



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: I-01	BOARD MEETING: August 25, 2015	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.

This project received an Intent to Deny at the December 16, 2014 State Board Meeting. Additional Information was provided on February 13, 2015 to address the Intent to Deny. Attached at the end of this report is the applicants' submittal of February 13, 2015 and the State Board Transcripts from the December 16, 2014 State Board Meeting.

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.”*

SUMMARY:

- The State Board has projected a calculated excess of 38 ESRD stations by CY 2015 in the HSA 8 ESRD planning area. 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.
- Three 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 67.84%. 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. It does not appear a maldistribution of service (surplus of stations) will result with the approval of the proposed facility. In addition 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 new facility.
- In supplemental information provided by the applicants the applicants’ stated that the Round Lake and Gurnee facilities have over the past five years averaged 83% and 96% respectively. Establishing the proposed facility will alleviate the high utilization at these two facilities, shorten patient travel times and provide a greater choice of treatment shifts times that better suit their home/work life and transportation options.

TABLE ONE Facilities with 30 minutes (adjusted time) of the proposed facility					
Facility	City	Adjusted Travel Time ⁽¹⁾	Stations	Occupancy ⁽²⁾	Met Standard?
Fresenius Round Lake	Round Lake	9.2	16	75.00%	No
Fresenius Gurnee	Gurnee	12.65	16	84.38%	Yes
DaVita Waukegan	Waukegan	16.1	22	87.12%	Yes
Fresenius Mundelein	Mundelein	17.25	12	75.00%	No
DaVita Lake Villa	Lake Villa	17.25	12	65.28%	No
Fresenius Waukegan Harbor	Waukegan Harbor	19.55	21	80.16%	Yes
Fresenius Lake Bluff	Lake Bluff	20.7	16	73.96%	No
DaVita Lake County	Vernon Hills	21.85	16	69.79%	No
Fresenius Antioch	Antioch	23	12	59.72%	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	34.72%	No
Davita Buffalo Grove	Buffalo Grove	29.9	12	66.67%	No
Fresenius Highland Park	Highland Park	29.9	20	70.83%	No
Total			213	67.84%	
1. Time adjusted per 77 IAC 1100.510 (d) for projects within the HSA 8 ESRD planning area time is adjusted by 1.15x 2. Occupancy determined by data submitted by facilities as of June 30, 2015					

PUBLIC COMMENT:

- An opportunity of a public hearing was provided however no hearing was requested. No letters of support were received.
- Letters of opposition was received by the State Board Staff from
 - o Steven E. Lieb, DaVita HealthCare Partners Inc.
 - o Omar S. Dalloul, MD Medical Director of DaVita Lake Villa Dialysis
 - o George Hvostik, MD Medical Director DaVita Lake County Dialysis
 - o Axel Lapica, Group Vice President DaVita Healthcare Partners Inc.

CONCLUSION:

- 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 38 stations by CY 2015 for the HSA 8 ESRD planning area.

State Board Criteria Not Met	
Criteria	Reasons for Non-Compliance
77 IAC 1110.1430(d) - Unnecessary Duplication of Service	Three 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	100 South Atkinson Grayslake, Illinois
Permit Holder	Fresenius Medical Care Grayslake, LLC d/b/a Fresenius Medical Care Holdings Grayslake
Operating Entity	Fresenius Medical Care Grayslake, LLC d/b/a Fresenius Medical Care Holdings Grayslake
Owner of the Site	Mosaic Real Estate Investment
Application Received	July 10, 2014
Application Deemed Complete	July 11, 2014
Financial Commitment Date	June 30, 2016
Completion Date	June 30, 2016
Received an Intent to Deny	December 16, 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 38 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 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

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			
Fresenius Medical Care Facilities in Illinois			
NET REVENUE	\$387,393,758	\$398,570,288	\$411,981,839
CHARITY CARE			
	2012	2013	2014
Charity (# of self-pay patients)	203	499	251
Charity (self-pay) Cost	\$1,536,372	\$5,346,976	\$5,211,664
% of Charity Care to Net Rev.	.40%	1.34%	1.27%
MEDICAID			
	2012	2013	2014
Medicaid (Patients)	1,705	1,660	750
Medicaid (Revenue)	\$36,254,633	\$31,373,534	\$22,027,882
% of Medicaid to Net Revenue	9.36%	7.87%	5.35%

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

The applicants stated the following:

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

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

A) Criterion 1110.1430 (b) - Background of Applicant

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) (1) (2) (3) (5) - Planning Area Need

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

- 1) 77 Ill. Adm. Code 1100 (Formula Calculation)
- 2) Service to Planning Area Residents
- 3) Service Demand
- 5) 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 38 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

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 67.84%.

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 surplus of stations 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.

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 VIABILITY

IX. Criterion 120.120 - Availability of Funds

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, 2014. The applicants have sufficient resources available to fund the proposed project.

