



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-10	BOARD MEETING: January 27, 2015	PROJECT NO: 14-047	PROJECT COST: Original: \$10,705,750
FACILITY NAME: Fresenius Medical Care Humboldt Park		CITY: Chicago	
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Humboldt Park. ("The applicants") are proposing to establish a 34-station End Stage Renal Dialysis (ESRD) facility in 20,000 GSF of leased space in Chicago, Illinois. In addition should this project be approved the applicants are proposing to discontinue 20 ESRD stations at the Fresenius Medical Care West Metro facility. The cost of the project is \$10,705,750. **The anticipated completion date is December 31, 2016.**

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Humboldt Park. ("The applicants") are proposing to establish a 34-station End Stage Renal Dialysis (ESRD) facility in 20,000 GSF of leased space in Chicago, Illinois. In addition should this project be approved the applicants are proposing to discontinue 20 ESRD stations at the Fresenius Medical Care West Metro facility. The cost of the project is \$10,705,750. **The anticipated completion date is December 31, 2016.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

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

PURPOSE OF THE PROJECT:

- The applicants stated the following: "This project will provide continued life-sustaining dialysis services to residents living on the west side of Chicago in and around the Humboldt Park neighborhood. The proposed facility will be located in a Federally Designated Medically Underserved Area/Population (MUA/P). It will also address the State Board's projected need of 127 ESRD stations in HSA VI by CY 2015."

NEED FOR THE PROJECT:

- The State Board has projected a need for 127 stations in Health Service Area VI (City of Chicago) by CY 2015. There is a demand for the project as evidenced by the projected number of stations needed and it appears that the proposed project will improve access as the proposed facility will be located in a Designated Medically Underserved Area/Population.

PUBLIC HEARING/COMMENT

- A public hearing was offered in regard to the proposed project, but none was requested. No letters of support were received. One letter of opposition was received by the State Board Staff.

Stephen Lieb stated in opposition: *"I am a Vice President with Da Vita HealthCare Partners, and I oppose the proposed establishment of the Fresenius Medical Care Humboldt Park ("FMC Humboldt Park"). Existing providers within the immediate area have capacity to accommodate the proposed referrals. Accordingly, there is no need for a 34 station dialysis facility at this time. Within 30 minutes of the proposed FMC Humboldt Park dialysis facility, there are 51 facilities with average utilization of 73 percent and only 41 percent (or 21 facilities) operating above 80% utilization. Collectively, these facilities can accommodate 446 patients before average utilization reaches 80 percent. Accordingly, there is more than sufficient capacity among existing facilities to accommodate Dr. Vilbar's and Dr. Cabrera's patients. In its application, FMC dismisses the Illinois Health Facilities and Services Review Board (the "State Board") rule requiring all facilities within 30 minutes normal travel time meet or exceed the State*

Board's 80 percent utilization standard, citing transportation access issues in the City of Chicago to support a smaller 3 mile travel contour from the proposed site of FMC Humboldt Park. FMC alludes to the fact that many of the projected patients will utilize public transportation to travel to and from dialysis but provides no evidence to substantiate its presumption. (See App. pp 63,75). Contrary to FMC's position, the 2010 U.S. Census shows a higher percentage of car ownership/utilization in Humboldt Park than in the City of Chicago (57.5% of workers in Humboldt Park drive alone to work compared to 50.3% of workers in the City of Chicago). Further, for many patients who do not have access to a car, there are several non-emergency transportation providers in the City of Chicago that can transport them to and from dialysis. In fact, for those low-income patients who qualify for Medicaid, non-emergency transportation is a Medicaid covered service. Therefore, given the high level of car ownership/utilization in Humboldt Park plus the non-emergency transportation resources available in the City of Chicago, it is unlikely a high number of the projected patients will be reliant on public transportation to travel to and from their dialysis treatments. Assuming FMC's assertion regarding transportation access is correct, there are currently 7 dialysis facilities within 3 miles of the proposed FMC Humboldt Park dialysis facility with average utilization of 73 percent. Collectively, these facilities can accommodate 64 additional patients before reaching 80 percent utilization. Importantly, this number includes transfers of patients from highly utilized FMC West Metro and Garfield Kidney Center to facilities with excess capacity (the 5 underutilized facilities can collectively accommodate 106 patients before reaching 80% utilization). Finally, Dr. Vilbar, in his physician referral letter, states that he was treating 142 dialysis patients as of June 2014 and referred 37 new patients for dialysis within the past 12 months. Dr. Vilbar projects the number of dialysis patients he treats will nearly double within 2 years of completion of FMC Humboldt Park, i.e., 132 patients will be referred to FMC Humboldt Park. (See App. p 70). Importantly, Dr. Vilbar's historical referrals do not support the level of projected referrals to FMC Humboldt Park. Therefore, it is arguable whether the projected referrals will materialize at the level to needed to support a 34 station dialysis facility. Given the existing facilities have sufficient capacity to accommodate the projected FMC Humboldt Park patients, the State Board should deny the application for the proposed FMC Humboldt Park dialysis facility."

FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicants are financially viable as evidenced by their balance sheet and the project is economically feasible as the applicants have sufficient cash to fund the project.

CONCLUSIONS:

- The applicants addressed a total of 20 criteria and failed to meet the following.

