



# STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

<b>DOCKET ITEM:</b> A-01	<b>BOARD MEETING:</b> January 24, 2017	<b>PROJECT NUMBER:</b> 14-012
<b>PERMIT HOLDERS(S):</b> Fresenius Medical Care Holdings, Inc. National Medical Care, Inc.		
<b>FACILITY NAME and LOCATION:</b> Fresenius Medical Care Gurnee, Gurnee		

## **STATE BOARD STAFF REPORT** **PERMIT RENEWAL REQUEST**

### **I. Background**

On July 14, 2014, the State Board approved Project #14-012. The permit authorized the discontinuation of an existing 14-station End Stage Renal Dialysis facility, and the establishment of a 16-station replacement End Stage Renal Dialysis (ESRD) facility in Gurnee. The State Agency notes the project is obligated and the current project completion date is December 31, 2015. Project cost: \$5,475,700.

Board Staff notes the permit holders submitted the permit renewal request on November 2, 2016. This submittal was in accordance with 77 IAC 1130.740(d), which states that renewal requests must be received by the State Agency at least 45 days prior to the permit expiration date. A \$500.00 permit renewal fee accompanied the renewal request.

### **II. Findings**

Board Staff notes this is the second renewal request for this project. On December 12, 2015, the permit holders received approval from the State Board for a 24-month permit renewal (12/31/14-12/31/16). It appears the permit holders submitted all of the information required in Section 1130.740 for a permit renewal. Board Staff notes the project was altered on August 25, 2015, decreasing the permit amount from \$5,475,700 to \$5,203,797 (4.9%), and the project size from 12,000 GSF to 11,000 GSF (8.3%).

### **III. The Permit Renewal Request**

- A. Requested Completion Date: The permit holders request a project completion date of April 30, 2017. This would extend the project's completion date by four (4) months, from December 31, 2016 to April 30, 2017.
- B. Status of the Project and Components Yet to be Finished: The permit holders state the project is approximately 99% complete. The project officially relocated on March 21, 2016, was surveyed on October 7, 2016, and is currently awaiting receipt of certification documents.
- C. Reason(s) Why the Project Has Not Been Completed: The permit holders' state the following events occurred, which delayed completion of the project:
- The permit holders state the delays result from the previously mentioned permit alteration and the unforeseen delay in facility certification. The permit holders anticipate certification to occur well before the expiration of the requested permit renewal period (April 30, 2017).
- D. Evidence of Financial Commitment to Fund the Project: The permit holders indicate \$4,956,888 (95.2% of the total project cost), has been expended to date and can attest to the existence of sufficient financial resources to complete the project.
- E. Anticipated Final Cost of the Project: The permit holders estimate the project will not deviate from the altered permit amount of \$5,203,797.

### **IV. Project Description & Other Background Information**

The permit authorized the discontinuation of an existing 14-station ESRD facility, and the establishment of a 16-station replacement ESRD facility in Gurnee. Project cost: \$5,203,797.

Permit Issuance Date:	July 14, 2014
Project Obligation Date:	March 19, 2015
Project Alteration: (reduced size/cost)	August 25, 2015
Original Project Completion Date:	December 31, 2015
Project Completion Date/1 <sup>st</sup> Renewal: (12-month renewal request)	December 31, 2016

Proposed Project Completion Date: April 30, 2017  
(4-Month renewal request/2<sup>nd</sup> renewal)

**V. Applicable Rules for Permit Renewal Requests**

77 IAC 1130.740 specifies that a permit holder may request a change in the approved project completion date by applying for a permit renewal.

77 IAC 1130.230(h)(5) states that failure to complete a project or to renew a permit within the prescribed timeframes will subject the permit holders to the sanctions and penalties provided in the Act and this Subpart.

77 IAC 1130.740(b) states that a permit renewal will commence on the expiration date of the original or renewed completion period.

77 IAC 1130.740(c) states that the State Board must be in receipt of a permit renewal request at least 45 days prior to the expiration date of the completion period, and include the following: 1) the requested completion date; 2) a status report on the project detailing what percent has been completed, a summary of project components yet to be finished and the amount of funds expended on the project to date; 3) a statement as to the reasons why the project has not been completed; and 4) confirmatory evidence by the permit holders' authorized representative that the project's costs and scope are in compliance with what the State Board approved and that sufficient financial resources are available to complete the project.

77 IAC 1130.740(d) states Board staff will review the request and prepare a report of its findings. If the findings are that the request is in conformance with all HFSRB criteria, and if this is the first request for this project, then the request, staff's findings, and all related documentation shall be sent to the Chairman. The Chairman, acting on behalf of HFSRB, will approve, deny or refer the request to the HFSRB for action. If staff finds that all criteria are not positive or, if this is not the first request for this project, or if the Chairman refers this to HFSRB for action, then HFSRB will evaluate the information submitted to determine if the project has proceeded with due diligence (as defined in 77 IAC 1130.140). Denial of a permit renewal request constitutes HFSRB's Notice of Intent to revoke a permit and the permit holders will be afforded an opportunity for an administrative hearing.

**VI. Other Information**

Appended to this report are the following: the permit holders' documents for a permit renewal, and a copy of the original State Board Staff Report.