TABLE FOUR Fresenius Medical Care Audited Financial Information In Thousands (000)			
Calendar Year	2014	2013	2012
Cash and Investments	\$195,280	\$275,719	\$341,071
Current Assets	\$4,027,091	\$3,866,123	\$5,673,703
Total Assets	\$12,669,858	\$16,597,314	\$17,808,635
Current Liabilities	\$2,058,123	\$2,094,693	\$2,510,111
Long Term Debt	\$2,686,923	\$2,113,723	\$2,030,126
Total Liabilities	\$9,569,927	\$8,075,490	\$8,401,166
Total Revenues	\$10,373,232	\$9,433,192	\$8,885,401
Expenses	\$9,186,489	\$8,088,952	\$7,384,745
Income Before Tax	\$1,186,743	\$1,344,240	\$1,500,656
Income Tax	\$399,108	\$465,540	\$497,177
Net Income	\$787,635	\$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. Criterion 1120.130 - Financial Viability Waiver

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. ECONOMIC FEASIBILITY

A) Criterion 1120.140 (a) –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 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

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

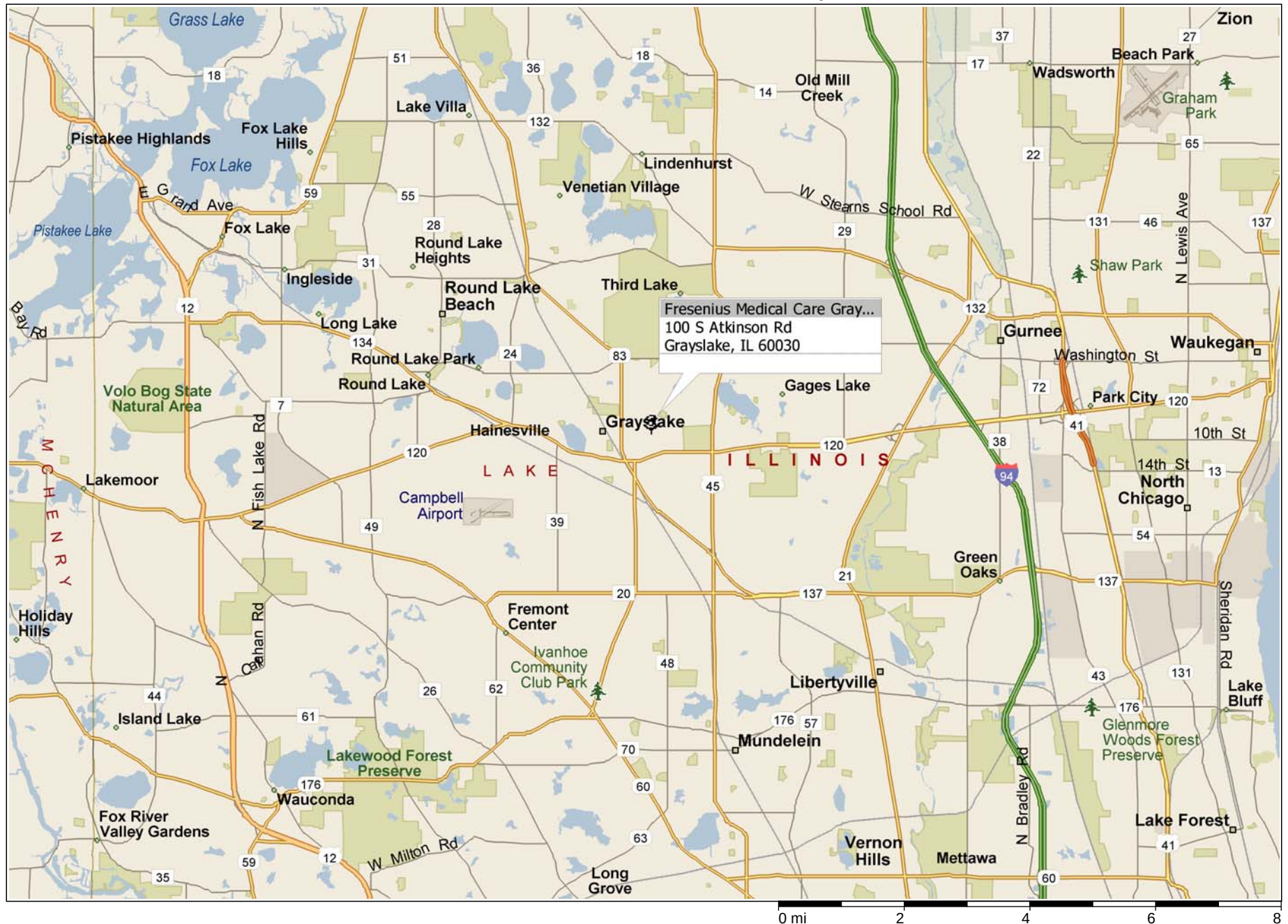
THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION PROJECTED OPERATING COSTS (77 IAC 1120.140 (d))

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

The 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))

#14-029 Fresenius Medical Care Grayslake



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**FRESENIUS
MEDICAL CARE**

RECEIVED

FEB 13 2015

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

February 11, 2015

Ms. Courtney Avery
Administrator
Illinois Health Facilities & Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

**Re: Supplemental Information
Project #14-029, Fresenius Medical Care Grayslake**

Dear Ms. Avery,

The enclosed pages contain supplemental information in response to the Intent to Deny given to the above mentioned project at the December 16, 2014 meeting.

Thank you for your time and consideration of this information.