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
1110.1430(d)(1) Unnecessary Duplication of Service	There are a total of 60 ESRD facilities within 30 minutes (adjusted). Of these 60 ESRD facilities 10 facilities were not taken into consideration because

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
	they were just approved by the State Board, and are still within the 2 year ramp up period, did not provide utilization data as required or provided utilization data late. 19 of these 50 facilities are at target occupancy or above. This analysis assumes that all facilities with the 30 minute area (adjusted) are operating 3 shifts a day, six days a week, and 52 weeks a year.

STATE BOARD STAFF REPORT
Fresenius Medical Care Humboldt Park
PROJECT #14-047

APPLICATION CHRONOLOGY	
Applicants(s)	Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Humboldt Park
Facility Name	Fresenius Medical Care Humboldt Park
Location	Chicago, Illinois
Permit Holder	Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Humboldt Park
Operating Entity	Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Humboldt Park
Owner of Site	Mosiac Real Estate Investments
Application Received	September 15, 2014
Application Deemed Complete	September 17, 2014
Review Period Ends	March 16, 2015
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. The Proposed Project

Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Humboldt Park (“the applicants”) are proposing to establish a 34-station End Stage Renal Dialysis (ESRD) facility in 20,000 GSF of leased space in Chicago, Illinois. In addition should this project be approved the applicants are proposing to discontinue 20 ESRD stations at the Fresenius Medical Care West Metro facility. The cost of the project is \$10,705,750.

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.

II. Applicants

The applicants are Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Humboldt Park. Fresenius Medical Care Holdings, Inc. is a New York corporation and a subsidiary of Fresenius Medical Care AG & Co. KGaA, a German partnership. The Company conducts its operations through five principal subsidiaries, National Medical Care, Inc. (NMC), Fresenius USA Marketing, Inc., Fresenius USA Manufacturing, Inc. and SRC Holding Company, Inc., all Delaware corporations and Fresenius USA, Inc., a Massachusetts corporation. Fresenius Medical Care of Illinois, LLC is a Delaware Limited Liability Company is in Good Standing as a Foreign Limited Liability Company admitted to transact business in the State of Illinois.

III. Facility

The facility will be located at 3500 West Grand Avenue, Chicago, Illinois in the HSA VI ESRD Planning Area. The owner of the site is Mosiac Real Estate Investments and the operating entity is Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Humboldt Park. The facility is not located in a flood plain and no historic, architectural or archaeological sites exist within the project area. There are 55 ESRD facilities in the HSA VI ESRD Planning Area with 1,135 stations. Since January 1, 2012 the number of ESRD patients has increased by 4.8% in this planning area. The State Board has projected a need for 127 ESRD stations by CY 2015 in the HSA VI ESRD planning area.

IV. Project Description

The applicants are proposing to establish a 34-station in-center hemodialysis facility located at 3500 W. Grand Avenue, Chicago in the Humboldt Park neighborhood, in 20,000 GSF of leased space with the interior to be built out by the applicants. If this project is approved the applicants are proposing to discontinue 20 stations at its current 32-station West Metro facility located at 1044 West Mozart, Chicago, Illinois on the campus of Norwegian-American Hospital also in the Humboldt Park neighborhood. According to the applicants this facility is operating at 94% and is in severely cramped space for its current station count. The intention is to maintain a 12-station West Metro hospital location for patient convenience and to create a more efficient clinic, while keeping access for current patients and creating access for future patients at the Humboldt Park location.

The facility is to be located in a Medically Underserved Area/Population. A medically underserved area/population is areas or populations designated as having: too few primary care providers, high infant mortality, high poverty and/or high elderly population.

V. Project Costs

The applicants are funding this project with cash of \$4,469,200 and the fair market value of leased space of \$6,236,500. The estimated start-up costs and the operating deficit is projected to be \$509,032. The lease is for 20,000 GSF of space at \$27 per GSF for 3 five year terms at an increase of 3% per year in years 6-10. A 10% escalation clause is in effect in years six and eleven. Fresenius Medical Care is responsible for the real estate taxes.

TABLE ONE Project Costs and Sources of Funds	
Uses of Funds	Project Costs
Modernization Contracts	\$3,220,000
Contingencies	\$320,000
Architectural and Engineering Fees	\$283,200
Movable Equipment	\$646,000
FMV of Leased Space	\$6,236,550
Total	\$10,705,750
Sources of Funds	
Cash	\$4,469,200
FMV of Leased Space	\$6,236,550
Total	\$10,705,750

VI. Outstanding Projects

Fresenius Medical Care Outstanding Projects

The table below lists the Fresenius Medical Care projects that are currently in construction.