November 2, 2016

**RECEIVED**

NOV 04 2016

Ms. Courtney Avery  
Administrator  
Illinois Health Facilities & Services Review Board  
525 West Jefferson, 2<sup>nd</sup> Floor  
Springfield, IL 62761

**HEALTH FACILITIES &  
SERVICES REVIEW BOARD**

**Re: Request For Permit Renewal Section 1130.750**  
**Project #14-012, Fresenius Medical Care Gurnee**  
**Permit Holder: Fresenius Medical Care Lake County, LLC, and Fresenius Medical Care Holdings, Inc.**

Dear Ms. Avery:

Fresenius Medical Care Lake County, LLC is seeking a second permit renewal for Fresenius Medical Care Gurnee. Enclosed is a \$500.00 permit renewal fee. There has been no change to the size and scope of this project since the permit was altered August 25, 2015. This report summarizes the current status of the project.

Sincerely,

Lori Wright  
Fresenius Medical Care  
Senior CON Specialist

cc: Clare Ranalli

Fresenius Management Services, Inc.  
3850 N. Causeway Blvd.  
Suite 300 PH (504) 831-3895  
Metairie, LA 70002



Page 1 of 1

Date: 10/18/2016  
Check #: 0007697863  
Payment Amount: 500.00  
Vendor #: 172686



000603 R3K6TDA  
ILLINOIS DEPT OF PUBLIC HEALTH  
525 WEST JEFFERSON STREET  
SPRINGFIELD IL 62761

## Remittance Advice

Invoice Date	Invoice #	Invoice Gross Amt	Discount Amount	Invoice Net Amt
10/10/2016	94401010	500.00	0.00	500.00
ILLINOIS DEPT OF PUBLIC HEALTH				
# 14-012 Gurnee				

PLEASE DETACH BEFORE DEPOSITING CHECK

SHADED AREA MUST GRADUALLY CHANGE FROM BLUE AT TOP TO GREEN AT BOTTOM

Fresenius Management Services, Inc.  
3850 N. Causeway Blvd.  
Suite 300 PH (504) 831-3895  
Metairie, LA 70002



66-156/531

Date: 10/18/2016

Pay Exactly \*\*Five Hundred and 00/100 -US Dollars\*\*

Amount  
\$\*\*\*\*\*500.00

TO THE ORDER OF ILLINOIS DEPT OF PUBLIC HEALTH  
525 WEST JEFFERSON STREET  
SPRINGFIELD IL 62761

WELLS FARGO BANK, N.A.

Authorized Signer

2 Signatures \$500,000 or greater

14 012 Fresenius Medical Care Gurnee



October 11, 2016

**Request For Permit Renewal Section 1130.750**

**Request For Permit Renewal Section 1130.750**

**Project #14-012, Fresenius Medical Care Gurnee**

**Permit Holder:** Fresenius Medical Care Lake County, LLC, and Fresenius Medical Care Holdings, Inc.

1. **The requested completion date:** *The requested completion date is April 30, 2017.*
2. **a status report on the project detailing what percent has been completed and a summary of project components yet to be finished and the amount of funds expended on the project date**

This project is for the discontinuation of the Neomedica Gurnee 14-station ESRD facility at 101 N. Greenleaf in Gurnee and the establishment of a 16-station ESRD replacement facility at 50 Tower Court, Suite B, Gurnee to be named Fresenius Medical Care Gurnee. The project was obligated with the execution of the lease on March 19, 2015. A permit alteration was granted August 25, 2015 reducing the GSF of the leased space along with the project cost. A permit renewal request was granted December 23, 2015 with a new completion date of December 31, 2016. The facility relocated on March 21, 2016, was surveyed on October 7, 2016 and is now waiting for receipt of certification letter to be complete.

Additionally, the facility received approval (#E-006-15) for an internal change of ownership on September 1, 2016.

The project is approximately 99% complete and is expected to be complete prior to April 30, 2017.

3. **a statement as to the reasons why the project has not been completed**

This project was completed prior to the permit renewal completion date, however the time lapse waiting for the certification survey is taking longer than normal. Since the facility has been surveyed, the certification letter may arrive prior to the current completion date, but this renewal request is being submitted in the event that it does not.



**4. evidence of financial commitment to fund the project**

Sources and Uses of Funds

*All Project financing to date has been funded from available cash and its equivalents as reported on the company's financial statements. The right to occupy the premises has been secured through a leasing arrangement. This leasing arrangement was utilized to obligate the project. None of the project costs have exceeded the approved permit amounts.*

Total committed for Project

<b>PROJECT COST AND SOURCES OF FUNDS</b>		
	Committed	Spent
Preplanning Costs	N/A	N/A
Site Survey and Soil Investigation	N/A	N/A
Site Preparation	N/A	N/A
Off Site Work	N/A	N/A
New Construction Contracts	N/A	N/A
Modernization Contracts	1,771,000	0
Contingencies	176,000	0
Architectural/Engineering Fees	175,000	100,528
Consulting and Other Fees	N/A	N/A
Movable or Other Equipment (not in construction contracts)	504,000	331,563
Bond Issuance Expense (project related)	N/A	N/A
Net Interest Expense During Construction (project related)	N/A	N/A
Fair Market Value of Leased Space or Equipment	2,577,797	4,524,797*
Other Costs To Be Capitalized	N/A	N/A
Acquisition of Building or Other Property (excluding land)	N/A	N/A
Total Committed For Project		\$5,203,797
Spent		\$4,956,888

\*Total modernization and contingency costs were incurred by the landlord and will be paid back over the term of the lease as rent.