Sincerely,

Lori Wright
Senior CON Specialist

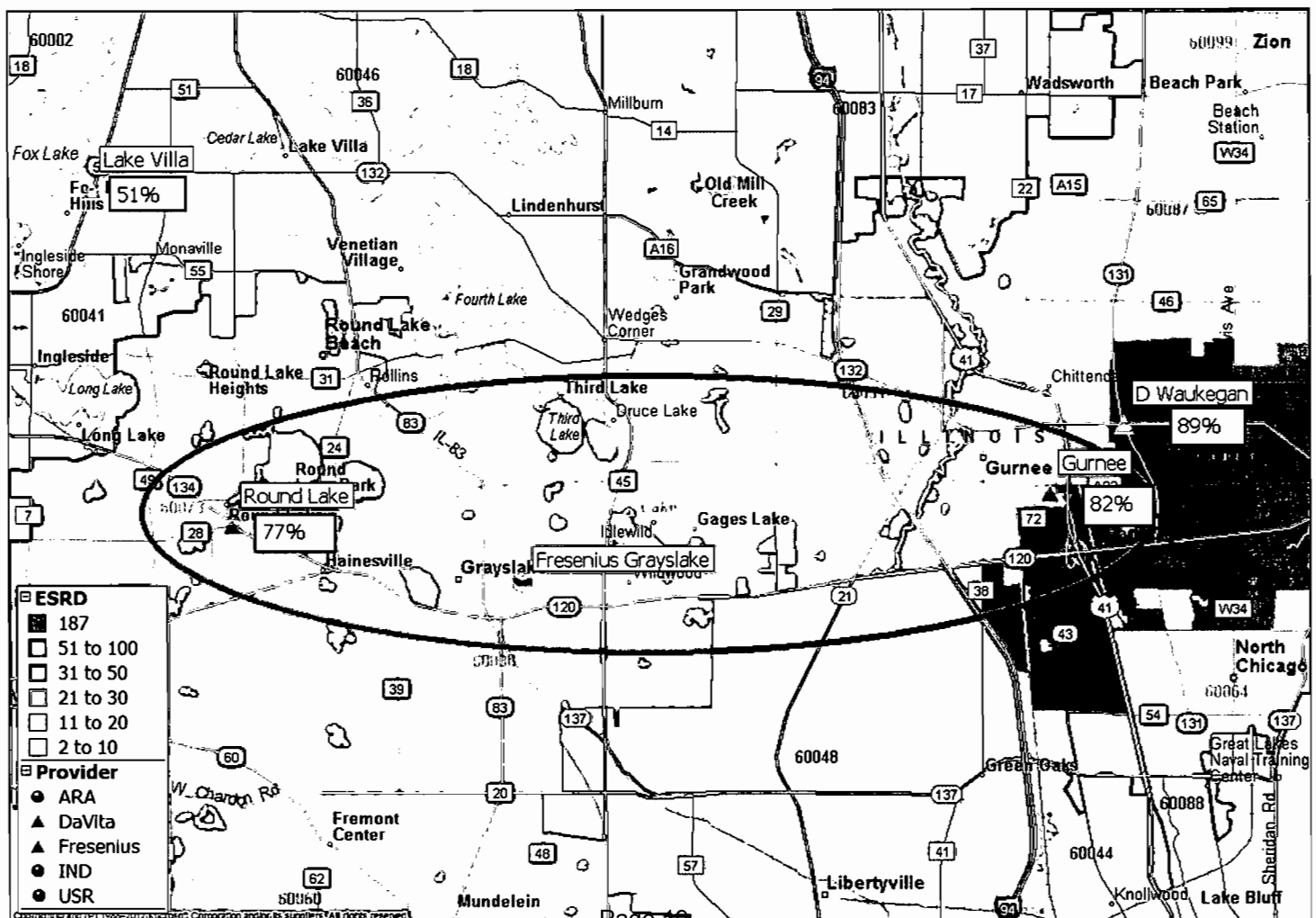
cc: Clare Ranalli

**SUPPLEMENTAL INFORMATION FOR
#14-029 Fresenius Medical Care Grayslake**

In response to the Intent to Deny issued to project #14-029 at the December 16, 2014 meeting, Fresenius Medical Care is submitting this additional information. We note that the application met all but two criteria. It did not meet Planning Area Need because there is an excess of stations in HSA 8, although the station to population ratio demonstrates a need in Grayslake, which will be examined further below. It also did not meet Unnecessary Duplication of Services because there are facilities within 30 minutes operating under 80% utilization.

This project meets maldistribution criteria evidenced by the station to population ratio, which is one station for every 5,295 residents in the 30-minute travel area. The overall State ratio as of January 2015 is 1 for every 3,079 residents. Maldistribution criteria states that the 30-minute ratio should not be more than 1.5 times the State ratio. While there may be surplus of stations according to the HSA 8 inventory, there is not a surplus within 30 minutes of Grayslake. As the Board Staff Report shows, *"It does not appear the proposed facility will create a surplus of stations in this 30-minute area"*. Rather it expresses a need in the immediate area, also evidenced by ongoing high utilization.

