



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-02	BOARD MEETING: December 16, 2014	PROJECT NO: 14-029	PROJECT COST: Original: \$4,159,450
FACILITY NAME: Fresenius Medical Care Grayslake		CITY: Grayslake	
TYPE OF PROJECT: Substantive			HSA: VIII

PROJECT DESCRIPTION: The applicants (Fresenius Medical Care Grayslake, LLC d/b/a Fresenius Medical Care Grayslake, Fresenius Medical Care Holdings, Inc.) are proposing to establish a 12 station ESRD facility in Grayslake, Illinois. The cost of the project is \$4,159,450 and the project completion date is June 30, 2016.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Fresenius Medical Care Grayslake, LLC d/b/a Fresenius Medical Care Grayslake, Fresenius Medical Care Holdings, Inc.) are proposing to establish a 12 station ESRD facility in Grayslake, Illinois. The cost of the project is \$4,159,450 and the project completion date is June 30, 2016.
- This application was deferred by the applicants from the October 7, 2014 and November 12, 2014 State Board Meeting.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

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

PURPOSE OF THE PROJECT:

- **According to the applicants the purpose of the project is** *“provide access to dialysis treatment centrally located in Lake County between two facilities historically operating at high utilization rates. It will alleviate overcrowding at current facilities, reduce patient travel burdens and expense and allow for additional favored treatment times for patients new to dialysis.”*

NEED FOR THE PROJECT:

- **The applicants started** *“Grayslake is centrally located between Fresenius Gurnee and Round Lake, both of which are nearing capacity. To the south Fresenius Mundelein, which was recently opened, is filling up and is expected to reach 80% long before the Grayslake facility is operating. Patients in Grayslake will need to travel well beyond their market and travel past several full clinics to find availability. This will create a loss of continuity of care as some may have to change physicians and in an emergency may end up at a hospital where their healthcare team does not round. Numerous transportation problems will also arise since most patients are dependent on either family member for rides to and from treatment or medical car transportations that do not operate past 4 p.m. Between 2000 and 2010 Lake County population grew at 9%, higher than the State of Illinois overall rate of 3%. Along with this growth the elderly population more than doubled during this time. Also, while Grayslake is not in a medically underserved area, there are a high percentage of patients who are Medicaid recipients. The two nearest Fresenius clinics that serve this area, Round Lake and Gurnee perform 11 % and 21 % Medicaid reimbursed treatments respectively.”*
- The applicants have identified 137 pre ESRD patients that will possibly require dialysis within the next 24 months. All of the 137 pre ESRD patients reside within 5 miles of the proposed Grayslake facility.
- The State Board has projected a calculated excess of 32 ESRD stations by CY 2015 in the HSA 8 ESRD planning area.
- Four of the 14 facilities within 30 minutes (adjusted time) are operating at the 80% target occupancy; therefore an unnecessary duplication of service may result with the approval of the proposed facility. Average utilization of these 14 facilities is 69.24%. It does not appear the proposed facility will result in a surplus of stations within 30 minutes

(adjusted time) of the proposed project. The ratio of ESRD stations to population in the zip codes within a 30-minute radius of the proposed facility is one station per every 5,295 residents. The State ratio is 1 station per 3,123 residents. A surplus of stations is characterized as 1.5 times the State of Illinois ratio. It does not appear a maldistribution of service will result with the approval of the proposed facility.

- It does not appear that the proposed facility will have an adverse impact on other facilities within the 30 minutes (adjusted time) of the proposed facility since no patients are being transferred from other facilities to the proposed facility.

TABLE ONE					
Facilities with 30 minutes (adjusted time) of the proposed facility.					
Facility	City	Adjusted Travel Time	Stations	Occupancy	Met Standard?
Fresenius Round Lake	Round Lake	9.2	16	84.38%	Yes
Fresenius Gurnee	Gurnee	12.65	16	84.38%	Yes
DaVita Waukegan	Waukegan	16.1	22	85.61%	Yes
Fresenius Mundelein	Mundelein	17.25	12	72.22%	No
DaVita Lake Villa	Lake Villa	17.25	12	52.78%	No
Fresenius Waukegan Harbor	Waukegan Harbor	19.55	21	73.81%	No
Fresenius Lake Bluff	Lake Bluff	20.7	16	73.96%	No
DaVita Lake County	Vernon Hills	21.85	16	77.08%	No
Fresenius Antioch	Antioch	23	12	61.11%	No
Fresenius McHenry	McHenry	26.45	14	48.81%	No
Fresenius Deerfield	Deerfield	28.75	12	58.33%	No
ARA McHenry	McHenry	28.75	12	48.81%	No
Davita Buffalo Grove	Buffalo Grove	29.9	12	65.63%	No
Fresenius Highland Park	Highland Park	29.9	20	82.50%	Yes
Total			213	69.24%	
Time adjusted per 77 IAC 1100.510 (d) for projects within the HSA 8 ESRD planning area time is adjusted by 1.15x					
Occupancy determined by data submitted by facilities as of September 30, 2014.					
FMC Gurnee approved to relocate and add two stations at the July 14, 2014 State Board Meeting.					