**5. anticipated final cost of the project** *Final cost of the project is expected to be within the permit amount of \$5,203,797.*



# FRESENIUS KIDNEY CARE

Fresenius Medical Care Lake County, LLC

In accordance with Section 1130.740 part c, of the Illinois Health Facilities & Services Review Board rules for renewal of a permit;

I do hereby certify that the project was initiated on 03/19/2015 with the lease execution and; that the financial resources to fund the project are available or otherwise committed; and that the project's cost, scope, design, square footage, number of stations are in compliance with that which the State Board has approved.

By: [Signature]

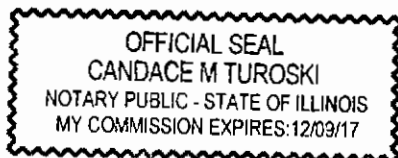
ITS: Regional Vice President

Notarization:

Subscribed and sworn to before me

This 26th day of Oct, 2016

Seal



Candace M. Turosski

Notary Public

My commission expires: 12-9-2017





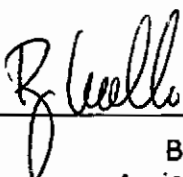
# FRESENIUS KIDNEY CARE

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Fresenius Medical Care Holdings, Inc.

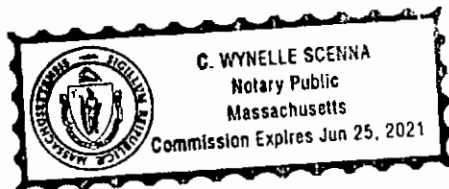
In accordance with Section 1130.740 part c, of the Illinois Health Facilities & Services Review Board rules for renewal of a permit;

I do hereby certify that the project was initiated on 03/19/2015 with the lease execution and; that the financial resources to fund the project are available or otherwise committed; and that the project's cost, scope, design, square footage, number of stations are in compliance with that which the State Board has approved.

By:   
ITS: Bryan Mello  
Assistant Treasurer

Notarization: C Wynelle Scenna  
Subscribed and sworn to before me  
This 14 day of Oct, 2016

Seal





<b>DOCKET NO:</b>	<b>BOARD MEETING:</b> July 14, 2014	<b>PROJECT NO:</b> 14-011	<b>PROJECT COST:</b> Original: \$5,457,700
<b>FACILITY NAME:</b> Fresenius Medical Care Gurnee	<b>CITY:</b> Gurnee		
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA:</b> VIII

**PROJECT DESCRIPTION:** The applicants (National Medical Care, Inc. d/b/a Neomedica – Gurnee, Fresenius Medical Care Holdings, Inc.) are proposing the discontinuation of a 14 station ESRD facility and the establishment of a 16 station ESRD facility in Gurnee, Illinois at a cost of \$5,457,700. The anticipated completion date is December 31, 2015.

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- **The applicants** (National Medical Care, Inc. d/b/a Neomedica – Gurnee, Fresenius Medical Care Holdings, Inc.) are proposing the discontinuation of a 14 station ESRD facility and the establishment of a 16 station ESRD facility in Gurnee, Illinois at a cost of \$5,457,700. The relocated clinic will be in the same office complex (Greenleaf Center) as the current site. 21% of the treatments performed at the Gurnee facility are reimbursed by Medicaid. The anticipated completion date is December 31, 2015.

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

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

### **PURPOSE OF THE PROJECT:**

- **According to the applicants:** *“The purpose of this project is to provide continued ESRD treatment access to current and future patients of the Fresenius Gurnee ESRD facility in a more adequately sized and modern space.”*

### **NEED FOR THE PROJECT:**

- The Gurnee facility was opened 25 years ago as a 6 station ESRD facility. With the increase in patients the facility has expanded over the years under “the lesser of 10% or 3 station rule.” Currently the facility is operating at 97.62%. The applicants are requesting the relocation and an additional two stations to address the high utilization and the lack of space at the current location. While there is no need for ESRD stations in this HSA 8 ESRD planning area (excess of 30 stations) and there are existing underutilized facilities within 30 minutes (7 of 10 facilities) there is sufficient workload at the Gurnee facility to justify the number of stations being requested(16 stations).

<b>TABLE ONE</b>						
<b>Facilities within 30 minutes of the proposed facility</b>						
<b>Facility</b>	<b>City</b>	<b>Adjusted Time</b>	<b>Stations</b>	<b>Patients</b>	<b>Utilization</b>	<b>Met Occupancy</b>
Fresenius Gurnee	Gurnee	0	14	79	97.62%	Yes
DaVita Waukegan	Waukegan	4.6	22	103	71.21%	No
Fresenius Waukegan Harbor	Waukegan	10.35	31	76	63.49%	No
Fresenius Lake Bluff	Lake Bluff	11.5	16	76	75.00%	No
DaVita Lake County	Vernon Hills	23	16	72	81.25%	Yes
Fresenius Round Lake	Round Lake	24.15	16	82	87.50%	Yes
Highland Park Hospital	Highland	24.15	20	87	75.00%	No
Fresenius Mundelein	Mundelein	25.3	12	33	62.50%	No
Fresenius Deerfield	Deerfield	28.75	12	39	41.67%	No
DaVita Lake Villa	Lake Villa	28.75	12	39	54.17%	No
Fresenius Antioch	Antioch	29.9	12	50	66.67%	Yes
• Time determined by MapQuest and adjusted per 77 IAC 1100.510 (d)						

TABLE ONE Facilities within 30 minutes of the proposed facility						
Facility	City	Adjusted Time	Stations	Patients	Utilization	Met Occupancy
<ul style="list-style-type: none"> <li>Utilization taken from March 2014 ESRD Facility Update</li> </ul>						

**PUBLIC COMMENT:**

- A public hearing was offered on this project no hearing was requested. No letters of support or opposition were received by the State Board Staff.