Darker shaded areas below near the Round Lake and Gurnee facilities show a higher number of dialysis patients than other areas. This is also reflected in clinic utilization. Fresenius Gurnee and Round Lake have been operating near or above 80% for many years. Utilization rates often dip slightly at the end of the year (as seen below) when many patients are considered "snow-birds". These patients go to warmer climates and receive treatment at out of town clinics during the winter months, but return to their clinic in spring.



As can be seen on the previous map, the proposed Fresenius Grayslake facility is located between these two areas of high utilization based on a high percentage of residents with ESRD. Dr. Nora and Dr. Patel admit patients to both of these facilities and see area patients out of their Grayslake office. Establishing the Grayslake facility will alleviate area high utilization and give Grayslake area patients shorter transportation times and greater choice of treatment shift times that better suit their home/work life and transportation options.

The chart below illustrates the year-end utilization of the Gurnee and Round Lake facilities. A decline is seen, not due to less demand but due to expansion in the area. The Gurnee facility was recently approved to add 2 stations per #14-012. Also, the Fresenius Waukegan (75%) and Mundelein (74%) facilities opened two years ago accepting transfer patients from Gurnee and opening up additional stations for Round Lake area patients. What has not changed is high utilization at Gurnee and Round Lake despite the addition of stations in the region.

Facility	Utilization					Utilization Average
	2010	2011	2012	2013	2014	
Fresenius Round Lake	91%	82%	82%	85%	77%	83%
Fresenius Gurnee	101%	102%	100%	94%	82%	96%

Additionally it seems clear that if the DaVita Lake Villa facility (or other facilities under 80%) were reasonable options for the Grayslake area patients of Dr. Patel and Dr. Nora, they would be admitting their patients there. They currently admit patients to a clinic closest to the patient's home or per the patients choosing. The Lake Villa facility is a long (10-mile) drive on a two-lane road of which over half runs through open or wooded land and is a lonely stretch in dark or inclement weather especially for ill/elderly dialysis patients. It is for this reason that these patients of Drs. Patel and Nora are not going there now.

We, therefore, urge the Board to take this information into consideration and approve the 12-station Fresenius Grayslake dialysis facility and bring access into this highly utilized area.

1 S100187A

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

5
6
7 REPORT OF PROCEEDINGS
8 Bolingbrook Golf Club
9 2001 Rodeo Drive
10 Bolingbrook, Illinois 60490
11 December 16, 2014
12 9:08 a.m. to 3:23 p.m.

13 BOARD MEMBERS PRESENT:

14 MS. KATHY OLSON, Chairperson;
15 MR. JOHN HAYES, Vice Chairman;
16 DR. JAMES J. BURDEN;
17 MR. DALE GALASSI; and
18 MR. RICHARD SEWELL.

19
20
21
22
23 Reported by: Melanie L. Humphrey-Sonntag,
24 CSR, RDR, CRR, CCP, FAPR
Notary Public, Kane County, Illinois

EX OFFICIO MEMBERS PRESENT:

MR. MATT HAMMOUDEH, IDHS; and

MR. MIKE JONES, IDHFS.

ALSO PRESENT:

MR. FRANK URSO, General Counsel;

MS. JEANNIE MITCHELL, Assistant General Counsel;

MS. COURTNEY AVERY, Administrator;

MS. CATHERINE CLARKE, Board Staff;

MR. MICHAEL CONSTANTINO, IDPH Staff;

MR. BILL DART, IDPH Staff; and

MR. GEORGE ROATE, IDPH Staff.

1	I N D E X	
2	CALL TO ORDER	5
	ROLL CALL	5
3	EXECUTIVE SESSION	7
	COMPLIANCE ISSUES/SETTLEMENT AGREEMENTS/FINAL	7
4	ORDERS	
5	APPROVAL OF AGENDA	10
	APPROVAL OF 11/12/14 TRANSCRIPTS	12
6		
	PUBLIC PARTICIPATION:	12
7	FMC Grayslake	14
	NorthPointe	16
8		
	POST-PERMIT ITEMS APPROVED	25
9		
	ITEMS FOR STATE BOARD ACTION	26
10	PERMIT RENEWAL REQUESTS:	26
	Addison Rehabilitation & Living Center	27
11	Victorian Village, Homer Glen	32
12	EXTENSION REQUESTS	35
13	EXEMPTION REQUESTS:	36
	Advocate and NorthShore	36
14	Interstate Alliance, Inc.; Mercy Alliance,	56
	Inc.; Rockford Health; Mercy Harvard Hospital,	
15	Inc.; and Rockford Memorial	
	Alexian Brothers, Ascension Health, Adventist	74
16	Health System, Sunbelt Healthcare Corporation,	
	and St. Alexius Medical Center	
17	University of Wisconsin Hospitals and Clinics	86
	Authority, University Health Care, Inc.,	
18	University of Wisconsin Medical Foundation,	
	Inc., SwedishAmerican Health System	
19	Corporation, and SwedishAmerican Hospital	
20	ALTERATION REQUESTS	91
21	DECLARATORY RULINGS/OTHER BUSINESS:	92
	Sarah Bush Lincoln Health Center	92
22	Jackson Park Hospital and Medical Center	94
23	HEALTH CARE WORKER SELF-REFERRAL ACT	97
	STATUS REPORT ON CONDITIONAL/CONTINGENT PERMITS	97
24		