TABLE TWO			
Number	Name	Types of Projects	Completion Date
#10-063	Fresenius Lakeview	Expansion	4/15/2015
#11-059	FMC Logan Square	Establishment	05/31/2014
#12-046	Fresenius Spoon River	Relocation/Expansion	12/31/2014
#12-029	Fresenius SW Illinois	Relocation	8/1/2014
#12-067	Fresenius Normal	Establishment	10/31/2014
#12-069	Fresenius Pekin	Relocation/Expansion	10/31/2014
#12-091	Fresenius Carbondale	Relocation	12/31/2014
#12-095	Fresenius Waterloo	Establishment	2/28/2015
#12-098	Fresenius Monmouth	Establishment	2/28/2015
#E-010-13	Fresenius Naperville North	Expansion	4/30/2015
#13-008	Fresenius Chicago Center	Relocation	12/31/2014
#13-053	Fresenius Evanston	Expansion	11/15/2015
#14-010	Fresenius Highland Park	Establishment	11/30/2015
#14-012	Fresenius Gurnee	Relocation/Expansion	12/31/2015
#14-019	Fresenius Summit	Establishment	12/31/2015

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

A) Criterion 1110.230 (a) - Purpose of the Project

To address this criterion the applicants are asked to provide a narrative of the problems and issues to be resolved by the proposed project and the goals of the proposed project.

The applicants stated the following: *“This project will provide continued life-sustaining dialysis services to residents living on the west side of Chicago in and around the Humboldt Park neighborhood that is part of a large Federally Designated Medically Underserved Area/Population (MUA/P). It will also address the determined need for 127 stations in HSA 6. The current 32-station Fresenius clinic located in Humboldt Park (West Metro) at Norwegian/American Hospital is operating at 94% utilization in a severely cramped space more suitable for 12 stations. The intention is to reduce that facility down to 12 stations and "relocate" 20 stations (plus add an additional 14 new stations) to establish a "sister" facility in the same neighborhood. Current Fresenius West Metro patients will be served at both the existing and the new facility while creating additional access in this underserved area. Humboldt Park is a neighborhood on the west side of Chicago in HSA 6 between the Bucktown and Austin neighborhoods. Not only is it in a MUA/P it is surrounded by areas that are also MUA/P's.*

Fresenius West Metro, located on the campus of Norwegian American Hospital in Humboldt Park, is operating near capacity with 180 patients and often cannot accept any new admissions. Making matters even worse is the physical size and condition of this facility. Its 32 stations are squeezed in only 7,750 gsf, far below Board standards. The facility is also in dire need of updating, which has not been feasible in the currently cramped space. Additional access is needed to serve this immediate area and is not available at the current facility. Station inventory data was obtained from the IHFSRB quarterly utilization report. All population/demographic data were obtained from the U.S. Census Bureau and patient data was obtained from Dr. Vilbar and Dr. Cabrera's office. Area MUA/MUP data was obtained from the Health Resources and Services Administration.

Reducing the station count at the current West Metro facility from 32 to 12 will allow the facility to operate more efficiently and within Board standards as it relates to gsf. It will also allow up to 72 patients to continue convenient treatment at the hospital campus. "Relocating" the remaining 20 stations to another site will allow continued access for the 180 current patients and adding 14 additional stations will provide access for pre-ESRD patients identified by Dr. Vilbar. Residents of this underserved area will have ongoing access to dialysis services

which reduces missed treatments and thus health complications and healthcare costs.

The goal of Fresenius Medical Care is to provide dialysis accessibility to a large patient population residing in the center of a large area designated as a MUA. It will also address the need for stations in HSA 6. There is no direct empirical evidence relating to this project other than that when chronic care patients have adequate access to services, it tends to reduce overall healthcare costs and results in less complications. It is expected that this facility would have similar quality outcomes as the West Metro facility as listed below.

- 95% of patients had a URR 2: 65%*
- 96% of patients had a KW 2: 1.2”*

B) Criterion 1110.230 (b) - Safety Net Impact Statement

To address this criterion the applicants must provide a safety net impact statement and information on charity care, the amount of care provided to Medicaid patients, and information on teaching research, or any other service provided by the applicant that is directly relevant to safety net services. See pages 114-118 of the application for permit for complete discussion.

The applicants stated the following:

Safety Net Statement

“The establishment of the Fresenius Medical Care Humboldt Park dialysis facility will not have any impact on safety net services in the Humboldt Park area of Chicago. 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 pursuant to an Indigent Waiver policy. 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 patients who do not qualify for any type of coverage for dialysis services. These patients are considered "self-pay" patients. They are billed for services rendered, and after three statement reminders the charges are written off as bad debt. Collection actions are not initiated unless the applicants are aware that the patient has substantial financial resources available and/or the patient has received reimbursement from an insurer for services we have rendered, and has not submitted the payment for same to the applicants. 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.”

Charity Care

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

TABLE THREE ⁽¹⁾			
SAFETY NET INFORMATION			
Fresenius Medical Care Facilities in Illinois			
Net Revenue	\$353,355,908	\$387,393,758	\$398,570,288
CHARITY			
	2011	2012	2013

TABLE THREE ⁽¹⁾ SAFETY NET INFORMATION Fresenius Medical Care Facilities in Illinois			
Net Revenue	\$353,355,908	\$387,393,758	\$398,570,288
Charity (# of self-pay patients)	93	203	642
Charity (self-pay) Cost	\$632,154	\$1,536,372	\$5,346,976
% of Charity Care to Net Rev.	0.18%	0.40%	1.34%
MEDICAID			
	2011	2012	2013
Medicaid (Patients)	1,865	1,705	1,660
Medicaid (Revenue)	\$42,367,328	\$36,254,633	\$31,373,534
% of Medicaid to Net Revenue	12%	13%	7.87%
1. A new billing procedure was put into place in late 2012 to reduce the amount of voids and rebilling. Previously patients with Medicaid pending were considered only under Medicaid and after the procedure change, Medicaid pending patients are considered under self-pay. This has resulted in the increase in "charity" (self-pay) patients and costs. Medicaid number of patients appears to be going down, however this is due to the reassignment of the "charity" (self-pay) patients associated with the billing change			

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

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

To successfully address this criterion the applicants must provide a narrative of all alternatives considered. The applicants considered four additional alternatives to the proposed project and provided the following narrative.

