's  
8 pretty easy. We came up with --

9                   MEMBER BURDEN: What?

10                  MR. HARTMAN: We really -- we were going  
11 to name it Symphony Healthcare where "symphony," to us,  
12 is the coming together of many different people to do  
13 wonderful things for the good of the community.

14                  So that's where "Symphony Healthcare" came  
15 from.

16                  MEMBER BURDEN: I like that line,  
17 Doctor.

18                  MEMBER DEMUZIO: Wow.

19                  CHAIRPERSON OLSON: Okay.

20                  I would entertain a motion, then, to approve  
21 13-065, Concerto Dialysis Crestwood Care Centre in  
22 Crestwood, for a change of ownership of a seven-station  
23 ESRD facility.

24                  MEMBER DEMUZIO: Motion.

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CONCERTO DIALYSIS CRESTWOOD CARE CENTRE**

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1 MEMBER GALASSI: Second.  
2 MR. AGBODO: Motion made by Senator  
3 Demuzio; second by Mr. Galassi.  
4 Mr. Bradley.  
5 MEMBER BRADLEY: Yes.  
6 MR. AGBODO: Dr. Burden.  
7 MEMBER BURDEN: Yes.  
8 MR. AGBODO: Senator Demuzio.  
9 MEMBER DEMUZIO: Yes.  
10 MR. AGBODO: Judge Greiman.  
11 MEMBER GREIMAN: Yes.  
12 MR. AGBODO: Mr. Galassi.  
13 MEMBER GALASSI: Yes.  
14 MR. AGBODO: Mr. Hayes.  
15 VICE CHAIRMAN HAYES: Yes.  
16 MR. AGBODO: Mr. Sewell.  
17 MEMBER SEWELL: Yes.  
18 MR. AGBODO: Madam Chair Olson.  
19 CHAIRPERSON OLSON: Yes.  
20 MR. AGBODO: 8 yes.  
21 CHAIRPERSON OLSON: Motion passes.  
22 Go make music.  
23 MR. HARTMAN: Thank you. Thank you so  
24 much.

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**AEGEAN MED TRANSITIONAL CARE CENTER OF LOCKPORT**

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1 THE COURT REPORTER: Excuse me. Could  
2 you tell me who you are, please.

3 MR. MUNTER: Oh, Michael.  
4 I'm sorry. Mike Munter.

5 MR. HARTMAN: David Hartman, CEO.

6 MR. HYLAK-REINHOLTZ: Joseph  
7 Hylak-Reinholtz.

8 THE COURT REPORTER: Thank you.

9 MR. MUNTER: Thank you.

10 MR. HARTMAN: Thank you.

11 CHAIRPERSON OLSON: Okay.

12 Next up we have 13-048, AegeanMed  
13 Transitional Care Center of Lockport.

14 THE COURT REPORTER: Would you raise  
15 your right hands, please.

16 (Four witnesses duly sworn.)

17 THE COURT REPORTER: Thank you.

18 CHAIRPERSON OLSON: State Board staff  
19 report, George?

20 MR. ROATE: Thank you, Madam Chair.

21 The Applicants propose to construct and  
22 operate AegeanMed Transitional Care Center of Lockport,  
23 a short-term skilled rehabilitation nursing facility.  
24 This facility will consist of 110 skilled care beds and

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**AEGEAN MED TRANSITIONAL CARE CENTER OF LOCKPORT**

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1           30 recovery suites to be licensed as assisted living.

2                   The anticipated cost of the project is 25 --  
3           approximately \$25 million. The anticipated project  
4           completion date is October 30th, 2015.

5                   A public hearing was offered on the project;  
6           however, no hearing was requested. The application  
7           contains 14 letters of support, no letters of  
8           opposition, and State Board staff have four negative  
9           findings to report on page 4 of the State Agency  
10          Report.

11                   Thank you, Madam Chair.

12                   CHAIRPERSON OLSON: And just for  
13          clarification, this is the same application that was  
14          deferred from the November 5th --

15                   MR. ROATE: Yes, ma'am.

16                   CHAIRPERSON OLSON: Comments for the  
17          Board?

18                   DR. ROUMELIOTIS: Yes. Good afternoon.

19                   My name is Dr. Peter Roumeliotis. I'm the  
20          executive -- chief executive officer of AegeanMed  
21          Healthcare, LLC. I am also an internal medicine  
22          physician with a full-time practice in Morris,  
23          Illinois.

24                   Seated to my left here is my wife,

**REPORT OF PROCEEDINGS -- 12/17/2013**  
**AEGEAN MED TRANSITIONAL CARE CENTER OF LOCKPORT**

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1           Patty Roumeliotis. She is my partner in AegeanMed  
2           Healthcare and is a neonatal intensive care nurse at  
3           Edward Hospital in Naperville.

4                       Seated to my far left is Chris Dials from  
5           Revere Healthcare, and seated to my right here is  
6           Ed Green, our lawyer from Foley & Lardner.

7                       We are appearing before you today on our  
8           application to establish a 110-bed transitional skilled  
9           nursing facility along with 30 assisted-living/  
10          restorative care apartments in Lockport, Illinois.

11                      I would like to note at the onset that there  
12          are no objections to this project and that we have  
13          received overwhelming support from the community, local  
14          area hospitals, and other area physicians.

15                      I would also like to note that we made a  
16          supplemental filing on November 27th, and those papers  
17          had been attached to the State Agency Report. But  
18          based on my review of the State Agency Report, the  
19          information and materials set forth in our supplemental  
20          finding did not get incorporated into the State Agency  
21          Report.

22                      That said and consistent with the custom  
23          before this Board, I wanted to focus on the four  
24          negative findings listed in the State Agency Report.

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1 Three of the four findings concern the need for the  
2 project, and the fourth finding concerns the  
3 availability of funds for the project.

4 Taking the availability of funds first, as  
5 part of our supplemental filing we submitted two  
6 commitment letters from our lenders and capital  
7 sources. I have also provided information about my own  
8 finances and my ability to finance the equity portion  
9 of this transaction.

10 Between my cash and the commitment letters  
11 from our lenders and capital source, this project has  
12 its financing secured, so I think we have satisfied the  
13 requirements of Criteria 1125.800 regarding the  
14 availability of funds.