**WHAT WE FOUND:**

- The applicants addressed a total of 23 criteria and did not meet the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
1110.234 (a) - Size of the Project	The applicants are proposing 750 GSF per station. This exceeds the State Board Standard of 450-650 GSF. The applicants state the reason for the excess <i>“the physicians are strong proponents of patients receiving treatment at home, therefore approximately 1,000 GSF will be allotted for the home therapies department leaving 11,000 GSF dedicated to the in-center portion of the facility.”</i>

**STATE BOARD STAFF REPORT**  
**Fresenius Medical Care Gurnee**  
**PROJECT #14-011**

<b>APPLICATION SUMMARY</b>	
Applicants(s)	National Medical Care, Inc. d/b/a Neomedica – Gurnee, Fresenius Medical Care Holdings, Inc.
Facility Name	Fresenius Medical Care Gurnee
Location	Gurnee, Illinois
Application Received	April 11, 2014
Application Deemed Complete	April 15, 2014
Can applicants request a deferral?	Yes
Review Period Extended by the State Board Staff?	No

**I. The Proposed Project**

The applicants are proposing to discontinue and establish a 14 station ESRD facility in Gurnee, Illinois. In addition the applicants are proposing to add 2 stations for a total of 16 stations at the new facility. The cost of the project is \$5,475,700 and the project completion date is December 31, 2015.

**II. Summary of Findings**

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

**III. General Information**

The applicants are National Medical Care, Inc. d/b/a Neomedica-Gurnee and Fresenius Medical Care Holdings, Inc. The existing facility is located at located at 101 N. Greenleaf in Gurnee, Illinois and the new 16-station replacement facility will be located at 40-50 Tower Court, also in Gurnee. The relocated clinic will be in the same office complex (Greenleaf Center) as the current site. The facility is located in the HSA 8 ESRD Planning Area. HSA 8 includes the Illinois counties of Kane, Lake and McHenry. The operating entity is National Medical Care, Inc. d/b/a Neomedica – Gurnee, and the owner of the site Greenleaf Center. At the completion of this project the facility will be renamed Fresenius Medical Care Gurnee. The June Update to the Inventory of ESRD Services indicates a calculated excess of 30 ESRD stations in the HSA 8 ESRD Planning Area.

The project is a substantive project and is subject to Part 1110 and Part 1120 review. Obligation will occur after permit issuance. **The anticipated project completion date is December 31, 2015.**

**At the conclusion of this report is the 2012 ESRD Profile for Fresenius Medical Care Gurnee.**

#### **IV. The Proposed Project – Details**

The applicants are proposing to discontinue a 14 station ESRD facility and establish a 16 station ESRD facility in 12,000 GSF of space at a cost of \$5,475,700.

#### **V. Project Costs and Sources of Funds**

The applicants are funding the project with cash and securities of \$2,818,000 and a lease with a FMV of \$2,657,700. The expected start up costs and operating deficit is \$235,917.

<b>TABLE TWO</b>		
<b>Project Costs and Sources of Funds</b>		
<b>Use of Funds</b>	<b>Clinical</b>	<b>Total</b>
Modernization Contracts	\$1,932,000	\$1,932,000
Contingencies	\$192,000	\$192,000
Architectural and Engineering Fees	\$190,000	\$190,000
Movable Equipment	\$504,000	\$504,000
FMV of Leased Space	\$2,657,700	\$2,657,700
<b>Total</b>	<b>\$5,475,700</b>	<b>\$5,475,700</b>
<b>Sources of Funds</b>		
Cash and Securities	\$2,818,000	\$2,818,000
Leases	\$2,657,700	\$2,657,700
<b>Total</b>	<b>\$5,475,700</b>	<b>\$5,475,700</b>

#### **VI. Cost/Space Requirements**

The applicants are proposing 12,000 GSF of modernized space for the proposed service. .

<b>TABLE THREE</b>				
<b>Cost Space Requirements</b>				
<b>Dept/Area</b>	<b>Existing</b>	<b>Proposed</b>	<b>New Construction</b>	<b>Modernization</b>
ESRD	12,000	12,000	0	12,000
Total	12,000	12,000	0	12,000

## **VII. Section 1110.130 – Discontinuation**

The applicants are proposing to discontinue its 14-station ESRD facility located at 101 Greenleaf, Gurnee, operating at 98% utilization as of the first quarter 2014. It proposes relocating the existing 14-station facility and establishing a 16-station replacement facility to be located at 40-50 Tower Court, Gurnee. Both facilities are in the same office building complex and in HSA 8. All patients are expected to transfer to the new facility and therefore all medical records will be transferred to the new site as well.

The discontinuation is expected to occur simultaneously with the opening of the new facility, on or before December 31, 2015. There will be no break in service to the patients involved. The evacuated building at 101 Greenleaf is leased space so will be released back to the landlord.

### **Reasons for Discontinuation**

The Gurnee facility was opened in 1990 with 6 stations. It was purchased by National Medical Care in 1996 with 9 stations. It now has 14 stations and has outgrown its current space. It has historically operated in excess of the 80% target utilization, hovering around 100% and has at times had to operate a 4th shift in order to meet demand. The facility is in desperate need of additional space for treatment areas and storage.