1. 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 is not feasible because Humboldt Park's 32-station West Metro clinic is operating near capacity and cannot expand. In fact, the current space is extremely small for 32 stations and also includes a large home therapies program of nearly 50 patients. Space in the current site needs to be freed-up in order to run the facility more efficiently. While this option has no monetary cost, the cost is to the patients in this **Medically Underserved Area/Population** who currently have no access to dialysis services in their healthcare market. Total cost: \$0*

2. 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. Physicians involved do not wish to enter into a joint venture; however the cost would be the same as the current project, but split amongst joint venture partners. Total Cost: \$10,705,750

3. **Utilizing other health care resources**

Besides the Fresenius West Metro facility in Humboldt Park at 94% utilization the next closest facility is operating above capacity, DaVita Garfield Park at 105%. Dr. Vilbar and his partner currently admit patients to DaVita Logan Square which is operating just under 80%. Remaining clinics nearby with capacity either do not operate three shift per day due to safety reasons (Fresenius Austin), are new and in the 2-year ramp up stage with identified patients (Fresenius Logan Square) or are in the process of relocating and will also be in the 2-year ramp up stage (Fresenius Chicago Dialysis). However, utilizing these facilities for a disadvantaged patient living in the Humboldt Park neighborhood is not feasible given travel difficulties in a city the size of Chicago. Even when MapQuest travel times are adjusted per Board rules they do not reflect the reality of traveling from one place to another within the City. They do not accurately reflect traffic congestion (especially during rush hours). Also, the MapQuest travel time anticipates travel is done solely in a car but many city residents utilize public transportation. This is particularly true in neighborhoods like Humboldt Park where people do not own cars, or use them regularly if they do. Add to this the number of dialysis clinics that are in the City making it impossible for nephrologists to travel to all of them within 30 minutes so patients would have to switch physicians if travelling outside of their healthcare market. It is costly, and detrimental to quality of care, for a chronically ill patient to have to change nephrologists at the onset of something as life changing as dialysis. The alternative of referring patients to other facilities further away is not a viable option for this area. **There is no monetary cost to this alternative.**

4. **Relocate 20 Stations**

Another alternative would be to relocate only 20 stations from the West Metro facility to free-up the space there and make that clinic more efficient however, given West Metro's 180 hemodialysis patients would still be receiving treatment in the same number of stations, this would not address the near capacity conditions. There would then be two facilities operating at capacity. Additional access is needed in Humboldt Park where historic utilization has been high. The cost to this alternative would be approximately \$6,800,000.

The most desirable alternative to keep access to dialysis services available in the underserved Humboldt Park area is to relocate 20 stations from the cramped 32-station Fresenius West Metro facility and add an additional 14 stations to establish the 34-station Fresenius Humboldt Park facility. This will provide continued access to life saving dialysis services for the current 600-plus ESRD

patients living in this area and future access for identified pre-ESRD patients. The cost of this project is \$10,705,750.”

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

A) Criterion 1110.234 (a) - Size of Project

To address this criterion the applicants must document that the physical space proposed for the project is within the square footage range indicated in Section 1110 Appendix B, or exceed the square footage standard in Section 1110 Appendix B if the standard is a single number unless square footage can be justified.

The applicants are proposing 20,000 GSF for 34 stations or 588 GSF per station. This appears reasonable when compared to the State Standard of 450-650 GSF per station. The State Board Staff concludes the applicants have met the requirements of this criterion.

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

B) Criterion 1110.234 (b) - Project Services Utilization

To address this criterion the applicants must document that by the second year of operation the applicants will meet or exceed the utilization standard specified in Section 1110 Appendix B.

The applicants are projecting to open the facility with approximately 122 patients who will be transferred from the Fresenius West Metro facility. Dr. Vibar has identified 187 pre-ESRD patients who live in the immediate area of the proposed Humboldt Park facility and it is expected that after accounting for patient attrition approximately 132 will likely be referred to the facility in the first two years of operation. Dr. Vibar is expected to refer at least 37 additional patients to the clinic in the first year of operation, reaching the State target utilization of 80% in year one. The projected utilization for FMC Humboldt Park facility is outlined below:

TABLE FOUR	
FMC Humboldt Park	
1.	132 patients + 37 patients = 169 patients
2.	169 patients x 3 treatments a week x 52 weeks a year = 26,364 treatments
3.	34 stations x 3 shifts per day x 6 days a week x 52 weeks a year = 31,824 treatment capacity
4.	26,364 treatments /31,824 treatments = 82.84%

The current West Metro facility also serves almost 50 home dialysis patients who will also move to the new Humboldt Park location for services. It is unclear how many of the above listed pre-ESRD patients will be referred for home dialysis

once treatment begins. Below is the projected utilization for FMC West Metro should this project be approved.