15 In terms of need, there's no doubt that the  
16 Board is currently showing an excess of 169 long-care  
17 beds in the Will County planning area.

18 I do not and cannot dispute the Board's  
19 calculation of the need for the Will County planning  
20 area, but I can offer the following: I have been  
21 seeing patients for 20 years in the planning area. I  
22 have a very robust practice. I am currently the  
23 medical director of three skilled nursing facilities,  
24 the medical director of two hospices, medical director

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1 of three home health care agencies, and I am also a  
2 member of the board of directors of the Morris  
3 Hospital. In other words, I have an intimate  
4 understanding of the service area and the long-term  
5 care options available to my patients.

6 Based on that insight, I can say today  
7 without hesitation that there is an unmet need for  
8 specialized long-term care in Lockport. There is  
9 literally only one skilled care facility located within  
10 20 minutes of our project. That skilled -- single  
11 skilled care facility is Hillcrest Nursing and Rehab  
12 Center in Joliet with 168 licensed beds.

13 As some members of this Board may or may not  
14 know, Hillcrest has lost its star rating and has been  
15 the subject of numerous regulatory actions. Indeed, if  
16 the newspaper articles are accurate, Hillcrest has  
17 already lost its Medicare and Medicaid certifications  
18 and is currently in litigation to preserve its  
19 IDPH license.

20 Thus, in my opinion, Hillcrest is not a  
21 viable option for the people --

22 CHAIRPERSON OLSON: Doctor, I need you  
23 to stick to your project. We can't even -- we get it.

24 DR. ROUMELIOTIS: Okay. All right.

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1           I think that the fact that we have obtained  
2           so many referral and support letters from the local  
3           area hospitals and well-regarded physicians also  
4           demonstrates that the localized need for long-term care  
5           in and around Lockport is very real, even if the larger  
6           service area of Will County -- which is quite expansive  
7           in size -- does not show any need for additional  
8           long-term care beds.

9           So for these reasons I think we have actually  
10          demonstrated the need for our project in the localized  
11          area of Lockport. I could keep talking for hours and  
12          sharing my own personal observations as a physician  
13          about the planning area need, but I wanted to be brief,  
14          especially at this late hour.

15          Finally, I wanted to tell you what makes this  
16          project special.

17          First and foremost, I am a physician and I am  
18          committed to serving my patients. I am doing this to  
19          provide a necessary service to my community and deliver  
20          the types of innovative transitional rehabilitation  
21          services that are needed in the Lockport area but not  
22          currently provided by other skilled nursing facilities  
23          in that area.

24          I would not have embarked upon this mission

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1           if the other operators were able to meet the needs of  
2           my patients and/or the needs of the localized planning  
3           area. So, in other words, I have decided -- spending  
4           my own money and offering up my personal guaranty to  
5           the lender so I can do my small part to make the  
6           community be a little better.

7                         With that, I would like to thank each and  
8           every one of you for listening to me today and for your  
9           efforts in reviewing our materials.

10                        Thank you.

11                        CHAIRPERSON OLSON: Thank you, Doctor.

12                        Questions from the Board members?

13                        MEMBER GALASSI: Doctor, I was  
14           looking -- I couldn't find a map in my packet.

15                        Where will this be going in Lockport?

16                        DR. ROUMELIOTIS: It is approximately  
17           3 miles as the crow flies from the new Silver Cross  
18           Hospital. It's 4 miles by car.

19                        MEMBER GALASSI: Thank you.

20                        DR. ROUMELIOTIS: And there's no other  
21           skilled nursing facility within 18 minutes.

22                        MEMBER GALASSI: Thank you.

23                        CHAIRPERSON OLSON: I had one question.

24                        These two letters of intent from your

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1 funder --

2 DR. ROUMELIOTIS: Yes.

3 CHAIRPERSON OLSON: -- both of them

4 state that they expire on 11/29 of '13.

5 DR. ROUMELIOTIS: 11 -- no. That was

6 for me to sign the document.

7 MEMBER BRADLEY: And did you?

8 CHAIRPERSON OLSON: The copy --

9 DR. ROUMELIOTIS: Yes. It's in part --

10 it's actually on the Web site. It was scanned in. So

11 it was signed prior to that date.

12 CHAIRPERSON OLSON: It says, "If the

13 enclosed copy of the commitment is not executed by the

14 company and delivered to ECLLC no later than

15 November 29th at four o'clock" --

16 DR. ROUMELIOTIS: Correct.

17 CHAIRPERSON OLSON: -- "the commitment

18 is null and void."

19 DR. ROUMELIOTIS: Right. And it was

20 signed and it is on the Web site, but for some reason

21 it's not in the packet.

22 MR. GREEN: Right. This ties into the

23 whole -- this ties into the -- some of the issues with

24 the supplemental filing.

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1                   The supplemental filing was made -- the  
2                   actual executed Eastern Capital commitment letters were  
3                   attached; they were executed within the time. But for  
4                   some reason those were not attached to the State Agency  
5                   Report, but they are up on your Web site.

6                   That's what he's saying. So there's a link  
7                   to those.

8                   CHAIRPERSON OLSON: No, I have those.  
9                   But you mean at the November 5th meeting they were not  
10                  attached?

11                  MR. GREEN: No, the supplemental filing  
12                  that was made on November 27th or 28th.

13                  DR. ROUMELIOTIS: 27th.

14                  MR. GREEN: But they're there now and  
15                  they have been executed.

16                  DR. ROUMELIOTIS: And they are signed  
17                  and they are available on the Web site. You can see  
18                  the signed version.

19                  MR. ROATE: They are on the Web site.  
20                  They did not go out -- or they weren't in our hands in  
21                  time for the printing because we had to send them out  
22                  to be printed.

23                  CHAIRPERSON OLSON: Okay.

24                  MR. ROATE: But we do have them on the

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1 Web site.