### **Impact on Access**

It is determined that the "relocation" and addition of two stations at the Gurnee facility to an alternate site also will not have any impact on any area ESRD providers. Given its current patient load, the proposed facility will still be above 80% utilization after the addition of the two stations, without the need for any further patient referrals. No patients are being transferred from any other facility. The "relocation" and additional stations will have a positive impact for ESRD patients in Gurnee. The Gurnee facility's treatments are currently 21 % Medicaid reimbursed. It is imperative to have continued access to treatment for this disadvantaged population. A written request for an impact statement was sent to all non-Fresenius facilities within a 45-minute travel time. No responses were received.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION DISCONTINUATION 77 IAC 1110.130.**

## **VIII. Section 1110.230 - Purpose of Project, Safety Net Impact Statement and Alternatives – Information Requirements**

### **A. Criterion 1110.230 (a) - Purpose of the Project**

The purpose of this project is to provide continued ESRD treatment access to current and future patients of the Fresenius Gurnee ESRD facility in a more

adequately sized and modern space. The current facility was established 25 years ago with 6 stations in 4,505 GSF. The facility has expanded multiple times to its current 14 stations. This amounts to only 321 GSF per station, which is below the State standard. The facility is forced to operate in an inefficient cramped space at near capacity utilization. The facility has no ability to expand further. Costly updates and repairs are also needed at the current site, which are not feasible due to the limited space. Gurnee is located in Lake County in HSA 8. The facility serves mainly northeast Lake County as it will continue to do after what is essentially a "relocation" of the existing facility to another site in Gurnee and addition of 2 stations. Historical and supporting patient data was obtained from Nephrology Associates of Northern Illinois (NANI). Clinic utilization was obtained from quarterly utilization reports received from the Illinois Health Facilities & Services Review Board. The new expanded location will allow for ease of access to patients for care by clinic staff, enlarged walkways and waiting areas as well as additional access to treatment schedules. Additionally, the expanded facility will allow for expansion of home dialysis therapies of which the supporting physicians are strong proponents. There is no direct empirical evidence relating to this project other than that when chronic care patients have adequate access to services, it tends to reduce overall healthcare costs and results in less complications. The quality outcomes for the Gurnee facility for the past year have been above the State standard:

- 97% of patients had a URR 2: 65%
- 97% of patients had a KW 2: 1.2

#### **B. Criterion 1110.230 (b) - Safety Net Impact Statement**

##### **The applicants stated the following:**

*The discontinuation/establishment of the Fresenius Medical Care Gurnee dialysis facility will not have any impact on safety net services in the Gurnee area. Outpatient dialysis services are not typically considered "safety net" services, to the best of our knowledge. However, we do provide care for patients in the community who are economically challenged and/or who are undocumented aliens, who do not qualify for Medicare/Medicaid. We assist patients who do not have insurance in enrolling when possible in Medicaid and/or Medicaid as applicable, and also our social services department assists patients who have issues regarding transportation and/or who are wheel chair bound or have other disabilities which require assistance with respect to dialysis services and transport to and from the unit. This particular application will not have an impact on any other safety net provider in the area, as no hospital within the area provides dialysis services on an outpatient basis. Fresenius Medical Care is a for-profit publicly traded company and is not required to provide charity care, nor does it do so according to the Board's definition. However, Fresenius Medical Care provides care to all patients regardless of their ability to pay. There are patients treated by Fresenius who either do not qualify for or will not seek any type of coverage for dialysis services. These patients are considered "self-pay" patients. These patients are invoiced as all patients are invoiced, however*



*payment is not expected and Fresenius does not initiate any collections activity on these accounts. These unpaid invoices are written off as bad debt. Fresenius notes that as a for profit entity, it does pay sales, real estate and income taxes. It also does provide community benefit by supporting various medical education activities and associations, such as the Renal Network and National Kidney Foundation.*

*The applicant(s) do not provide charity care at any of their facilities per the Board's definition of charity care because self-pay patients are billed and their accounts are written off as bad debt. Fresenius takes Medicaid patients without limitations or exception. The applicant(s) are for profit corporations and do not receive the benefits of not for profit entities, such as sales tax and/or real estate exemptions, or charitable donations. The applicants are not required, by any State or Federal law, including the Illinois Healthcare Facilities Planning Act, to provide charity care. The applicant(s) are prohibited by Federal law from advising patients that they will not be invoiced for care, as this type of representation could be an inducement for patients to seek care prior to qualifying for Medicaid, Medicare or other available benefits. This is why self-pay patients are invoiced and then the accounts written off as bad debt. The applicants do provide access to care at all of its clinics regardless of payer source or whether a patient is likely to receive treatments for which the applicants are not compensated. Uncompensated care occurs when a patient is not eligible for any type of insurance coverage (whether private or governmental) and receives treatment at our facilities. It is rare in Illinois for patients to have no coverage as patients who are not Medicare eligible are Medicaid eligible. This represents a small number of patients, as Medicare covers all dialysis services as long as an individual is entitled to receive Medicare benefits (i.e. has worked and paid into the social security system as a result) regardless of age. In addition, in Illinois Medicaid covers patients who are undocumented and/or who do not qualify for Medicare, and who otherwise qualify for public assistance. Also, the American Kidney Fund provides low cost insurance coverage for patients who meet the AKF's financial parameters and who suffer from end stage renal disease (see uncompensated care attachment). The applicants work with patients to procure coverage for them as possible whether it be Medicaid, Medicare and/or coverage through the AKF. The applicants donate to the AKF to support its initiatives. If a patient has no available insurance coverage, they are billed for services rendered, and after three statement reminders the charges are written off as bad debt. Collection actions are not initiated unless the applicants are aware that the patient has substantial financial resources available and/or the patient has received reimbursement from an insurer for services we have rendered, and has not submitted the payment for same to the applicants. Nearly all dialysis patients in Illinois will qualify for some type of coverage and Fresenius works aggressively to obtain insurance coverage for each patient.*