PUBLIC COMMENT:

- An opportunity of a public hearing was provided however no hearing was requested. No letters of support were received. One letter of opposition was received by the State Board Staff.

WHAT WE FOUND

- The applicants addressed 22 criteria and did not meet the following:

State Board Criteria Not Met	
Criteria	Reasons for Non-Compliance
77 IAC 1110.1430 (c) - Planning Area Need	The State Board has projected an excess of 32 stations by CY 2015 for the HSA 8 ESRD planning area.
77 IAC 1110.1430(d) - Unnecessary Duplication of Service	Four of the 14 facilities within 30 minutes are operating at the target occupancy of 80%. This assumes that all facilities within 30 minutes are operating at 3 shifts a day, six days a week, 52 weeks a year. It also assumes that all facilities have been operating for two years after project completion.

STATE BOARD STAFF REPORT
Fresenius Medical Care Grayslake
PROJECT #14-029

APPLICATION CHRONOLOGY	
Applicants(s)	Fresenius Medical Care Grayslake, LLC d/b/a Fresenius Medical Care Grayslake, Fresenius Medical Care Holdings, Inc.
Facility Name	Fresenius Medical Care Grayslake
Location	Grayslake, Illinois
Application Received	July 10, 2014
Application Deemed Complete	July 11, 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 establish a 12 station ESRD facility in Grayslake, Illinois. The cost of the project is \$4,159,450 and the project completion date is June 30, 2016.

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 Fresenius Medical Care Grayslake, LLC d/b/a Fresenius Medical Care Holdings Grayslake and Fresenius Medical Care Holdings, Inc. Fresenius Medical Care Holdings, Inc., a New York corporation is a subsidiary of Fresenius Medical Care AG & Co. KGaA, a German partnership. The facility is located at 100 South Atkinson, Grayslake, Illinois. The operating entity is Fresenius Medical Care Grayslake, LLC d/b/a Fresenius Medical Care Grayslake. The owner of the site is Mosaic Real Estate Investment. The proposed site for the establishment of Fresenius Medical Care Grayslake complies with the requirements of Illinois Executive Order #2005-5. The Illinois Historic Preservation Agency has determined, based on the available information, that no significant historic, architectural or archaeological resources are located within the proposed project 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 June 30, 2016.**

The facility is located in the HSA 8 ESRD Planning Area in Lake County. HSA 8 ESRD Planning Area includes the Illinois counties of Kane, Lake and McHenry. The State Board is currently projecting an excess of 32 ESRD stations in the HSA 8 ESRD Planning Area by CY 2015.

IV. The Proposed Project – Details

The applicants are proposing to establish a 12 station ESRD facility in 7,800 GSF of leased space at a cost of \$4,159,450.

V. Project Costs and Sources of Funds

The applicants are funding the project with cash and securities of \$1,833,800 and a lease with a FMV of \$2,275,650. The expected start up costs and operating deficit is \$155,299.

TABLE TWO	
Project Costs and Sources of Funds	
Uses of Funds	
Modernization Contracts	\$1,255,800
Contingencies	\$124,800
Architectural and Engineering Fees	\$135,200
Movable or Other Equipment	\$368,000
FMV of Lease Space	\$2,275,650
Total Uses	\$4,159,450
Sources of Funds	
Cash and Securities	\$1,833,800
FMV of Leased Space	\$2,275,650
Other Funds and Source**	\$50,500
Total Sources	\$4,159,450

**Actual construction costs are \$1,380,600 however, the landlord is to contribute \$50,500 in tenant improvement allowances to be paid back over the term of the lease, but relates directly to the construction costs.