TABLE FIVE FMC West Metro
1. 180 current patients -122 patients = 58 patients 2. 58 patients x 3 treatments a week x 52 weeks a year = 9,048 treatments 3. 12 stations x 3 shifts per day x 6 days a week x 52 weeks a year = 11,232 treatment capacity 4. 9,048 treatments /11,232 treatments = 80.55%

The State Board Staff concludes that if the number of patients materializes the applicants will have met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECT SERVICE UTILIZATION (77 IAC 1110.234 (b))

IX. Section 1110.1430 - In-Center Hemodialysis Projects

A) Criterion 1110.1430 - Background of Applicant

To address this criterion the applicants must provide a list of all facilities currently owned in the State of Illinois and an attestation documenting that no adverse actions have been taken against the applicants by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities and Services Review Board; and authorization to the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of the application for permit.

The applicants have provided a list of facilities and the necessary attestations as required by the State Board at pages 38-59 of the application for permit. The State Board Staff concludes the applicants have met this criterion.

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

B) Criterion 1110.1430 (c) - Planning Area Need

To address this criterion the applicants must address the following four subsections of this criterion by providing the calculated station need in the HSA VI ESRD Planning Area, providing the expected patient zip code of residence, referral letters from physicians documenting the number of patients that will utilize the new facility and documentation that the proposed project will improve service access in the HSA VI ESRD planning area. See pages 69-85 of the application for permit.

1) 1110.1430 (c) (1) - Calculated Need or Excess

- 2) **1110.1430 (c) (2) - Service to Planning Area Residents**
- 3) **1110.1430 (c) (3) - Service Demand**
- 4) **1110.1430 (c) (5) - Service Accessibility**

There is a projected need for 127 ESRD stations in the HSA VI ESRD planning area by CY 2015.

All 132 patients that are to be transferred from the West Metro facility and the 37 pre ESRD patients reside in the HSA VI ESRD planning area. Demand for the project is evidenced by the 169 patients that will utilize the proposed facility and the fact the proposed project is to be at target occupancy within the first year of operation. Service access will be maintained as the applicants are proposing to remain in the Humboldt Park area with a new larger facility. The Secretary of the Department of Health and Human Services has determined that the Humboldt Park Area is a Medically Underserved Area/Population and the State Board has determined there is a calculated need for stations in this planning area.

The State Board Staff concludes the applicants have successfully addressed the four subsections of this criterion because of the calculated need in the planning area, the number of patients that will receive dialysis in the first year of operation and the conclusion that this area/population are medically underserved.

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

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

- 1) **1110.1430 (d) (1) – Unnecessary Duplication**
- 2) **1110.1430 (d) (2) - Maldistribution**
- 3) **1110.1430(d) (3) – Impact on Other Facilities**

To address this criterion the applicants must provide a list of facilities within 30 minutes (adjusted) of the proposed facility, the ratio of stations to population within the 30 minute area (adjusted), and the impact if any on other ESRD facilities in the 30 minute area (adjusted)

There are 60 facilities with a total of 1,218 ESRD stations within 30 minutes (adjusted time) of the proposed facility. Average utilization of these 60 facilities is 63.48%. There are ten facilities within this 30 minute area (adjusted) that are either not in operation, still within the 2 year ramp up period, provided data late or did not provide data at all.

- 1. SAH Dialysis Clinic at 26th Street not yet complete no information available
- 2. Nocturnal Dialysis not yet completed no information available
- 3. FMC Lakeview not yet at the 2 year ramp up period
- 4. Fresenius Medical Care Cicero not yet at the 2 year ramp up period

5. DaVita Lawndale Dialysis not yet at the 2 year ramp up period
6. DaVita West Side Dialysis not yet at the 2 year ramp up period
7. Nephron Dialysis Center did not provide the utilization within the required timeframe
8. Maple Avenue Kidney Center did not provide utilization information
9. FMC Chicago Dialysis Center not yet at the 2 year ramp up period.
10. FMC Logan Square not yet at the 2 year ramp up period.

If these facilities are excluded the average utilization is 71.70%. Of these 50 facilities 19 facilities are at target occupancy or above.

The ratio of ESRD stations to population in the zip codes within a 30-minute radius of Fresenius Humboldt Park is one station per every 2,553 residents. The State ratio is 1 station per 3,100 residents. To determine maldistribution the number of stations in the 30 minute area (adjusted) must be 1.5 times the State of Illinois ratio. It does not appear there is a surplus of stations in this 30 minute area.

The applicants believe the proposed facility will not lower the utilization of other facilities in this 30 minute area (adjusted) because no patients have been identified to transfer from any other area facilities therefore utilization will not be lowered at any other facility. According to the applicants “the physicians will continue to refer to other area facilities according to the patient's place of residence and choice.”

The State Board Staff concludes the applicants have successfully addressed 1110.1430 (2) (3). It appears from the number of facilities currently underutilized in the 30 minute area (adjusted) that unnecessary duplication of service may result with the establishment of this facility.