<b>TABLE FOUR Safety Net Impact</b>			
	<b>2010<sup>1</sup></b>	<b>2011<sup>1</sup></b>	<b>2012</b>
Net Revenue	\$397,467,776	\$353,355,906	\$387,393,758
# of Charity Care Patients	146	93	203
Charity Cost	\$1,307,966	\$632,154	\$1,536,372
% of Charity Cost to Net Revenue	0.33%	0.18%	0.40%
# of Medicaid Patients <sup>2</sup>	1,828	1,865	1,705
Medicaid Revenue	\$44,001,539	\$42,367,328	\$36,254,633
% of Medicaid Revenue to Net Revenue	11.07%	12.00%	12.99%
1. 2011 & 2012 data accounts for in-center hemodialysis only. 2010 data included some home dialysis patients and we were unable to remove them from the above numbers. 2. Patients with Medicaid pending for 2012 were considered under self-pay only. 2010-2011 Medicaid pending were considered Medicaid. \ \			

### **C. Criterion 1110.230(c) – Alternatives**

Two alternatives were considered that would entail a lesser scope and cost than the project proposed in this application, however they were determined not to be feasible options. The alternative of doing nothing was rejected. The clinic was established 25 years ago with 6 stations and has expanded far beyond what is feasible in its current space. The clinic has been operating near capacity for several years and has had to operate a fourth shift from time to time. Doing nothing will not solve the overutilization space issues. There is no monetary cost to this alternative.

The next alternative was to relocate only the 14 stations and not add the 2 additional stations. The cost for this would only be about \$100,000 less than the current project. While this alternative is feasible, the clinic is operating at 98% utilization, reducing treatment shift availability and requiring a 4th shift. The facility has not added stations in over 10 years and is allowed to add 10% of current stations per Board rules without permit.

The third alternative considered was a joint venture. The preferred Fresenius model of ownership is for our facilities to be wholly owned, however we do enter into joint ventures on occasion. Fresenius Medical Care always maintains control of the governance, assets and operations of a facility it enters into a joint venture agreement with. There is not monetary cost to this alternative.

The fourth alternative considered was utilizing other area facilities. The Gurnee facility has already transferred patients to the Fresenius Waukegan clinic and utilized a fourth shift to make accommodations for the large

numbers of patients. The only other clinic serving the immediate area, DaVita Waukegan, is in the process of relocating and is just under the 80% utilization target as of 12/31/2013. There are no other clinics in close proximity that can accommodate a large increase in patients. There is no monetary cost.

**IX. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space – Review Criteria**

**A) Criterion 1110.234 (a) - Size of Project**

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

The applicants are proposing 12,000 GSF for 16 stations or 750 per GSF. The State Standard for ESRD is between 450 – 650 BGSF per station or 7,200 - 10,400 BGSF. The proposed 12,000 BGSF falls 1,600 BGSF over the State standard. The applicants state *“the physicians are strong proponents of patients receiving treatment at home, therefore approximately 1,000 GSF will be allotted for the home therapies department leaving 11,000 GSF dedicated to the in-center portion of the facility.”*

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH SIZE OF PROJECT CRITERION 1110.234 (a)**

**B) Criterion 1110.234 (b) - Project Services Utilization**

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

The current facility is operating at 97.62% and all patients are expected to transfer to the new facility once it is completed. It applicants have met this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH SIZE OF PROJECT CRITERION 1110.234 (a)**

**X. Section 1110.1430 - In-Center Hemodialysis Projects**

**A) Criterion 1110.1430 - Introduction**

- 1) This Section applies to projects involving the In-Center Hemodialysis category of service. Applicants proposing to establish, expand or modernize this category of service shall comply with the applicable subsections of this Section as follows:

PROJECT TYPE	REQUIRED REVIEW CRITERIA
Establishment of Services or Facility	(b)(1) & (3) – Background of the Applicant
	(c)(1) – Planning Area Need – 77 Ill. Adm. Code 1100 (formula calculation)
	(c)(2) – Planning Area Need – Service to Planning Area Residents
	(c)(3) – Planning Area Need – Service Demand – Establishment of In-Center Hemodialysis
	(c)(5) – Planning Area Need – Service Accessibility
	(d)(1) – Unnecessary Duplication of Services
	(d)(2) – Maldistribution
	(d)(3) – Impact of Project on Other Area Providers
	(f) – Staffing
	(g) – Support Services
	(h) – Minimum Number of Stations
	(i) – Continuity of Care
	(j) – Relocation (if applicable)
	(k) – Assurances

- 2) If the proposed project involves the relocation of an existing facility or service, the applicant shall comply with the requirements listed in subsection (a)(1) for "Establishment of Services or Facility", as well as requirements in Section 1110.130 (Discontinuation) and subsection (j) (Relocation of Facilities).

**B) Criterion 1110.1430 (b) - Background of Applicant**

- 1) An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character to adequately provide a proper standard of health care service for the community.***

The applicants have provided all of the necessary documentation required by the State Board and have attested that the State Board can access any information to verify any documentation or information submitted in response to the requirements of this criterion or to obtain any documentation or information that the State Board finds pertinent to this criterion.