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

A) Criterion 1110.230 (a) - Purpose of the Project – Information Requirements
The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served.

The applicants stated the following: *“This project is being proposed to provide access to dialysis treatment centrally located in Lake County between two facilities historically operating at high utilization rates. It will alleviate overcrowding at current facilities, reduce patient travel burdens and expense and allow for additional favored treatment times for patients new to dialysis. The facility will be located in Grayslake in central Lake County, HSA 8. The market area it will serve is predominantly a 5 mile radius encompassing part of Libertyville, Gurnee, Round Lake, Lindenhurst and other towns such as Gages Lake, Third Lake, Hainesville, Fremont Center and Round Lake Beach. The Fresenius Round Lake and Gurnee facilities have long been operating at high utilization rates as have other area facilities: Fresenius Lake Bluff and DaVita Waukegan and Lake County. Recently established Fresenius Mundelein and Waukegan Harbor are close to full. This creates access barriers sometimes requiring a 4th shift to operate, little or no choice of treatment shift for new patients, transportation issues and loss of continuity of care if one has to travel out of area for treatment. Having access to treatment within one's own healthcare market area reduces complications and thus healthcare costs. Patients are less likely to miss treatments if barriers to access are reduced. Patient's stress is reduced and quality of life is increased if they are able to dialyze on a shift that fits their particular work/family schedule. Continuity of care is important for these patients whose many co-morbid conditions require a team of healthcare professionals. Fresenius Medical Care facilities meet the Board's criteria on quality. It is expected that this facility would have and maintain the same quality outcomes as the other facilities that North Shore nephrology oversees.”* See page 58 of the application for permit.

B) Criterion 1110.230 (b) - Safety Net Impact Statement – Information Requirements

All health care facilities, with the exception of skilled and intermediate long-term care facilities licensed under the Nursing Home Act [210 ILCS 45], shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]

The applicants stated the following: *“The establishment of the Fresenius Medical Care Grayslake dialysis facility will not have any impact on safety net services in the Grayslake/Lake County 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.”* See pages 102-107 of the application for permit.

TABLE THREE
Safety Net Information per PA 96-0031

CHARITY CARE			
	2011	2012	2013
Net Revenue	\$353,355,908	\$387,393,758	\$398,570,288
Charity * (# of self-pay patients)	93	203	642
Charity (cost In dollars)	\$632,154	\$1,536,372	\$5,346,976
Ratio Charity Care Cost to Net Patient Revenue	0.18%	0.40%	1.34%
MEDICAID			
Medicaid (# of patients)	1,865	1,705	1,660
Medicaid (revenue)	\$42,367,328	\$36,254,633	\$31,373,534
Ratio Medicaid to Net Patient Revenue	12%	9.36%	7.87%

C) Criterion 1110.230 (c) - Alternatives to the Proposed Project – Information Requirements

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

A. Proposing a project of greater or lesser scope and cost.

The only alternative that would entail a lesser scope and cost than the project proposed in this application would be to do nothing and maintain the status quo. This alternative was rejected because it would not address the clinics operating at a high utilization rate or address the need for access for North Shore Nephrology's 137 pre-ESRD patients living in the Grayslake area. While this option has no monetary cost, the cost is to the patients who will have limited and decreasing access in their healthcare market.

B. Pursuing a joint venture or similar arrangement

The typical 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. Our healthy financial position and abundant liquidity indicate that that we have the ability to support the development of additional dialysis centers. Fresenius Medical Care has more than adequate capability to meet all of its expected financial obligations and does not require any additional funds to meet expected project costs. This ownership of this facility is structured so that if physicians choose to invest at a later date they would be able to do so. The cost of a joint venture would be the same as the current project, however split amongst joint venture partners.

C. Utilizing other health care resources that are available

Clinics immediately surrounding Grayslake are operating at high utilization rates with the exception of the Mundelein facility which was recently established and is filling up quickly. It is expected to be above 80% prior to the opening of the facility proposed in this application, which will be in approximately 18-24 months.