I N D E X
(Continued)

1		
2		
3	APPLICATIONS SUBSEQUENT TO INITIAL REVIEW:	98
4	Proctor Community Hospital	98
5	Winchester Endoscopy Center	101
6	Fresenius Medical Care, Grayslake	141
7	Decatur Memorial Hospital	157
8	Central DuPage Hospital	174
9	APPLICATIONS SUBSEQUENT TO INTENT TO DENY:	205
10	Fresenius Medical Care, New City	205
11	NorthPointe Health & Wellness Campus	220
12	OTHER BUSINESS	243
13	RULES DEVELOPMENT	243
14	UNFINISHED BUSINESS	243
15	NEW BUSINESS	243
16	Financial Report	243
17	Long-Term Care Discontinuation of Beds	243
18	Review of Closed Meeting Transcripts	244
19		
20	ADJOURNMENT	245
21		
22		
23		
24		

**REPORT OF PROCEEDINGS -- 12/16/14
PUBLIC PARTICIPATION**

14

1 Speaking on behalf of the NorthPointe
2 freestanding emergency center, the Board calls
3 Henry Seybold, Peter Rumpel, Lisa Blankenship, and
4 Deputy Chief Dan Ewers.

5 CHAIRPERSON OLSON: Please remember to
6 sign in and to give your written comments to the court
7 reporter when you conclude your remarks.

8 MS. AVERY: Tim, you can start.

9 MR. TINCKNELL: Good morning. I'm
10 Tim Tincknell, speaking on behalf of --

11 CHAIRPERSON OLSON: You have to be
12 louder.

13 MS. AVERY: Into the mic.

14 MR. TINCKNELL: How's that?

15 MEMBER BURDEN: That's better.

16 MR. TINCKNELL: Tim Tincknell --
17 it's T-i-n-c-k-n-e-l-l -- speaking on behalf of
18 Omar Dalloul, MD, in opposition to FMC Grayslake,
19 Project No. 14-029.

20 "I am the medical director for Lake Villa
21 Dialysis in Lake Villa, Illinois, and I oppose the
22 proposed Fresenius Medical Care Grayslake dialysis
23 facility.

24 "There is currently an excess of stations in

**REPORT OF PROCEEDINGS -- 12/16/14
PUBLIC PARTICIPATION**

15

1 the area and capacity among existing dialysis centers.
2 I see no need for the proposed 12-station dialysis
3 facility at this time.

4 "Lake Villa Dialysis is located within
5 20 minutes of the proposed Grayslake facility and has
6 been operating at or around 50 percent utilization for
7 over two years. It can accommodate 34 additional
8 patients. Given the growth at Lake Villa Dialysis has
9 been flat, I have obvious concerns that an additional
10 dialysis facility in the area will lower the
11 utilization at my facility as well as other facilities
12 in the area.

13 "According to the State Board's most current
14 data, there is already an excess of 38 dialysis
15 stations in the planning area where the proposed
16 Grayslake facility will be located. As noted in the
17 State Board staff report, only 4 of the 14 facilities
18 within 30 minutes of the proposed facility are
19 operating at or above the State Board's 80 percent
20 utilization standard. Accordingly, there is
21 sufficient capacity among existing facilities to
22 accommodate the projected referrals in the Grayslake
23 dialysis -- projected referrals to the Grayslake
24 dialysis facility.

**REPORT OF PROCEEDINGS -- 12/16/14
PUBLIC PARTICIPATION**

16

1 "Given that my own facility and others have
2 capacity to accommodate the projected referrals, the
3 State Board should deny Fresenius' application for the
4 proposed Grayslake dialysis facility.

5 "Thank you for your time and consideration
6 of my comments on this project."

7 CHAIRPERSON OLSON: Thank you.

8 And you signed in on the --

9 MR. TINCKNELL: I did.

10 CHAIRPERSON OLSON: Thank you.

11 Who's next?

12 Who's next, George?

13 MR. ROATE: Mr. Henry Seybold, speaking
14 on behalf of Project 10-40, NorthPointe freestanding
15 emergency center.

16 MR. SEYBOLD: Thank you.

17 Is this working?

18 CHAIRPERSON OLSON: Pull it a little
19 closer.

20 MR. SEYBOLD: Good morning. My name is
21 Henry Seybold, S-e-y-b-o-l-d. I am the chief
22 financial officer of Rockford Health System.

23 We oppose Beloit's application to establish
24 a freestanding emergency center on its Roscoe medical

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

141

1 CHAIRPERSON OLSON: Next we have

2 Fresenius Medical Care, Grayslake.

3 Do I have a motion to approve
4 Project 14-029, Fresenius Medical Care, Grayslake, to
5 establish a 12-station ESRD facility in Grayslake?

6 MEMBER GALASSI: Are they licensed?

7 CHAIRPERSON OLSON: I'm looking for a
8 motion, not a license.

9 MEMBER GALASSI: So moved.

10 MEMBER SEWELL: Second.

11 CHAIRPERSON OLSON: Please be sworn in.

12 THE COURT REPORTER: Raise your right
13 hands, please.

14 (Three witnesses duly sworn.)