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

**C) Criterion 1110.1430 - Planning Area Need**

**The applicant shall document that the number of stations to be established or added is necessary to serve the planning area's population, based on the following:**

- 1) 77 Ill. Adm. Code 1100 (Formula Calculation)**
- 2) Service to Planning Area Residents**
  - A) Applicants proposing to establish or add stations shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.**
- 3) Service Demand – Establishment of In-Center Hemodialysis Service**

**The number of stations proposed to establish a new in-center hemodialysis service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest two-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new facility, the applicant shall submit projected referrals. The applicant shall document subsection (c)(3)(A) and either subsection (c)(3)(B) or (C).**
- 5) Service Accessibility**

**The number of stations being established or added for the subject category of service is necessary to improve access for planning area residents.**

All of the patients from the existing FMC Gurnee facility will transfer to the new facility if the proposed project is approved. The current Gurnee facility is operating at 97.62% occupancy which justifies the 16 stations being requested. 100% of the patients come from within the HSA 8 ESRD planning area. There are currently 10 additional facilities within the planning area in which 7 are not at target occupancy.

**The applicants stated the following:** *Fresenius Waukegan Harbor is a large 21 station facility that has been certified just two years and has grown rapidly and accepted many transfers from the Gurnee facility. It is expected to reach 80% before the completion of the Gurnee relocation with separate patients from those identified in this application. The remaining underutilized clinics are between 14 and 17 miles away from Gurnee and are do not present reasonable locations for residents of Gurnee to receive treatment. While, there is some capacity, there is not an absence of dialysis services in the HSA, if the Gurnee clinic is not allowed to relocate and expand new ESRD patients in the Gurnee area will have to scatter to various clinics throughout Lake County, possibly losing their treating physician and incurring numerous transportation problems.*

<b>TABLE FIVE</b>						
<b>Facilities within 30 minutes of the proposed facility</b>						
<b>Facility</b>	<b>City</b>	<b>Adjusted Time</b>	<b>Stations</b>	<b>Patients</b>	<b>Utilization</b>	<b>Met Occupancy</b>
Fresenius Gurnee	Gurnee	0	14	79	97.62%	Yes
DaVita Waukegan	Waukegan	4.6	22	103	71.21%	No
Fresenius Waukegan Harbor	Waukegan	10.35	31	76	63.49%	No
Fresenius Lake Bluff	Lake Bluff	11.5	16	76	75.00%	No
DaVita Lake County	Vernon Hills	23	16	72	81.25%	Yes
Fresenius Round Lake	Round Lake	24.15	16	82	87.50%	Yes
Highland Park Hospital	Highland	24.15	20	87	75.00%	No
Fresenius Mundelein	Mundelein	25.3	12	33	62.50%	No
Fresenius Deerfield	Deerfield	28.75	12	39	41.67%	No
DaVita Lake Villa	Lake Villa	28.75	12	39	54.17%	No
Fresenius Antioch	Antioch	29.9	12	50	66.67%	Yes
<ul style="list-style-type: none"> <li>Time determined by MapQuest and adjusted per 77 IAC 1100.510 (d)</li> <li>Utilization taken from March 2014 ESRD Facility Update</li> </ul>						

The applicants are requesting the relocation of 14 stations and an additional two stations for a total of 16 stations in order to address the high occupancy at FMC Gurnee. The current utilization of the FMC Gurnee facility (97.62%) justifies the 16 stations being requested.

While there is a calculated excess of 30 stations in this planning area and there are existing facilities not operating at target occupancy it appears based upon the high utilization of FMC Gurnee that the proposed relocation and the additional two stations is warranted.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE PLANNING AREA NEED CRITERION 1110.1430 (c)**

**D) Criterion 1110.1430 (d) - Unnecessary Duplication/Maldistribution**

- 1) The applicant shall document that the project will not result in an unnecessary duplication.**
- 2) The applicant shall document that the project will not result in maldistribution of services.**
- 3) The applicant shall document that, within 24 months after project completion, the proposed project:**

The ratio of **ESRD** stations to population in the zip codes within a 30-minute radius of Fresenius Medical Care - Gurnee is 1 station per 3,880 residents according to the 2010 census (based on 655,681 residents and 169 stations). The State ratio is 1 station per 3,132 residents (based on US Census 2010 of 12,830,632 Illinois residents and January 2014 Board station inventory of 4,096). There is no surplus of stations in HSA 8 ESRD Planning area.

While there are facilities not operating at target occupancy within 30 minutes of the proposed project, given the high utilization of FMC Gurnee it does not appear an unnecessary duplication of service or maldistribution of service will result with the relocation and the additional two stations.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE UNNECESSARY DUPLICATION OF SERVICE MALDISTRIBUTION CRITERION 1110.1430 (d)**

**E) Criterion 1110.1430 (f) - Staffing**

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

The applicants have provided the necessary documentation to address this criterion at pages 88-92 of the application for permit.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT  
IS IN CONFORMANCE WITH THE STAFFING CRITERION  
1110.1430 (e)**

**F) Criterion 1110.1430 (g) - Support Services**

**An applicant proposing to establish an in-center hemodialysis category of service must submit a certification from an authorized representative that attests to each of the following:**

- 1) Participation in a dialysis data system;**
- 2) Availability of support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and**
- 3) Provision of training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training provided at the proposed facility, or the existence of a signed, written agreement for provision of these services with another facility.**

The applicants have provided the necessary attestation as required by the criterion at page 93 of the application for permit.