Facility	City	Adjusted Travel Time	Stations	Utilization	Met Occupancy
Fresenius Round Lake	Round Lake	9.2	16	84.38%	Yes
Fresenius Gurnee	Gurnee	12.65	16	84.38%	Yes
DaVita Waukegan	Waukegan	16.1	22	85.61%	Yes
Fresenius Mundelein	Mundelein	17.25	12	72.22%	No

Facilities with capacity for new patients are further away from Grayslake, outside of the identified market. It does not make sense from a healthcare planning perspective to force patients to travel past several full dialysis clinics to find one that has available treatment times. Responsible planning identifies the need demonstrated by high utilization and addresses it by creating access where needed. There is no monetary cost to this alternative, except to the patient's health and well-being by limiting access.

As discussed further in this application, the most desirable alternative to keep access to dialysis services available in the Grayslake market area of central Lake County is to establish the Fresenius Grayslake facility centrally located between the facilities that are full. The cost of this project is \$4,159,450. See pages 59-60 of the application for permit

VII. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234 (a) - Size of Project

The applicants are proposing 7,800 GSF of space for the proposed 12 station facility or 650 GSF per station. This appears reasonable when compared to the State Board Standard of 650 GSF per station.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH CRITERION SIZE OF PROJECT CRITERION (77 IAC 1110.234 (a))

B) Criterion 1110.234 (b) - Project Services Utilization

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

There are a total of 137 pre-ESRD patients from the Grayslake area who are expected to begin dialysis within two years after the facility begins operation. Accounting for patient attrition, it is estimated that approximately 96 will begin dialysis at the Grayslake facility, although there may be a shift of patients between the Gurnee, Grayslake and Round Lake facilities as shift availability

opens up. The facility is expected to reach 80% utilization by the end of the second year of operation.

$(96 \text{ patients} \times 3 \text{ treatments per week} \times 52 \text{ weeks}) / (12 \text{ stations} \times 3 \text{ shifts per day} \times 6 \text{ days per week} \times 52 \text{ weeks}) = > 80\%$.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH CRITERION PROJECT SERVICES UTILIZATION (77 IAC 1110.234 (b))

C) Criterion 1110.234 (e) - Assurances

The applicants have attested that the proposed facility will be at target occupancy of 80% by the second year after project completion. See pages 61-62 of the application for permit.

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

VIII. Section 1110.1430 - In-Center Hemodialysis Projects

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

A) Criterion 1110.1430 (b) - Background of Applicant

An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character to adequately provide a proper standard of health care service for the community.* [20 ILCS 3960/6]

The applicants have provided the necessary information at pages 37-57 of the application for permit to address this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION BACKGROUND OF APPLICANT (77 IAC 1110.1430 (b) (1) (3))

B) Criterion 1110.1430 (c) - Planning Area Need

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

- 1) 77 Ill. Adm. Code 1100 (Formula Calculation)**
- 2) Service to Planning Area Residents**
- 3) Service Demand**
- 4) Service Accessibility**

To address this criterion the applicants provided a referral letter from North Shore Nephrology, a listing of the city and zip codes where the 137 pre ESRD patients reside in Lake County, referrals of North Shore Nephrology for the past 12 months, the number of in center ESRD patients at the end of 2011, 2012, 2013 and as of March 2014. In addition the applicants stated *“Grayslake is centrally located between Fresenius Gurnee and Round Lake, both of which are nearing capacity. To the south Fresenius Mundelein, which was recently opened, is filling up and is expected to reach 80% long before the Grayslake facility is operating. Patients in Grayslake will need to travel well beyond their market and travel past several full clinics to find availability. This will create a loss of continuity of care as some may have to change physicians and in an emergency may end up at a hospital where their healthcare team does not round. Numerous transportation problems will also arise since most patients are dependent on either family member for rides to and from treatment or medical car transportations that do not operate past 4 p.m. Between 2000 and 2010 Lake County population grew at 9%, higher than the State of Illinois overall rate of 3%. Along with this growth the elderly population more than doubled during this time. Also, while Grayslake is not in a medically underserved area, there are a high percentage of patients who are Medicaid recipients. The two nearest Fresenius clinics that serve this area, Round Lake and Gurnee perform 11 % and 21 % Medicaid reimbursed treatments respectively.”*

North Shore Nephrology treated 165 hemodialysis patients at the end of 2011, 161 at the end of 2012, 180 patients at the end of 2013, and 179 as of March 2014 as reported to The Renal Network. Over the past 12 months 65 new ESRD patients for hemodialysis services were referred to Highland Park Hospital, Fresenius Medical Care Deerfield, Lake Bluff, Palatine, Mundelein, Gurnee, and Round Lake. North Shore Nephrology has over 800 pre-ESRD patients that are seen in their office and there are 137 that live in close proximity to Grayslake that the applicants believe would be referred to the Fresenius Grayslake facility in the first two years of its operation. Of these 137 pre ESRD patients all of the patients reside in the HSA VIII ESRD planning area.