15 THE COURT REPORTER: Thank you. And
16 please print your names.

17 CHAIRPERSON OLSON: State Board staff
18 report, please, Mike.

19 MR. CONSTANTINO: Thank you, Madam
20 Chairwoman.

21 The Applicants are proposing to establish a
22 12-station ESRD facility in Grayslake, Illinois, at a
23 cost of approximately \$4.2 million.

24 There was no public hearing, one letter of

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

142

1 opposition, and no letters of support. The expected
2 completion date is June 30th, 2016.

3 Thank you, Madam Chairwoman.

4 CHAIRPERSON OLSON: Thank you, Mike.

5 Comments for the State Board?

6 MS. GURCHIEK: Good afternoon. My name
7 is Teri Gurchiek. I'm the regional vice president
8 overseeing this project.

9 With me today is Clare Ranalli, counsel, and
10 Lori Wright, CON specialist for us.

11 CHAIRPERSON OLSON: Please talk right
12 into the mic.

13 MS. AVERY: Yeah. Bring it closer
14 to you.

15 CHAIRPERSON OLSON: Thank you.

16 MS. GURCHIEK: Okay. As I was saying,
17 I'd like to thank the staff board for taking the time
18 to put together the State agency report. And it notes
19 that we meet all but two of the criteria, and these
20 are planning area need and unnecessary duplication.

21 In spite of this, there are indicators that
22 show a need in the Grayslake area. For instance, the
23 clinics within 10 miles of the proposed Grayslake site
24 are operating at 75 percent average utilization. The

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

143

1 three closest clinics, Round Lake, Gurnee, and DaVita
2 Waukegan are all operating well above the 80 percent
3 utilization. As the State Board staff noted, the
4 ratio of stations to population also supports the
5 project.

6 Currently in the Grayslake area there is one
7 station for every 5300 residents, and the State
8 average is one station for every 35 -- 3100 residents.
9 Pardon me. This is what resulted in the physicians
10 telling us that there's need in this market.

11 Another indicator of growth was highlighted
12 by DaVita. The 14 new stations in the area that
13 I commented on are highly utilized. As of September.
14 Fresenius Mundelein with 12 stations is at 72 percent
15 and can only take 15 more patients before reaching the
16 80 percent. Fresenius Gurnee was recently approved to
17 add two stations and is operating at 84 percent
18 currently.

19 Fresenius Antioch and DaVita Lake Villa
20 appear to be options for the Grayslake market;
21 however, neither facility operates six shifts per week
22 due to the low number of patients residing in those
23 areas.

24 Remaining facilities are closer to

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

144

1 30 minutes away and not in the health care market
2 identified in this application. Lake County is a
3 rapidly growing area and saw 9 percent growth in the
4 2010 census. During this time the elderly population
5 in Lake County doubled.

6 We respectfully ask that you consider the
7 high utilization of the clinics actually in the market
8 area to be served and the lack of ESRD treatment
9 stations to population and Lake County's population
10 growth as reasons to approve the project.

11 Thank you. And we'd be happy to answer any
12 questions you might have.

13 CHAIRPERSON OLSON: Thank you.

14 Questions from the Board?

15 Doctor.

16 MEMBER BURDEN: We had a DaVita Lake
17 Villa representative -- or at least a public
18 participant -- who objected to the fact that you're
19 going to be building within 17 minutes of that unit
20 and they're functioning at 52.78 percent. All the
21 rest of them are basically -- in the close range --
22 are well within the range of acceptability.

23 How do you -- did you not consider that or
24 does that concern you?

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

145

1 MS. WRIGHT: The only thing I can say is
2 that they're operating not at the six shifts per day.
3 And, obviously, that's not going to support the need
4 for the patients in the Grayslake market.

5 MEMBER BURDEN: Tell me again what you
6 said.

7 They're not operating at 24 --

8 MS. WRIGHT: Six shifts per day.

9 MEMBER BURDEN: How many?

10 MS. RANALLI: Six shifts per day.

11 Your rules, as you know, require -- they
12 base the 80 percent target utilization on a clinic
13 operating three shifts per day for six days a week.

14 MEMBER BURDEN: Yes.

15 MS. RANALLI: In many clinics, much as
16 you heard, although this project has private funding,
17 which helps, but this also is a problem throughout the
18 state.

19 Many clinics in areas that don't have very
20 large population bases only operate two shifts per day
21 six days per week. So -- they don't operate that
22 third shift, so they'll never meet your 80 percent
23 target, although 50 percent -- two shifts per day
24 six days a week is actually pretty much at the

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

146

1 80 percent target.

2 MEMBER BURDEN: Okay. That math
3 eludes me.

4 There are -- as stated here in our report,
5 it's 52 percent. But your rebuttal is that they only
6 operate two shifts a day rather than three?

7 MS. RANALLI: Right. Because the
8 formula -- and we did the math --

9 MEMBER BURDEN: So does that take them
10 out of the arena of being concerned about you building
11 one 17 minutes from them which is not going to help
12 their -- it's going to drop it some more?

13 MS. RANALLI: They'd have to open a
14 third shift. If they opened up a third shift, could
15 they take some of these patients? Yes.