TABLE SIX					
Facilities within 30 minutes adjusted ⁽¹⁾					
Name	City	HSA	Adjusted Time	Stations	Utilization ⁽²⁾
Garfield Kidney Center	Chicago	6	3.75	16	95.83%
FMC West Metro	Chicago	6	3.75	17	93.75%
FMC Dialysis Services of Congress Parkway	Chicago	6	6.25	30	75.56%
FMC - Austin	Chicago	6	6.25	16	64.58%
Logan Square Dialysis	Chicago	6	8.75	28	72.62%
Cook County Hospital Dialysis	Chicago	6	10	9	50.00%
Rush University Dialysis	Chicago	6	10	5	30.00%
University of Illinois Hospital Dialysis	Chicago	6	11.25	26	89.74%
Fresenius Medical Center - Westside	Chicago	6	11.25	31	50.54%
Mt. Sinai Hospital Med Ctr.	Chicago	6	12.5	16	91.67%

TABLE SIX					
Facilities within 30 minutes adjusted ⁽¹⁾					
Name	City	HSA	Adjusted Time	Stations	Utilization ⁽²⁾
Circle Medical Management	Chicago	6	12.5	27	65.43%
FMC - West Suburban Dialysis Unit	Oak Park	7	12.5	46	90.53%
FMC - East Delaware	Chicago	6	12.5	24	52.08%
Fresenius Medical Care West Willow	Chicago	6	13.75	12	47.22%
DaVita Loop Renal Center	Chicago	6	13.75	28	54.76%
FMC - Northcenter	Chicago	6	13.75	16	68.75%
DaVita - Little Village Dialysis	Chicago	6	15	16	84.38%
Fresenius West Belmont	Chicago	6	15	18	82.35%
FMC - Northwestern University	Chicago	6	16.25	44	56.44%
FMC - Prairie	Chicago	6	17.5	24	72.92%
FMC - Oak Park Dialysis Center	Oak Park	7	18.75	12	101.39%
FMC - Bridgeport	Chicago	6	18.75	27	88.27%
Loyola Dialysis Center	Maywood	7	18.75	30	66.11%
Fresenius Medical Care River Forest	River Forest	7	18.75	20	75.00%
DaVita Emerald Dialysis	Chicago	6	20	24	84.72%
DaVita - Montclare Dialysis Center	Chicago	6	20	16	85.42%
DaVita - Lincoln Park Dialysis Center	Chicago	6	20	22	78.79%
FMC - Garfield	Chicago	6	21.25	22	81.06%
Woodlawn Dialysis	Chicago	6	21.25	32	65.10%
Center for Renal Replacement	Lincolnwood	7	21.25	16	64.58%
FMC - Berwyn	Berwyn	7	21.25	26	88.69%
DaVita Kenwood	Chicago	6	22.5	32	59.38%
Big Oaks Dialysis Center	Niles	7	22.5	12	41.67%
FMC - North Kilpatrick	Chicago	6	22.5	28	83.93%
Dialysis Management Services	Chicago	6	22.5	14	58.33%
FMC - Melrose Park	Melrose Park	7	22.5	18	61.11%
FMC - North Avenue	Melrose Park	7	23.75	24	72.22%
FMC Elmhurst	Elmhurst	7	25	28	64.88%
FMC Ross Dialysis - Englewood	Chicago	6	25	16	91.67%
FMC Skokie	Skokie	7	26.25	14	72.62%
FMC Chatham	Chicago	6	26.25	16	68.75%
FMC Westchester	Westchester	7	26.25	20	85.83%
Grand Crossing Dialysis	Chicago	6	27.5	12	87.50%
Fresenius Uptown	Chicago	6	27.5	12	94.44%
FMC Norridge	Chicago	6	27.5	16	71.88%

TABLE SIX					
Facilities within 30 minutes adjusted ⁽¹⁾					
Name	City	HSA	Adjusted Time	Stations	Utilization ⁽²⁾
FMC Northfield	Northfield	7	28.75	12	5.56%
FMC South Chicago	Chicago	6	28.75	36	82.27%
FMC South Shore	Chicago	6	30	16	77.08%
FMC Evanston	Evanston	7	30	18	58.33%
FMC Greenwood	Chicago	6	30	28	79.17%
Average Utilization					71.70%
SAH Dialysis Clinic at 26th Street ⁽³⁾	Chicago	6	13.75	15	0.00%
Nocturnal Dialysis ⁽⁴⁾	Villa Park	7	27.5	12	0.00%
FMC Lakeview ⁽⁵⁾	Chicago	6	25	14	69.05%
Fresenius Medical Care Cicero ⁽⁶⁾	Cicero	7	21.25	16	35.42%
DaVita Lawndale Dialysis ⁽⁷⁾	Chicago	6	15	16	32.29%
DaVita West Side Dialysis ⁽⁸⁾	Chicago	6	12.5	12	1.39%
Nephron Dialysis Center ⁽⁹⁾	Chicago	6	20	14	0.00%
Maple Avenue Kidney Center ⁽¹⁰⁾	Oak Park	7	15	18	0.00%
FMC - Chicago Dialysis Center ⁽¹¹⁾	Chicago	6	8.75	21	48.41%
Fresenius Medical Care Logan Square ⁽¹²⁾	Chicago	6	8.75	12	37.50%
1. Time and distance determined by MapQuest and adjusted per 1100.560(d) 2. Utilization based upon September 2014 data reported to the State Board. 3. SAH Dialysis Clinic at 26th Street no data reported not operational 4. Nocturnal Dialysis not yet operational 5. FMC Lakeview still in 2 year ramp up 6. FMC Cicero still in 2 year ramp up 7. DaVita Lawndale still in 2 year ramp up 8. DaVita West Side still in 2 year ramp up 9. Nephron Dialysis Center did not report the data in the required timeframe 10. Maple Kidney Center did not report data 11. FMC Chicago Dialysis still in 2 year ramp up 12. FMC Logan Square still in 2 year ramp up.					