The State Board is currently projecting an excess of 32 ESRD stations by CY 2015 in the HSA 8 ESRD planning area. This projection is based upon the

assumption that all facilities in the HSA 8 ESRD planning area are operating 3 shifts a day 6 days a week.

HSA 8 ESRD planning area includes the Illinois counties of Kane, Lake and McHenry. There is no absence of service in the planning area and there has been no documentation submitted that indicates restrictive admission policies at existing providers. There has been no indication of access limitations or that the area population exhibiting indicators of medical care problems. The applicants have not met the requirements of this criterion. See application pages 64-74 for a complete discussion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1110.1430 (c))

C) Criterion 1110.1430 (d) - Unnecessary Duplication/Maldistribution

- **The applicant shall document that the project will not result in an unnecessary duplication.**
- **The applicant shall document that the project will not result in maldistribution of services.**
- **The applicant shall document that, within 24 months after project completion, the proposed project will not lower the utilization of other area providers.**

Unnecessary duplication of service is characterized by facilities within 30 minutes (adjusted time) operating at less than the State Board's target occupancy of 80%. The applicants stated the following as it relates to unnecessary duplication of service: *Grayslake lies directly between two historically highly utilized facilities on a major thoroughfare in central Lake County and will give area patients access closer to home and a choice of treatment times that are not available at the Round Lake and Gurnee facilities. This will help to alleviate high utilization at both the Round Lake and Gurnee facilities by opening up additional treatments times/schedules in central Lake County.*

There are 14 ESRD facilities with 213 stations within 30 minutes (adjusted time) of the proposed facility. Of the 14 facilities within 30 minutes, 4 facilities are operating at the State Board's target occupancy of 80%. Average utilization of the 14 facilities is 69.24%.

Maldistribution of service is characterized by a surplus of stations within 30 minutes (adjusted time) of the proposed project. The ratio of ESRD stations to population in the zip codes within a 30-minute radius of Fresenius Grayslake is one station per every 5,295 residents. The State ratio is 1 station per 3,123

residents. A surplus of stations is characterized as 1.5 times the State of Illinois ratio. It does not appear the proposed facility will create a surplus of stations in this 30 minute area.

The applicants stated the following in regards to the impact on other facilities: *”All new patients being referred to the Grayslake facility are pre ESRD patients of North Shore Nephrology (NSN). Currently there have not been any patients identified to transfer from the overutilized Round Lake or Gurnee facilities; however there likely will be some. This would have a positive effect on utilization at those clinics that are nearing capacity. Any transfers would open up additional treatment times at those facilities. No patients have been identified to transfer from any other area facilities and North Shore Nephrology will continue to refer to other area facilities according to the patient's place of residence and choice.”* It would appear that the proposed facility will not have an impact on other area facilities.

While there may not be a maldistribution of service in this 30 minute area (adjusted time), it appears that an unnecessary duplication of service will occur should the project be approved because there are existing facilities operating at less than the target occupancy (80%) in this 30 minute area (adjusted time). The applicants have not met the requirements of this criterion.

TABLE FOUR					
Facilities with 30 minutes (adjusted time) of the proposed facility.					
Facility	City	Adjusted Travel Time	Stations	Occupancy	Met Standard?
Fresenius Round Lake	Round Lake	9.2	16	84.38%	Yes
Fresenius Gurnee	Gurnee	12.65	16	84.38%	Yes
DaVita Waukegan	Waukegan	16.1	22	85.61%	No
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Fresenius Waukegan Harbor	Waukegan Harbor	19.55	21	73.81%	No
Fresenius Lake Bluff	Lake Bluff	20.7	16	73.96%	No
DaVita Lake County	Vernon Hills	21.85	16	77.08%	No
Fresenius Antioch	Antioch	23	12	61.11%	No
Fresenius McHenry	McHenry	26.45	14	48.81%	No
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ARA McHenry	McHenry	28.75	12	48.81%	No
Davita Buffalo Grove	Buffalo Grove	29.9	12	65.63%	No
Fresenius Highland Park	Highland Park	29.9	20	82.50%	Yes
Total			213	69.24%	
Time adjusted per 77 IAC 1100.510 (d) for projects within the HSA 8 ESRD planning area time is adjusted by 1.15x Occupancy determined by data submitted by facilities as of September 30, 2014. FMC Gurnee approved to relocate and add two stations at the July 14, 2014 State Board Meeting.					