2 MEMBER BRADLEY: So in the view of  
3 staff, is the availability-of-funds question now  
4 answered successfully?

5 MR. ROATE: That would be satisfied,  
6 yes.

7 MEMBER BRADLEY: So we can take that off  
8 the list?

9 MEMBER GREIMAN: Where does the  
10 \$7 million come from that they're short? Where is that  
11 coming from?

12 You can tell me.

13 CHAIRPERSON OLSON: Did you hear the  
14 question?

15 MR. GREEN: I can explain the capital  
16 structure.

17 CHAIRPERSON OLSON: Yeah, please.

18 MR. GREEN: There's actually two  
19 commitment letters in there, Judge. The first is your  
20 typical first-lien commitment letter, approximately --

21 MEMBER GREIMAN: Right. That's the --

22 MR. GREEN: -- 19.6 million.

23 The second one is the underwriter has agreed  
24 to underwrite an \$8 million preferred B offering, so it

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1 will actually come in as equity. It's got a coupon  
2 rate so it effectively looks like that but it is  
3 equity.

4 They have no voting rights, no control  
5 rights, typical preferred B tranche financing.

6 MEMBER GREIMAN: So they're going to  
7 have \$18 million, then -- in loan from them -- and then  
8 you have 2 million from your investors; is that right?

9 MR. GREEN: No. Again, those numbers  
10 are off because the supplemental filing sort of updated  
11 the financial information.

12 The new cap charge is closer to 19.56 million  
13 first lien, traditional mortgage-type debt; 8 million  
14 preferred B; and then roughly 1 to 1 1/2 million of  
15 common A.

16 MEMBER GREIMAN: All right.

17 MR. GREEN: That's the new debt  
18 structure. And, again, all the ratios were run  
19 through, and the ratios do comply with your financial  
20 ratios, as well.

21 MEMBER GREIMAN: So you're going to have  
22 significant debt incurred.

23 MR. GREEN: No. No. To the contrary.  
24 Actually, it meets your debt-to-equity ratios. It's a

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1           typical debt structure. The debt is only  
2           19.56 million; you've got roughly 10 million of equity.

3                           MEMBER GREIMAN: I see.

4                           CHAIRPERSON OLSON: Mr. Sewell and  
5           then --

6                           MEMBER SEWELL: So -- sorry.

7                           So the -- your argument that pulls us away  
8           from this need criterion is a couple of things, it  
9           sounds like: That you -- you really have sort of a  
10          specialized long-term care service.

11                          DR. ROUMELIOTIS: That is correct.

12                          MEMBER SEWELL: And the other is that  
13          one of your competitors is in trouble.

14                          DR. ROUMELIOTIS: Correct.

15                          MEMBER SEWELL: Now, there's another  
16          criterion here about service accessibility, and it says  
17          that, you know, the existing facilities are not at the  
18          target occupancy.

19                          So wouldn't they sort of avoid your  
20          competitor that's in trouble just as you would in terms  
21          of -- if they were full, you know -- making referrals  
22          to them . . . I guess I'm not seeing that that has that  
23          much bearing on it because you still have suboptimal  
24          target occupancy in the area.

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1 DR. ROUMELIOTIS: Well, as I said at the  
2 last hearing, we actually plan on providing a little  
3 bit more acute care than what is out there right now.  
4 In fact, our plan is to get patients to our facility  
5 faster, even a day or two quicker than they normally  
6 would, because we would be doing a higher acuity of  
7 care, would save a lot of money for the Medicare  
8 program and different insurances.

9 One of the numbers that I did bring up the  
10 last time was, in 2010, the average cost of  
11 hospitalization in Illinois was \$2,059 per day versus  
12 \$152, average per day, for a skilled nursing facility.

13 So if we're able to take these patients a lot  
14 sooner and do more critical care at our facility, it's  
15 going to save a lot of money.

16 MR. DIALS: If I could add to that,  
17 speak to your point, I think the new location of  
18 Silver Cross Hospital has left those facilities that  
19 are somewhat underutilized -- if you look at the  
20 distribution in Will County, a lot of those facilities  
21 are in western Joliet, if you will.

22 And the new location for Silver Cross being  
23 east of Joliet now, as with the site of the project,  
24 there's a bit of a desert in that immediate vicinity

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1           where there are no facilities within a 20-minute  
2           radius.

3                           CHAIRPERSON OLSON:    Doctor.

4                           MEMBER BURDEN:   Well, I think maybe the  
5           things I had in mind have been answered, but I will  
6           still go back to this calculated excess, 169 long-term  
7           care beds in 2015.

8                           You obviate that concern by claiming --  
9           that's your statement -- that you can provide a service  
10          that uniquely demands our consideration.

11                          DR. ROUMELIOTIS:   That's correct.

12                          MEMBER BURDEN:   And what do you claim  
13          this new service -- I'm trying to understand what you  
14          presented. I heard a lot about the finances. That's  
15          wonderful. I'm interested in what you do or what your  
16          new service will do.

17                          DR. ROUMELIOTIS:   Yes.

18                          MEMBER BURDEN:   If it only costs a  
19          hundred bucks a day as opposed to two grand a day,  
20          that's a pretty remarkable change.

21                          DR. ROUMELIOTIS:   Right. There are some  
22          services that right now are not provided by any  
23          facilities in the area. Probably the major one is  
24          going to be hydrotherapy, and I can give you an example

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1 of people that basically, let's say, break a hip and  
2 they have to be nonweight bearing on their extremity  
3 for a period of time.

4 We are going to have the only facility in the  
5 area that has hydrotherapy where these people can be  
6 nonweight bearing, will be able to do therapy in the  
7 water, which would take off the pressure and allow them  
8 to exercise instead of waiting and sitting in the -- in  
9 the facility for six weeks doing nothing.

10 MEMBER BURDEN: That's interesting. You  
11 know, Woody Hayes at Ohio State with the football  
12 players of renown 20 years ago put his running backs  
13 that had been bad in water -- and in running water --  
14 so we're not really catching up with anything here.  
15 It's been -- football coaches are ahead of us here.

16 I'm a doctor just as you are.

17 DR. ROUMELIOTIS: Correct.

18 MEMBER BURDEN: I'm just interested in  
19 hearing you talk about that.

20 Okay. That's good. I'm just interested.

21 CHAIRPERSON OLSON: Mr. Hayes.

22 VICE CHAIRMAN HAYES: Yes.

23 I wanted to ask George, is that -- their  
24 commitment letter, signed commitment letters from

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1 Eastern Capital, they were signed, they were on the  
2 Web site; is that correct?