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH THE CRITERION UNNECESSARY DUPLICATION OF SERVICE (77 IAC 1110.1430 (d) (1))

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

To address these criteria the applicants must provide a staffing plan, the support services to be provided the number of stations to be established, a copy of the affiliation agreement with a hospital within the area and assurance that the facility will be at target occupancy within two years after project completion and that the facility will achieve quality measures. The applicants have responded to these criteria at pages 89-102 of the application for permit.

The State Board Staff relies on the fact that the facility will be certified for Medicare and Medicaid participation for the appropriate staffing, support services and continuity of care. The applicants will meet the minimum number of stations of eight within the Chicago Naperville Joliet ·Gary, IL·IN-WI Metropolitan Statistical Area (MSA) with the establishment of a 34 station facility. The applicants have provided the necessary assurance that they will be at target occupancy of 80% within two years of operation and quality measure identified by the State Board will be achieved at the proposed facility.

The State Board Staff concludes that the applicants have met the requirements of these criteria.

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

IX. AVAILABILITY OF FUNDS

A) Criterion 1120.120 - Availability of Funds

To address this criterion the applicants must provide information on the availability of funds for the project.

The applicants are funding this project with cash of \$4,469,200 and the fair market value of the lease of \$6,236,550. A review of the applicants audited financial statement indicates sufficient cash is available to fund the project as indicated by the table below. The State Board Staff concludes the applicants have met the requirements of this criterion.

TABLE SEVEN FMC Holdings Inc. Audited Financial Statements (Dollars in Thousands)		
	2013	2012
Current Assets	\$275,719	\$341,071
PPE	\$1,656,841	\$1,568,231
Total Assets	\$16,597,314	\$17,080,635
Current Liabilities	\$2,094,693	\$2,510,111
Long Term Debt	\$2,792,267	\$2,728,162
Total Liabilities	\$8,075,490	\$8,401,166
Total Equities	\$7,669,121	\$7,426,809
Net Revenues	\$9,433,192	\$8,885,401
Expenses	\$8,088,952	\$7,384,745
Income before Tax	\$1,344,240	\$1,500,656
Net Income	\$878,700	\$1,003,479
Less net income attributable to non-controlling interest	\$139,298	\$140,232
Net Income	\$739,402	\$863,247

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

X. FINANCIAL VIABILITY

A) Criterion 1120.130 – Financial Viability

To address this criterion the applicants must indicate if they are funding the project from internal sources.

The applicants are funding the project with cash and an operating lease therefore no financial ratios need to be provided. The State Board Staff concludes the applicants have met the requirements of this criterion.

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

XI. ECONOMIC FEASIBILITY

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

B) Criterion 1120.140 (b) – Terms of Debt Financing

To address these two criteria the applicants must demonstrate that the leasing of the facility and the terms and conditions of the lease are reasonable.

The applicants provided a notarized statement attesting “that entering into of a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic and the expenses incurred with leasing the proposed facility and cost of leasing the equipment is less costly than constructing a new facility or purchasing new equipment.”

The State Board Staff concludes the applicants have successfully addressed these criteria.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENT AND TERMS OF DEBT FINANCING (77 IAC 1120.140(a) (b))

C) Criterion 1120.140(c) – Reasonableness of Costs

To address this criterion the applicants must document that the proposed costs meet State Board Standards as referenced at 1120.140 Appendix A.

Modernization and Contingency Costs are \$3,540,000 and are \$177.00 per GSF. These costs include the following

TABLE EIGHT	
General Conditions Modernization	\$161,000
Temp Facilities, Controls, Cleaning, Waste Management	\$8,000
Concrete	\$41,200
Masonry	\$49,000

TABLE EIGHT	
Metal Fabrications	\$24,100
Carpentry	\$283,000
Thermal, Moisture & Fire Protection	\$57,300
Doors, Frames, Hardware, Glass & Glazing	\$220,600
Walls, Ceilings, Floors, Painting	\$520,000
Specialties	\$40,300
Casework, FI Mats & Window Treatments	\$19,300
Piping, Sanitary Waste, HVAC, Ductwork, Roof Penetrations	\$1,030,400
Wiring, Fire Alarm System, Lighting	\$620,800
Miscellaneous Construction Costs	\$145,000
Total	\$3,220,000

Contingency costs are \$320,000 and are 9.9% of modernization costs. This appears reasonable when compared to the State Board Standard of 10-15% for modernization construction.

Architectural and Engineering Fees are \$283,200 and are 8% of modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 6.04-9.08% for Architectural and Engineering Fees for modernization projects.