16 They would all have to dialyze on the
17 third shift because the first two shifts are full, so
18 there would be limited shift choice. But that could
19 happen, yes, although the patients identified for
20 this --

21 MEMBER BURDEN: Your answer indirectly
22 reflects on us having approved this facility whenever
23 it was approved.

24 That's what you're telling me --

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

147

1 MS. RANALLI: No.

2 MEMBER BURDEN: -- there was not enough
3 population to support it so they're never going to
4 reach 80 percent. That's our problem.

5 MS. RANALLI: No.

6 MEMBER BURDEN: We have Fresenius or
7 DaVita in here every six weeks, it seems to me. In my
8 five years I think I've said yes to 95 percent of
9 them, not -- no to a couple of them. When we say no,
10 we catch all kinds of rebuttal to that.

11 But this is not easy to resolve because
12 I can't tell them to trying to increase their --

13 MS. RANALLI: Their shifts.

14 MEMBER BURDEN: -- their exposure to the
15 population. Your answer is, even if they did, it
16 wouldn't improve their -- so --

17 MS. RANALLI: Well --

18 MEMBER BURDEN: -- that's sort of a
19 Catch-22 operation.

20 Go ahead. I'm sorry.

21 MS. RANALLI: Right. Oh, that's okay.
22 No, I'm sorry.

23 To be clear, we don't -- we're not giving
24 the Board an issue for approving these clinics. We

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

148

1 certainly think that, in rural areas, patients are
2 entitled to have access to a clinic and ought not to
3 have to travel, you know, to Chicago or Champaign-
4 Urbana -- or, you know, wherever they -- someone might
5 live in that area -- just to get dialysis because
6 that's the only population hub that might support a
7 clinic at three shifts a day.

8 So we appreciate your approving the
9 clinics -- whether they be DaVita, Fresenius, or
10 otherwise in those areas -- to provide access to
11 people who live in rural areas.

12 But the fact of the matter is opening a
13 third shift when people won't come to it doesn't make
14 a lot of sense. And the patients who live in this
15 market area for Grayslake, quite frankly, aren't going
16 to go to Lake Villa. They're going to fill up these
17 other area clinics that are already at 73 to
18 84 percent. That's the reality in the marketplace.

19 I think we struggle with it all the time. I
20 know you struggle with it, too, and -- you know, your
21 rules -- and there's no easy fix to it.

22 But we are responding to physicians who have
23 told us that, in this market area right around
24 Grayslake, they have enough patients to fill a clinic.

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

149

1 If Grayslake isn't approved, those patients would get
2 dispersed throughout the local area clinics that are
3 already at high utilization.

4 CHAIRPERSON OLSON: Mike, can you speak
5 to the two-shift, three-shift thing?

6 Is that --

7 MR. CONSTANTINO: Yeah.

8 We've been putting -- in your report we've
9 been noting that our finding is contingent on the fact
10 that all the facilities in that 30-minute area are
11 operating 3 shifts a day 6 days a week 52 weeks
12 a year.

13 Okay? When they come in here and you
14 approve them, they tell you that's what they're going
15 to do, so we assume they are. But as it turns out,
16 they don't.

17 CHAIRPERSON OLSON: Okay.

18 MEMBER BURDEN: And we don't know --

19 CHAIRPERSON OLSON: Is Grayslake rural?

20 MEMBER GALASSI: No. I would suggest
21 not. It was.

22 MEMBER SEWELL: What?

23 MEMBER BURDEN: What did you say?

24 CHAIRPERSON OLSON: "Rural."

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

150

1 MEMBER SEWELL: Oh, "rural."

2 MEMBER GALASSI: Not if you drive
3 through there at 8:00 in the morning or 4:00 in the
4 afternoon.

5 MEMBER BURDEN: No. No, it's not rural.
6 That's an issue. We are approving under the
7 assumption they're going to follow the Board's rules,
8 which are -- which were stated, and yet you don't --
9 they aren't able to tell us that the one unit here
10 that's complaining about competition is only running
11 two shifts a day.

12 How do you handle that, then? We can't
13 approve it because their location's been approved and
14 they're never going to reach what we consider to be
15 the target.

16 MR. CONSTANTINO: We can bring them back
17 before you and you could talk to them. Or we could --

18 CHAIRPERSON OLSON: Mr. Sewell.

19 MR. CONSTANTINO: We could refer them
20 for a compliance issue.

21 MS. WRIGHT: Can I just say a lot of our
22 rural clinics -- most of them are in southern
23 Illinois, but there are a few in the northern
24 counties, too.

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

151

1 They operate, like Clare said, two shifts a
2 day so that, at the end of the day -- and "at the end
3 of the day" is like three o'clock in the afternoon --
4 staff go home; the patients go home. There's a lot of
5 two-lane country roads, especially in the more rural
6 areas. Wintertime or in bad weather -- you know, rain
7 and snow -- patients don't want to be out on those
8 roads at night, so that's the reason they just operate
9 the two shifts.

10 And then we will even -- and, you know, all
11 providers do this -- add stations every two years to
12 keep those two shifts -- patients on those two shifts
13 so -- for their safety; for staff's safety, too.