3 MR. ROATE: Yes, sir. I'm trying to  
4 bring them up right now, but our Web site is not  
5 opening up.

6 VICE CHAIRMAN HAYES: Now, did -- were  
7 they timely for this project here?

8 MR. ROATE: They weren't submitted  
9 timely in meeting -- in meeting the deadline. The  
10 copies I have here are unsigned because we had to  
11 have -- I wanted to have copies of the letters sent  
12 over to the printer in order to put them in the packet.

13 The signed copies didn't get over in time for  
14 it to make it over to the printer, though. The  
15 holidays -- Thanksgiving holiday kind of made that --  
16 made it necessary to get the mailing over early.

17 VICE CHAIRMAN HAYES: Okay. Well, could  
18 you, you know, bring the signed pages -- the signed --  
19 at least the couple of pages with the signature to the  
20 Board meeting?

21 MR. ROATE: Sure. Sure.

22 I -- oh, you mean -- oh, for this?

23 VICE CHAIRMAN HAYES: For this Board  
24 meeting.

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1                   MR. ROATE: I -- I don't have them.  
2           Otherwise I'd print them off for you right now.  
3           I'm unable to get the Web site open.

4                   VICE CHAIRMAN HAYES: Okay.

5                   Now, your financing, you basically have a  
6           mortgage for 19 five.

7                   MR. GREEN: Yes, that is correct.

8                   VICE CHAIRMAN HAYES: But how -- and  
9           then you talk about the preferred stock of 8 and then a  
10          common A of 1.5 million.

11                   Isn't that a -- that's actually going to be  
12          about -- well over your budget; is that correct?

13                   Of 24, 25 -- 24 eight. Of the project cost.

14                   MR. DIALS: The -- yes. With the  
15          supplemental filing we put in the new total as  
16          28 million and not 25 million.

17                   MR. GREEN: But, remember, parts of this  
18          project are not subject to review. There's 110 beds  
19          that are subject to review and then an additional  
20          30 recovery care apartments that are not.

21                   VICE CHAIRMAN HAYES: So you're looking  
22          at -- that are the clinical part of this? Is that the  
23          way to describe it?

24                   Are these -- what are they? -- the 110 beds

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1 are reviewable; is that correct?

2 DR. ROUMELIOTIS: That's correct.

3 VICE CHAIRMAN HAYES: And that cost has  
4 now gone up to 28 million -- 28 five; is that correct?

5 MR. DIALS: No. 28 five is the total  
6 project cost, not the clinical . . .

7 VICE CHAIRMAN HAYES: Okay. And the  
8 clinical would be at 24 eight?

9 CHAIRPERSON OLSON: While he's looking  
10 for that, can I just -- I just want to go down Table 1,  
11 starting on page 2.

12 So we discussed this Hillcrest. What is our  
13 target capacity?

14 Do you know, Nelson? What's target capacity?

15 MR. URSO: George, what's target  
16 capacity, long-term care?

17 MR. ROATE: 90 percent.

18 CHAIRPERSON OLSON: So the next one  
19 at -- is at 90; the next one's at 8644 -- point 4 --  
20 then we're at 95, 89.4 [sic], 71.4, 78.1, 83, all close  
21 to target occupancy.

22 And now we're up to 25 minutes' travel time,  
23 which is one of the points you're trying to make, is  
24 that anybody -- with the exception of the one we're not

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1 going to discuss -- everybody else within that  
2 25-minute travel time, if it's not at 90 percent,  
3 they're very close.

4 DR. ROUMELIOTIS: That's right.

5 CHAIRPERSON OLSON: And then we can look  
6 at the Medicare star ratings and surmise some other  
7 things from there.

8 DR. ROUMELIOTIS: Right.

9 CHAIRPERSON OLSON: Thank you.

10 VICE CHAIRMAN HAYES: Now, on the  
11 preferred stock, is it cumulative? Cumulative  
12 preferred?

13 MR. GREEN: I'm trying to figure out --  
14 in what context do you mean? What is your question  
15 directed at? Cumulative in what sense?

16 VICE CHAIRMAN HAYES: Well, the  
17 preferred stock of 8 million --

18 MR. GREEN: Correct.

19 VICE CHAIRMAN HAYES: -- okay? -- that  
20 has to be sold to investors; is that correct?

21 MR. GREEN: Correct. But it is being  
22 underwritten. So, yes -- ultimately they have two  
23 options; right? They can either hold it themselves or  
24 they have the right to effectively syndicate it if they

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1           want to.

2                           VICE CHAIRMAN HAYES:   Okay.   Eastern  
3           Capital has that right?

4                           MR. GREEN:   Correct.

5                           VICE CHAIRMAN HAYES:   Okay.   Now, are  
6           they going to be using the EB-5 loan program to be able  
7           to do that?

8                           MR. GREEN:   It's up -- that's their  
9           discretion, quite frankly.   They're in charge of  
10          figuring out how they syndicate that tranche.   They may  
11          or they may not.

12                          VICE CHAIRMAN HAYES:   Okay.   So when  
13          you -- when you're mentioning in here about the  
14          availability of funds, the EB-5 loan program is  
15          something that Eastern Capital is doing?

16                          MR. GREEN:   They could do it.

17                          Again, I think you're reading from the  
18          original State Agency Report.   The updated commitment  
19          letter makes -- as far as I know -- no mention of EB-5.

20                          CHAIRPERSON OLSON:   So that criterion is  
21          basically met.

22                          MR. GREEN:   Hm-m?

23                          CHAIRPERSON OLSON:   That criterion is  
24          met now; correct, George?

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1 MR. ROATE: Yes.

2 CHAIRPERSON OLSON: 1125.800 is met.

3 MR. GREEN: Correct.

4 MR. ROATE: Right.

5 VICE CHAIRMAN HAYES: That criteria is  
6 met for what now? The financing? Is that it, George?

7 MR. ROATE: As far as having proof of  
8 the financing, us having a commitment letter.

9 VICE CHAIRMAN HAYES: Okay. Let's go  
10 back to the preferred stock.

11 This is going to be nonvoting. What is it,  
12 non -- it doesn't give a lot of rights to the preferred  
13 stock.

14 It's nonvoting; it's going to be noncontrol.

15 MR. GREEN: Correct.

16 VICE CHAIRMAN HAYES: Is it going to be  
17 cumulative? No voting rights; no control rights. Is  
18 it going to be cumulative?