Moveable or Other Equipment Costs are \$646,000 or \$19,000 per station. This appears reasonable when compared to the adjusted State Board Standard of \$50,601. These costs include the following:

TABLE NINE	
Moveable or Other Equipment	
Dialysis Chairs	\$73,000
Clinical Furniture & Equipment	\$30,000
Office Equipment & Other Furniture	\$56,000
Water Treatment	\$210,000
TVs & Accessories	\$85,000
Telephones	\$27,000
Generator	\$110,000
Facility Automation	\$30,000
Other miscellaneous	\$25,000
Total	\$646,000

FMV of Leased Space and Equipment is \$6,236,500 and these costs include the following:

TABLE TEN	
Fair Market Value of Leased Space (20,000 GSF)	\$5,670,000
FMV leased Dialysis Machines	\$544,350
FMV leased Office Equipment	\$22,200
Total	\$6,236,550

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

D) Criterion 1120.140 (d) - Projected Operating Costs

To address this criterion the applicants must provide the salaries, medical supplies and other supplies per treatment.

The applicants are estimating approximately \$212.50 in operating costs per treatment. The State Board Staff concludes the applicants have met the requirements of this criterion.

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

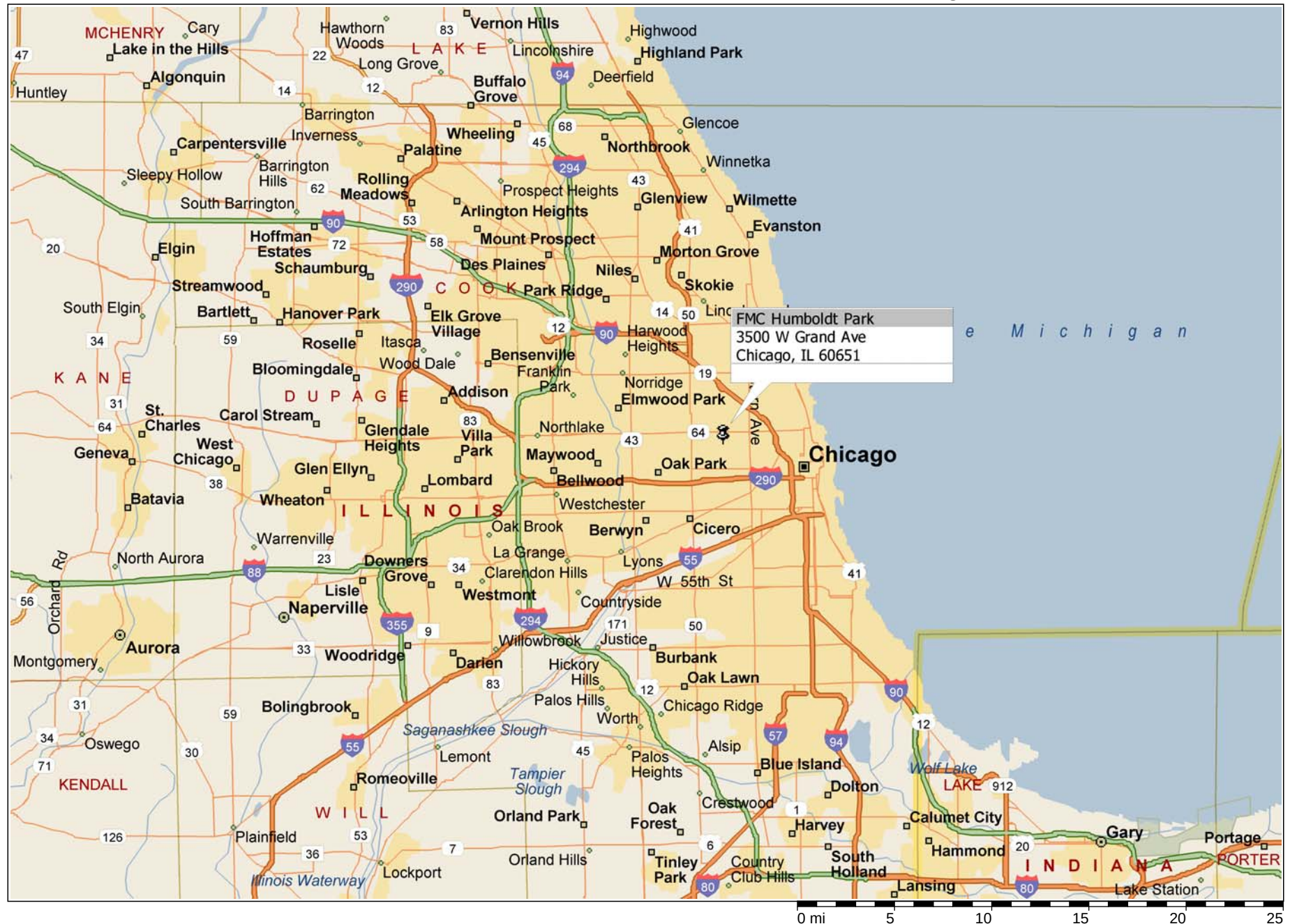
E) Criterion 1120.140 (e) – Total Effect of the Project on Capital Costs

To address this criterion the applicants must provide the capital costs (Depreciation, Amortization and Interest) per treatment.

The applicants are estimating approximately \$12.39 per treatment in capital costs. The State Board Staff concludes the applicants have met the requirements of this criterion.

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

14-047 Fresenius Medical Care Humboldt Park - Chicago



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