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION MALDISTRIBUTION OF SERVICE (77 IAC 1110.1430 (c))

- E) Criterion 1110.1430 (f) -Staffing**
- F) Criterion 1110.1430 (g) -Support Services**
- G) Criterion 1110.1430 (h) - Minimum Number of Stations**
- H) Criterion 1110.1430 (j) - Continuity of Care**
- I) Criterion 1110.1430 (k) -Assurances**

The applicants have provided the necessary information to successfully address the criteria listed above at pages 76-88 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION STAFFING, SUPPORT SERVICES, MINIMUM NUMBER OF STATIONS, CONTINUITY OF CARE AND ASSURANCES (77 IAC 1110.1430 (f) (g) (h) (j) (k))

FINANCIAL

IX. 77 IAC 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 and cash equivalents of \$1,833,800 and the fair market value of lease and equipment of \$2,275,650. The applicants have cash and cash equivalents of \$275,719,000 as of December 31, 2013. The applicants have sufficient resources available to fund the proposed project.

TABLE FIVE Fresenius Medical Care Audited Financial Information In thousands (000)		
Calendar Year	2013	2012
Cash and Investments	\$275,719	\$341,071
Current Assets	\$3,866,123	\$5,673,703
Total Assets	\$16,597,314	\$17,808,635
Current Liabilities	\$2,094,693	\$2,510,111
Long Term Debt	\$2,113,723	\$2,030,126
Total Liabilities	\$8,075,490	\$8,401,166
Net Revenues	\$9,433,192	\$8,885,401
Expenses	\$8,088,952	\$7,384,745
Income Before Tax	\$1,344,240	\$1,500,656
Income Tax	\$465,540	\$497,177
Net Income	\$878,700	\$1,003,479

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

X. 77 IAC 1120.130 - 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 have qualified for the financial viability waiver because all capital expenditures are being funded from internal resources.

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

XI. 1120.140 - Economic Feasibility

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

The applicant shall document the reasonableness of financing arrangements.

The applicants are funding the project with cash and cash equivalents of \$1,833,800 and the fair market value of lease and equipment of \$2,275,650. Per the Board's rules the entering of a lease is treated as borrowing. The applicants are leasing 7,800 GSF of space for an initial term of 15 years at \$25 per rental square foot with a 10% escalation clause in years 6 and 11. This lease appears reasonable when compared to prior leases presented to the State Board for approval. See pages 97-98 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS (77 IAC 1120.140(a))

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

The applicant shall document that the conditions of debt financing are reasonable.

The applicants are paying for the project with cash on hand, and not borrowing any funds for the project. Per the Board's rules the entering of a lease is treated as borrowing. The applicants are attesting that the entering into a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicants 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 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. See page 99 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION CONDITIONS OF DEBT FINANCING (77 IAC 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.

Modernization and Contingencies – These costs total \$1,380,600 or \$177 per GSF. This appears reasonable when compared to the State Board Standard of \$194.87.

Contingencies – These costs total \$124,800 or 9.93% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural and Engineering Fees – These costs total \$135,200 or 9.79% of modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 6.90-10.36%.

Movable Equipment – These costs are \$368,000 or \$30,667 per station. This appears reasonable when compared to the State Board Standard of \$53,683.

Fair Market Value of Leased Space and Equipment – These costs total \$2,275,650. The State Board does not have a standard for these costs.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE
IN CONFORMANCE WITH CRITERION REASONABLENESS OF
PROJECT COSTS (77 IAC 1120.140 (c))**

D) Criterion 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.

The projected operating cost per treatment is \$196.33. This appears reasonable when compared to previously approved ESRD projects.

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

E) Criterion 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 projected capital cost per treatment is \$25.01. This appears reasonable when compared to previously approved ESRD projects.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN
CONFORMANCE WITH CRITERION TOTAL EFFECT OF THE
PROJECT ON CAPITAL COSTS (77 IAC 1120.140(e))**

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