19 MR. GREEN: I'm going to answer no  
20 because I still don't quite know what -- how you're  
21 trying to use it in that sense of the word.

22 Because, basically, what -- the Class B is  
23 set up. One, it's the typical Class B financing, but  
24 it was also specifically geared toward the Planning

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1 Board rules so it could not constitute control under  
2 your definition of "control" or even "change of  
3 ownership," so it has been specifically tailored.

4 So it is what it is. It's basically a coupon  
5 rate. It is equity under GAAP, but it is not debt  
6 under GAAP.

7 So they have no rights --

8 VICE CHAIRMAN HAYES: But it's a  
9 preferred stock?

10 MR. GREEN: It is definitely preferred.  
11 It's definitely got a coupon, and I think they said the  
12 coupon would be 3 to 4 percent. So it's a 3 to  
13 4 percent coupon depending on how they ultimately  
14 price it.

15 But the two people sitting here will be your  
16 principals. These are sort of the people on the hook,  
17 if you will, in the eyes of the government if the  
18 license were to be in danger.

19 VICE CHAIRMAN HAYES: But the 3 or  
20 4 percent, you know, when would you start paying that?  
21 You know, they could be -- that -- the first stop --  
22 you could skip a payment if this was not cumulative.

23 MR. GREEN: Oh, I see what you mean.  
24 Yeah, that part's true.

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1                   I mean, the actual details of that offering  
2                   have not been worked out. So what they've agreed to do  
3                   under the commitment letter -- much like they've agreed  
4                   to do under the lending agreement -- is sort of an  
5                   industry custom document.

6                   I would assume we're going to see about a  
7                   20-page preferred offering document that will  
8                   ultimately grant the rights, but those rights will  
9                   never trump the -- sort of the Planning Board rules and  
10                  regulations on control.

11                  So there may be certain financial kickers in  
12                  there, if you will, under certain situations, but they  
13                  will not trip any of your rules on control and ever  
14                  give the Class B units any ability to control the  
15                  facility.

16                  VICE CHAIRMAN HAYES: Okay. I  
17                  understand that.

18                  But, basically, they're -- they may or may  
19                  not pay the coupon rate. Who determines -- the Board  
20                  or the facility itself determines whether they're going  
21                  to pay that coupon rate; is that right?

22                  So they could do it one year, do it  
23                  two years, but then skip it for three years if the  
24                  project -- especially at the beginning but -- say for

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1 three years they just say "We don't have the money" and  
2 skip it.

3 MR. GREEN: Well, yeah. We could easily  
4 assume that there could be provisions in those  
5 documents.

6 You know, there's two types of provisions;  
7 right? That would be one provision: "If there's not  
8 sufficient cash, you don't get paid." That's sort of  
9 part of the burden of being a preferred.

10 We could also put a pick in there that  
11 "You'll just get additional interest; you won't even  
12 get cash."

13 So I --

14 VICE CHAIRMAN HAYES: But you don't  
15 get . . . but if you have a nonvoting and noncontrol  
16 and you're -- and you don't have it ironclad,  
17 essentially, saying that the coupon rate is 3 or  
18 4 percent and that it will be paid each year, what is  
19 the value of that preferred stock?

20 Why would anybody invest in that?

21 MR. GREEN: Well, I think you're  
22 presuming that they wouldn't be paid. I mean, I assume  
23 they're going to be smart enough to draft their  
24 documents in such a way that there will be an

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1 obligation on the company to make those payments.

2 But, I mean, that is a preferred offering.  
3 That is a typical preferred offering. I mean, their  
4 curse is they get no security so they don't really have  
5 that many rights, and the only thing is they sort of  
6 sit behind the --

7 VICE CHAIRMAN HAYES: -- the first  
8 mortgage.

9 MR. GREEN: They sit behind the first  
10 mortgage and they sit in front of common equity and  
11 they get their 3 or 4 percent. And there must be a  
12 market for that because this is not the only deal where  
13 I've seen sort of a preferred tranche inserted.

14 I mean, it's actually pretty common, I think.  
15 That could be a function of the fact that, at the  
16 moment, interest rates are low and real estate is still  
17 a pretty attractive investment.

18 And assisted-living and, quite frankly,  
19 sheltered living and transitional care units are sort  
20 of hot properties, if you will. If you look at the  
21 multiples of the health care rates of the world,  
22 I mean, these are sort of -- right now, at least --  
23 pretty hot commodities.

24 VICE CHAIRMAN HAYES: Yeah. What is the

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1           1.5 million? How is that -- who's going to pay for  
2           that?

3                        They're going to have -- this is their equity  
4           contribution?

5                        DR. ROUMELIOTIS: Correct.

6                        MR. GREEN: Right.

7                        VICE CHAIRMAN HAYES: Okay. Thank you.

8                        CHAIRPERSON OLSON: Okay. I -- did you  
9           have something, Mr. Galassi?

10                      MEMBER GALASSI: I was just going to  
11           suggest we call for the question.

12                      CHAIRPERSON OLSON: Yeah. Okay.

13                      I just want to make sure that the -- that the  
14           Board is comfortable because the application that we  
15           have before us, through no fault of the Applicants, is  
16           not the application that should be before us right now  
17           because they -- the total costs have changed, and they  
18           do -- they have met the financial criteria, the  
19           availability of funds.

20                      Are we comfortable voting on this?

21                      MEMBER GALASSI: But the actual  
22           application is on the Web site.

23                      MR. GREEN: Yes.

24                      CHAIRPERSON OLSON: Yes.

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1                   MEMBER GALASSI: So not to suggest that  
2 there's been any issue with the Applicant.

3                   CHAIRPERSON OLSON: No, no. I'm --  
4 absolutely not. I apologize to the Applicant that this  
5 information is not . . .