14 CHAIRPERSON OLSON: Mr. Sewell.

15 MEMBER GALASSI: I could see that.

16 MEMBER SEWELL: Yes. It sounds like --
17 and you correct me if I'm wrong.

18 Your argument for us ignoring these findings
19 is the population growth in the area, and then you
20 want us to take a look at an area that's smaller than
21 HSA 8, that area that's immediately around Grayslake,
22 because, if we did, there would be a need -- or a
23 demand, at least -- for additional stations.

24 Is that what you said earlier?

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

152

1 MS. WRIGHT: This is where our
2 two clinics are full. We have Round Lake to the west
3 of Grayslake, which is at 88 percent, and then, if you
4 go to the east of Grayslake, you've got Gurnee, which
5 is operating in the 80s, as well.

6 So Fresenius Grayslake is located right in
7 between those two highly utilized clinics. Most of
8 our patients live within 5 miles of there. And, you
9 know, to refer them, you know, to go further out --
10 you know, past the Round Lake facility up to Lake
11 Villa, which is in the Chain O' Lakes in Lake
12 County -- just isn't reasonable for us to do, and the
13 patients don't want to drive that far.

14 MEMBER SEWELL: And you're also saying,
15 I think, that this population growth is not
16 necessarily going to change the practices of some of
17 these providers that don't operate on all shifts.
18 They won't change their practice and go to a
19 three-shift operation, even if there's demand that
20 comes from population growth, because of the factors
21 you mentioned with safety and travel and those things.

22 MS. WRIGHT: Well, for safety's sake
23 they do try to keep patients on the first two shifts.
24 If demand increases high enough, they would add that

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

153

1 third shift. But in some of these areas there's not
2 enough population.

3 MEMBER SEWELL: Well, then, why do we
4 need 32 more stations?

5 I mean, why is there an excess of
6 32 stations? I asked it wrong.

7 MS. RANALLI: And that goes to what
8 I think Ms. Wright was saying and the Lake County
9 population growth as a whole.

10 For whatever reason, despite the fact there
11 is no need in the planning area -- you know, the whole
12 planning area, not the Grayslake Lake area --
13 nonetheless -- and the State Board report pointed this
14 out -- the ratio of population to dialysis station is
15 1 to 5300 people, and the ratio in the state as a
16 whole is 1 to 3100 people.

17 And then on top of that, in Lake County
18 there's been significant growth in the elderly
19 population over the past 10 years. And typically --
20 not always but -- dialysis trends more toward the
21 elderly population, the need for dialysis.

22 MEMBER SEWELL: Okay.

23 MEMBER GALASSI: Is it safe to say that
24 the third shift is the least desirable from a

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

154

1 patient's perspective?

2 MS. WRIGHT: In my experience it is
3 unless you have a young population that's working.
4 And typically they would prefer a later shift so they
5 can work.

6 But in the populations where we have the
7 majority of elderly patients, they'd prefer first and
8 second.

9 MEMBER GALASSI: Thank you.

10 MS. WRIGHT: The third-shift patients
11 usually end up going home around 7:00 or eight o'clock
12 at night so it's dark out. They miss family time.
13 And there's less transportation options after
14 4:00 p.m., so that causes a problem.

15 MEMBER GALASSI: Sure. Sure.

16 MEMBER BURDEN: What are the hours of
17 the third shift generally?

18 MS. WRIGHT: It varies by facility but
19 typically about 5:00 -- 4:00 to 5:00 p.m. would be
20 when the third shift would start.

21 MEMBER BURDEN: To 8:00 or 9:00?

22 MS. WRIGHT: 8:00 or 9:00. It's a
23 four-hour shift --

24 MEMBER BURDEN: It's not an eight-hour

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

155

1 shift? It's not midnight as a rule?

2 MS. WRIGHT: No. It's about a four-
3 hour treatment, so they'd be there until about
4 nine o'clock.

5 CHAIRPERSON OLSON: Other questions?
6 (No response.)

7 CHAIRPERSON OLSON: Seeing none, I'll
8 call for a vote to approve Project 14-029, Fresenius
9 Medical Care, Grayslake, to establish a 12-station
10 ESRD facility in Grayslake.

11 MR. ROATE: Motion made by Mr. Galassi;
12 seconded by Mr. Sewell.

13 Dr. Burden.

14 MEMBER BURDEN: Based on the State
15 agency report with, essentially, a statement that we
16 have an excess, despite the discussion we've had that
17 states it, I'm going to vote no.

18 MR. ROATE: Mr. Galassi.

19 MEMBER GALASSI: For reasons stated,
20 I'll vote no.

21 MR. ROATE: Mr. Hayes.

22 VICE CHAIRMAN HAYES: I'm going to vote
23 no because of the planning area need and the
24 unnecessary duplication of service.

**SUBSEQUENT TO INITIAL REVIEW -- 12/16/14
FRESENIUS MEDICAL CARE, GRAYSLAKE**

156

1 MR. ROATE: Mr. Sewell.

2 MEMBER SEWELL: I vote no for reasons
3 stated.

4 MR. ROATE: Madam Chair.

5 CHAIRPERSON OLSON: I vote no, as well,
6 for reasons stated.

7 MR. ROATE: 5 votes in the negative.

8 CHAIRPERSON OLSON: The motion does not
9 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 submit additional
13 information.

14 Thank you.

15 MS. RANALLI: Thank you.

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