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

**G) Criterion 1110.1430 (h) Minimum Number of Stations**

**The minimum number of in-center hemodialysis stations for an End Stage Renal Disease (ESRD) facility is:**

- 1) Four dialysis stations for facilities outside an MSA;**
- 2) Eight dialysis stations for a facility within an MSA.**

The applicants are proposing 16 stations in this MSA. The applicants have successfully addressed this criterion.

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



**H) Criterion 1110.1430 (i) - Continuity of Care**

**An applicant proposing to establish an in-center hemodialysis category of service shall document that a signed, written affiliation agreement or arrangement is in effect for the provision of inpatient care and other hospital services.**

The applicants have provided the necessary affiliation agreement at pages 95-98 of the application of permit. The affiliation agreement is with Advocate Condell Medical Center.

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

**I) Criterion 1110.1430 (j) - Relocation of Facilities**

**This criterion may only be used to justify the relocation of a facility from one location in the planning area to another in the same planning area and may not be used to justify any additional stations. A request for relocation of a facility requires the discontinuation of the current category of service at the existing site and the establishment of a new category of service at the proposed location. The applicant shall document the following:**

**1) That the existing facility has met the utilization targets detailed in 77 Ill. Adm. Code 1100.630 for the latest 12-month period for which data is available; and**

**2) That the proposed facility will improve access for care to the existing patient population.**

The existing Gurnee Dialysis Center was operating at 98% utilization serving 82 patients at the end of the 1st quarter of 2014. It has been operating near capacity for the last five years.

FMC Gurnee Dialysis Center opened 25 years ago with 6 stations in 4,505 GSF. The facility has expanded services multiple times and is now operating 14 stations in a space more adequate for 10 or fewer stations. Due to space constraints the facility is not able to expand and is operating near capacity. Additional space is needed to allow more stations to reduce overutilization and to free up work and storage space for staff. The additional square footage will allow the facility to expand to address current high utilization and will also allow for the expansion of the home therapies department. It is the physician's and Fresenius' desire to grow this already large home dialysis program in the Gurnee area. Also, the expansion and relocation will offer the patients a more modern facility to

dialyze in and ample room for navigation in wheelchairs and walkers. Access to the clinic will be similar as the relocation site is in the same office complex as the current location. It appears the relocation is justified.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE RELOCATION OF FACILITIES CRITERION 1110.1430 (j)**

**J) Criterion 1110.1430 (k) - Assurances**

**The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that:**

**1) By the second year of operation after the project completion, the applicant will achieve and maintain the utilization standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal; and**

**2) An applicant proposing to expand or relocate in-center hemodialysis stations will achieve and maintain compliance with the following adequacy of hemodialysis outcome measures for the latest 12-month period for which data are available:  $\geq 85\%$  of hemodialysis patient population achieves urea reduction ratio (URR)  $\geq 65\%$  and  $\geq 85\%$  of hemodialysis patient population achieves Kt/V Daugirdas II 1.2.**

The applicants have provided the necessary attestation at page 100 of the application for permit. The applicants have met the requirements of this criterion.

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

**XI. Section 1120.120 - Availability of Funds**

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

The applicants are funding the project with cash of \$2,818,000 and a lease with a FMV of \$2,657,700. A review of the audited financial statements indicates there is sufficient cash to fund the project.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION 1120.120.**

**XII. Section 1120.130 - Financial Viability**

**Financial Viability Waiver**

**The applicant is NOT required to submit financial viability ratios if all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges).**

The applicants are funding the project with cash of \$2,818,000 and a lease with a FMV of \$2,657,700. The applicants have met the financial viability waiver requirements.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH FINANCIAL VIABILITY CRITERION 1120.130.**

**XIII. Section 1120.140 - Economic Feasibility**

**A) Criterion 1120.140 (a) – Reasonableness of Financing Arrangements**

**The applicant shall document the reasonableness of financing arrangements.**

The applicant is paying for the project with cash on hand, and not borrowing any funds for the project. However, per the Board's rules the entering of a lease is treated as borrowing. As such, the applicants are attesting that the entering into of a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic. Further, should the applicant be required to payoff the lease in full, its existing investments and capital retained could be converted to cash or used to retire the outstanding lease obligations within a sixty (60) day period.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH REASONABLENESS OF FINANCING ARRANGEMENT CRITERION 1120.140(a).**

**B) Criterion 1120.140 (b) - Conditions of Debt Financing**

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

The expenses incurred with leasing the proposed facility and cost of leasing the equipment is less costly than constructing a new facility or purchasing new equipment.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CONDITIONS OF DEBT FINANCING CRITERION 1120.140(b).**

**C) Criterion 1120.140 (c) - Reasonableness of Project and Related Costs**

**The applicant shall document that the estimated project costs are reasonable and in compliance with State Board Standard.**

**Modernization and Contingency Costs** – These costs are \$2,124,000 or \$177 per GSF. This appears reasonable when compared to the State Board standard of \$178.33.

**Contingencies Costs** – These costs are \$192,000 or 10% of modernization costs which appears reasonable when compared to the State Board standard of 10-15%.

**Architectural and Engineering Fees** – These costs are \$190,000 or 8.94% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 6.54-9.82%

**Movable Equipment** – These costs are \$504,000 or \$31,500 per station. This appears reasonable when compared to the State Board Standard of \$46,307 per station.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH REASONABLENESS OF PROJECT COSTS CRITERION 1120.140(c).**

**D) Criterion 1120.140 (d) - Projected Operating Costs**

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

The projected operating cost per treatment is \$217.56. The applicants have met the requirements of this criterion.

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

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

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

The capital cost per treatment is \$17.69. The applicants have met the requirements of this criterion.

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