6                   But I just want to make sure everybody's okay  
7 with the motion based on knowing that.

8                   MEMBER BURDEN: The only thing that I  
9 brought up --

10                  CHAIRPERSON OLSON: I don't want them to  
11 be penalized because we don't have --

12                  MEMBER GALASSI: Right.

13                  MEMBER BURDEN: What we have in front of  
14 us is essentially a document that represents the  
15 application. Am I right or -- I mean, that's what I  
16 presume.

17                  MEMBER GALASSI: Yeah.

18                  CHAIRPERSON OLSON: It represents the  
19 project, yes.

20                  MEMBER BURDEN: Yeah.

21                  CHAIRPERSON OLSON: Okay.

22                  MEMBER GALASSI: And staff has confirmed  
23 with us what they submitted and what has been met so --

24                  CHAIRPERSON OLSON: I just want to make

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1           sure --

2                           MEMBER GALASSI: To answer your question  
3 personally, yes, I'm comfortable moving forward.

4                           CHAIRPERSON OLSON: Okay.

5                           I would entertain a motion, then, to approve  
6 13-048, AegeanMed Transitional Care Center of Lockport,  
7 to establish a 110-bed skilled care facility in  
8 Lockport, Illinois.

9                           MEMBER GREIMAN: So moved.

10                          MEMBER BURDEN: Second.

11                          MR. AGBODO: Motion made by Judge  
12 Greiman; second by Dr. Burden.

13                          Mr. Bradley.

14                          MEMBER BRADLEY: Our staff reviewed  
15 planning area need, service accessibility, and  
16 unnecessary duplication of service as they looked at  
17 all of the criteria and found that this proposal does  
18 not meet those three criteria.

19                          As I hear them, they argued that, "Well,  
20 that's true in the planning area overall but it's not  
21 true in our particular locality, and you should ignore  
22 your -- the deficiency that your review shows."

23                          But I don't think we can, and for that reason  
24 I vote no.

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1 MR. AGBODO: Dr. Burden.

2 MEMBER BURDEN: I recognize by the  
3 Applicant's testimony that they preferred and do prefer  
4 that we look upon their application as holding some  
5 uniqueness, which I agree with; it does sound that way.  
6 However, we do have at this moment a problem -- I have  
7 a problem with planning area need mostly and  
8 unnecessary duplication of service.

9 I think we ought to have -- I'm going to vote  
10 no, but they certainly have a chance to re-present this  
11 in the future.

12 I vote no.

13 MR. AGBODO: Okay.

14 Senator Demuzio.

15 MEMBER DEMUZIO: Yes. I vote no as --  
16 in accordance to the -- what has been stated in the  
17 two previous answers.

18 MR. AGBODO: Judge Greiman.

19 MEMBER GREIMAN: I think that McDonald's  
20 can open up next to Arby's.

21 I vote yes.

22 MEMBER GALASSI: How about Burger King?  
23 How about Burger King?

24 MEMBER GREIMAN: Burger King, too.

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1 MR. AGBODO: Mr. Galassi.

2 MEMBER GALASSI: I think today we've  
3 seen several Applicants that have come forward with  
4 creative applications, and I think this is another one  
5 of them today.

6 Despite the statistics, I'm going to  
7 vote yes.

8 MR. AGBODO: Mr. Hayes.

9 VICE CHAIRMAN HAYES: I'm going to vote  
10 no because of planning area need, service  
11 accessibility, and unnecessary duplication of services.

12 MR. AGBODO: Mr. Sewell.

13 MEMBER SEWELL: I vote no.

14 In order to vote yes on this, I'd have to  
15 acknowledge that there was -- this is specialized  
16 long-term care beds, and I don't think we have review  
17 criteria for those even if I agreed with that. And,  
18 again, it would be making up rules on the fly in the  
19 context of an application.

20 So I vote no.

21 MR. AGBODO: Okay.

22 And Madam Chair Olson.

23 CHAIRPERSON OLSON: I vote yes based on  
24 the comments of Mr. Galassi. I do believe that this

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1 model offers an alternative care. And of the  
2 facilities within the service area that are within  
3 25 minutes, almost every one is at capacity except the  
4 one that has lost their Medicare rating.

5 So I vote yes.

6 MR. AGBODO: I have 5 no; 3 yes.

7 CHAIRPERSON OLSON: The motion does not  
8 pass.

9 MR. URSO: You're going to be receiving  
10 an intent to deny. You'll have another opportunity to  
11 come back before the Board as well as submit additional  
12 information.

13 CHAIRPERSON OLSON: Thank you.

14 MR. DIALS: Thank you.

15 CHAIRPERSON OLSON: Okay. And last but  
16 not least, 13-032, Palos Hills Extended Care Center in  
17 Palos Hills, to modernize and expand an existing  
18 203-bed skilled care facility in Palos Hills.

19 MEMBER BURDEN: Silver Cross?

20 CHAIRPERSON OLSON: Oh, I'm sorry.

21 Silver Cross deferred.

22 If you would be sworn in by the court  
23 reporter.

24 THE COURT REPORTER: Raise your right

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1 hands, please.

2 (Two witnesses duly sworn.)

3 THE COURT REPORTER: Thank you. And  
4 please print your name on the sheet.

5 CHAIRPERSON OLSON: Okay. George, State  
6 Board staff report?

7 MR. ROATE: Thank you, Madam Chair.

8 The Applicants are proposing the  
9 modernization of a 203-skilled care bed facility in  
10 Palos Hills.

11 The anticipated cost of the project is  
12 \$17.4 million, and the expected project completion date  
13 is December 31st, 2016.

14 The Applicants were given an intent to deny  
15 at the September 2013 Board meeting. On October 15th,  
16 2013, the State Board received a request to modify the  
17 project. The modification was a Type A modification.

18 The State Board staff notes that the  
19 Applicants are not requesting to add beds as part of  
20 this modification under State Board rules.

21 There still is a negative finding in regards  
22 to availability of funds and financial viability.

23 Thank you, Madam Chair.

24 CHAIRPERSON OLSON: Thank you, George.

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1                   Comments to the Board?

2                   MR. WEISS: Nathan Weiss.

3                   I just wanted to, first of all, thank the  
4 State staff for re -- going through the information --  
5 there we go -- for going through the information and  
6 for showing that we are now in conformity in another  
7 area, which was the main area of concern last time, the  
8 bed need, and we have removed that.

9                   And that's it. I'm ready for questions.

10                  CHAIRPERSON OLSON: Questions from the  
11 Board?

12   (No response.)

13                  CHAIRPERSON OLSON: I have a question.  
14 I want to make sure I understand this correctly.

15                  On page 6 of the State Board staff report, it  
16 says that Phase II of this project intends to -- it  
17 says, "It is the intent of the Applicant to ultimately  
18 replace the existing structure with Phase II,  
19 concluding the project."

20                  So you're going to spend \$17 1/2 million to  
21 renovate and then you're going to tear this down in  
22 Phase II? I'm not --

23                  MR. WEISS: The current structure is  
24 going to remain with 140 beds. The new structure will

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1 have 63 beds. We bought half a city block next to us  
2 to add the new structure.

3 In order to be able to be financially  
4 feasible -- if we knock down the whole building, we'll  
5 lose all of our revenue. So we're building one  
6 building. Once we are stabilized and financially  
7 sound, our goal ultimately is to remodel the second  
8 half, knock down the other half of the building, and  
9 then rebuild that, also.

10 That's a long-term plan. It's not in part of  
11 this CON application. But, yes, we're going to keep  
12 the \$17 million building we're building.

13 CHAIRPERSON OLSON: And then, also,  
14 I wanted to make sure I understood that . . . you are a  
15 hundred percent private pay?

16 MR. WEISS: No. We're over -- we're  
17 currently over 80 percent Medicaid.

18 CHAIRPERSON OLSON: Oh. That -- I --  
19 never mind. I've got the wrong --

20 MR. WEISS: And we're committed to  
21 continuing our care for our Medicaid population.

22 CHAIRPERSON OLSON: So about 70 percent,  
23 then?

24 MR. WEISS: We're currently over 80.

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1 It will go down to roughly that, yes.

2 MEMBER SEWELL: Madam Chairman.

3 CHAIRPERSON OLSON: Yes.

4 MEMBER SEWELL: In the State Agency  
5 Report on availability of funds, do you -- did you not  
6 have three years of historical financial information  
7 because of some change of ownership?

8 MR. WEISS: We leased the facility at  
9 the end of 2010. We purchased the facility in 2012.

10 MEMBER SEWELL: I see. So that --

11 MR. WEISS: There's not three years  
12 because we weren't part -- we didn't own the facility.

13 MEMBER SEWELL: I see.

14 Now, can you talk about the viability ratios  
15 in the financial section? There's -- some of them are  
16 not met.

17 It looks like some of that is because of the  
18 same reason.

19 MR. WEISS: Some of that is the same  
20 reason --

21 MEMBER SEWELL: Yeah.

22 MR. WEISS: -- and some of that's  
23 because the owner of the land currently and the  
24 operator are two entities even though they're related

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1 parties.

2 MEMBER SEWELL: Right.

3 MR. WEISS: And we did submit a third  
4 page which showed them combined. And when they're  
5 combined, we do meet all the ratios. But when they're  
6 separated out -- the way the application reads -- we  
7 filled it based on the requirements of the application,  
8 and then we gave a subsequent page that showed, if they  
9 would be combined, it would be these ratios.

10 MEMBER SEWELL: Thank you.

11 MR. WEISS: So we meet conformity for  
12 the application. It does conform.

13 MEMBER SEWELL: Uh-huh.

14 CHAIRPERSON OLSON: I need another  
15 clarification.

16 George, on the State Board staff report,  
17 under "General Information," it says there's a  
18 calculated bed excess of 889 long-term care beds.

19 I just don't understand how they met that  
20 criteria if there's . . .

21 MR. ROATE: Well, they're not adding  
22 beds, Madam Chair.

23 CHAIRPERSON OLSON: Oh, I see. Okay.

24 MR. ROATE: They're modernizing.

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1 CHAIRPERSON OLSON: That was the  
2 difference. Okay.

3 MR. ROATE: Yeah. There are no  
4 additional beds. That wasn't what they were asking.

5 CHAIRPERSON OLSON: Got it.

6 Other questions from Board members?

7 (No response.)

8 CHAIRPERSON OLSON: There being none,  
9 I will entertain a motion.

10 MEMBER SEWELL: So moved.

11 MEMBER BURDEN: Second.

12 MR. AGBODO: Motion made by Mr. Sewell;  
13 second by Dr. Burden.

14 CHAIRPERSON OLSON: I need to read the  
15 motion first.

16 MR. AGBODO: Whoops.

17 MEMBER SEWELL: I'm ready.

18 CHAIRPERSON OLSON: I know you're  
19 anxious but calm down.

20 To approve Project 13.032, Palos Hills  
21 Extended Care Center, to modernize and expand an  
22 existing 203-bed skilled care facility in Palos Hills.

23 MEMBER SEWELL: I move approval.

24 CHAIRPERSON OLSON: Thank you,

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1 Mr. Sewell.

2 May I have a second?

3 MEMBER BURDEN: I'll second it.

4 MR. AGBODO: So motion made by

5 Mr. Sewell; second by Dr. Burden.

6 Mr. Bradley.

7 MEMBER BRADLEY: Yes.

8 MR. AGBODO: Dr. Burden.

9 MEMBER BURDEN: Yes. I have only one --

10 one question. I noticed there are two brothers.

11 Who are you, Nathan or --

12 MR. WEISS: Yes.

13 MEMBER BURDEN: Thank you.

14 Yes.

15 MR. AGBODO: Senator Demuzio.

16 MEMBER DEMUZIO: Yes.

17 MR. AGBODO: Judge Greiman.

18 MEMBER GREIMAN: Yes.

19 MR. AGBODO: Mr. Galassi.

20 MEMBER GALASSI: Yes.

21 MR. AGBODO: Mr. Hayes.

22 VICE CHAIRMAN HAYES: Yes.

23 MR. AGBODO: Mr. Sewell.

24 MEMBER SEWELL: I vote yes because

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1 I think the presentation has put in context the  
2 two negative findings in the State Agency Report.

3 MR. AGBODO: Thank you.

4 Madam Chair Olson.

5 CHAIRPERSON OLSON: I vote yes for the  
6 reasons so eloquently stated by Mr. Sewell.

7 MEMBER SEWELL: Thank you very much.

8 MR. AGBODO: I have 8 yes.

9 CHAIRPERSON OLSON: The motion passes.

10 MR. WEISS: Thank you all very much.

11 MR. FOLEY: And on behalf of John, since  
12 he had to leave -- he's being sworn in tonight as an  
13 alderman down in the Springfield area, at Leland Grove.

14 CHAIRPERSON OLSON: Oh, nice.

15 MR. FOLEY: So I can tell him I did a  
16 great job here; right?

17 CHAIRPERSON OLSON: Yes, you can tell  
18 him that. We will attest to that.

19 MR. URSO: We're going to have to call  
20 him "honorable" now?

21 CHAIRPERSON OLSON: "Your Honor."

22 MEMBER BURDEN: Who is that?

23 MEMBER SEWELL: If he hadn't -- Nathan  
24 hadn't been here --

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FACILITIES REMOVED FROM INVENTORY**

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1                   MR. URSO: It's his son-in-law who  
2 usually sits there.

3                   MR. WEISS: Thank you all very much.

4                   CHAIRPERSON OLSON: All right. I'm  
5 losing control.

6                   All right. We have no other business,  
7 nothing under rules development, no old business.

8                   Under new business we're going to let  
9 Courtney deal with Letter A at the next meeting, so  
10 we'll move to facilities removed from the inventory,  
11 and George is just going to read these lists into the  
12 record.

13                  MR. ROATE: Thank you, Madam Chair.

14                  State Board staff would like to point out  
15 that, although there is a sizable number of facilities  
16 that are discontinued in this listing, this does not  
17 affect the current update to the long-term care and  
18 ICF/DD facilities. These are facilities that have been  
19 discontinued over the course of the year, and what  
20 you'll see on the Web site is the current number.

21                  Starting with discontinuation of long-term  
22 care facilities, we have, one, Brookside Manor of  
23 Centralia; two, Canterbury Manning -- Canterbury Manor  
24 Nursing Center of Waterloo; three, Finnie Good Shepherd

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1 Nursing Home, Galatia; four, Sheltering Oak,  
2 Island Lake; five, Snow Valley Nursing and Rehab Center  
3 in Lisle.

4 In the ICF/DD facilities -- these are all  
5 16-bed facilities that were discontinued -- 1 is  
6 Allen Court of Clinton; 2 is Bethshan II in  
7 Palos Heights; 3 is Brooke Hill in Eldorado; 4 is  
8 Chestnut Manor in Herrin; 5 is Colonial Plaza in  
9 Nashville; 5 is -- 6 is Gravl in Square in Bradley; 7 is  
10 Helping Hands in Summit; 8 is Hickory Estates in  
11 Sumner; 9 is Holy Hill in Anna; and 10 is Independence  
12 Place in Herrin.

13 Thank you, Madam Chair.

14 MR. URSO: You have more.

15 MEMBER GREIMAN: There's more. Turn  
16 the page.

17 MR. ROATE: Oh, I'm sorry.

18 CHAIRPERSON OLSON: Keep going.

19 MR. ROATE: The list continues.

20 Starting with No. 11 of ICF/DD facilities  
21 once again, James R. Thompson House of Decatur; No. 12,  
22 Prairie Estates of Flora; No. 13, Pilot House of Cairo;  
23 No. 14, River Oaks of Mount Carmel; No. 15, Shawnee  
24 House of Harrisburg; No. 16, St. Mary Living Center in

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1 Galesburg. Board staff wish to point out that this is  
2 a dis -- a 255-bed ICF/DD facility that was  
3 discontinued.

4 No. 17, Tish Hewitt House in Moline; and,  
5 No. 18, Village Inn in Cobden.

6 Thank you, Madam Chair.

7 CHAIRPERSON OLSON: Thank you, George.

8 Okay. In your -- on -- not in your packet  
9 but on your disk was the 86-page capital expenditure  
10 report which we chose not to print off.

11 I'm sure you all reviewed that, and I'm  
12 looking for a motion to approve that capital  
13 expenditure report that was included in your material.

14 MEMBER GALASSI: So moved.

15 VICE CHAIRMAN HAYES: Second.

16 CHAIRPERSON OLSON: Do we need a roll  
17 call?

18 MR. URSO: Yes.

19 CHAIRPERSON OLSON: Probably.

20 MR. AGBODO: Yes, ma'am.

21 Motion made by Mr. Galassi; second by  
22 Mr. Hayes.

23 Mr. Bradley.

24 MEMBER BRADLEY: Yes.

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1 MR. AGBODO: Mr. -- Dr. Burden.  
2 MEMBER BURDEN: Yes.  
3 MR. AGBODO: Senator Demuzio.  
4 MEMBER DEMUZIO: Yes.  
5 MR. AGBODO: Judge Greiman.  
6 MEMBER GREIMAN: Yes.  
7 MR. AGBODO: Mr. Galassi.  
8 MEMBER GALASSI: Yes.  
9 MR. AGBODO: Mr. Hayes.  
10 VICE CHAIRMAN HAYES: Yes.  
11 MR. AGBODO: Mr. Sewell.  
12 MEMBER SEWELL: I'm voting present.  
13 I didn't read it.  
14 MR. AGBODO: Present.  
15 Madam Chair Olson.  
16 CHAIRPERSON OLSON: Yes.  
17 I did.  
18 MR. AGBODO: I show 7 yes; 1 present.  
19 CHAIRPERSON OLSON: The motion passes.  
20 Our next meeting will be January 28th, 2014,  
21 back here again in Bolingbrook.  
22 I will be asking Courtney to poll the Board  
23 and Board staff. I've been told that there are some  
24 members who would like to go back to the ten o'clock

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1 start time, so we will be getting a vote from everybody  
2 on that and going with the majority.

3 May I have a motion to adjourn?

4 MEMBER GALASSI: So moved.

5 VICE CHAIRMAN HAYES: Second.

6 CHAIRPERSON OLSON: All in favor

7 say aye.

8 (Ayes heard.)

9 CHAIRPERSON OLSON: Merry Christmas.

10 PROCEEDINGS CONCLUDED AT 3:22 P. M.

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