



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: H-02	BOARD MEETING: April 21, 2015	PROJECT NO: 15-001	PROJECT COST: Original: \$768,598
FACILITY NAME: Fresenius Medical Care Steger		CITY: Steger	
TYPE OF PROJECT: Non Substantive			HSA: VII

PROJECT DESCRIPTION: Fresenius Medical Care of Illinois, LLC. d/b/a Fresenius Medical Care Steger and Fresenius Medical Care Holdings, Inc. (the applicants) are proposing to add 6 ESRD stations to a 12 station facility for a total of 18 ESRD stations in 7,350 GSF of leased space in Steger. The cost of the project is \$768,598.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- Fresenius Medical Care of Illinois, LLC. d/b/a Fresenius Medical Care Steger and Fresenius Medical Care Holdings, Inc. (the applicants) are proposing to add 6 ESRD stations to a 12 station facility in 7,350 GSF of leased space in Steger. The cost of the project is \$768,598.
- **The anticipated project completion date is December 31, 2016.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are before the State Board because the proposed project is adding stations in excess of 10% or 3 stations.

PURPOSE OF THE PROJECT:

- The proposed project seeks to maintain access to life-sustaining ESRD services in Chicago and the HSA-VI ESRD service area.

NEED FOR THE PROJECT:

- To expand service at an existing ESRD facility the applicant must document that
 1. the proposed service will provide service to planning area residents;
 2. there must be a demand for the service in the planning area;
 3. there is staffing availability and support services; and
 4. the proposed stations will not reduce the utilization of other area providers.
- **The State Board Staff Notes** for the expansion of an existing ESRD facility current State Board rule does not require the determination if facilities within 30 minutes are operating at the State Board's target occupancy of 80%.

BACKGROUND/COMPLIANCE ISSUES

- Neither applicant has outstanding compliance issues with the State Board.

PUBLIC HEARING/COMMENT

- No public hearing was requested and no letters of support or opposition were received by the State Board Staff.

FINANCIAL AND ECONOMIC FEASIBILITY

- The entirety of the project will be funded through internal sources (Cash and Securities/Fair Market Value of the Leases and a review of the financial statements indicate sufficient cash is available to fund the project.

CONCLUSIONS:

- **The applicants addressed a total of 12 review criteria and have met all of the State Board Requirements**
- There is a calculated station need in the HSA-VI ESRD service area for 24 ESRD stations by CY 2015.
- The applicants are requesting an additional 6 stations to the existing 12 station ESRD

facility for a total of 18 stations.

- The calculated need will support the station increase.
- There are currently 69 patients being treated at the facility. The referring physician has identified an additional 63 patients that will need dialysis service within the next 12-24 months.
- The facility is currently operating at 95.8% (December 2014 Utilization), and has a recorded history of operating in excess of the 80th percentile.



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STATE BOARD STAFF REPORT
Fresenius Medical Care Steger
PROJECT #15-001

APPLICATION CHRONOLOGY	
Applicants	Fresenius Medical Care Holdings, Inc. Fresenius Medical Care of Illinois, LLC.
Facility Name	Fresenius Medical Care Steger
Location	219 East 34 th Street Steger
Application Received	January 23, 2015
Application Deemed Complete	January 29, 2015
Permit Holder	Fresenius Medical Care of Illinois, LLC, d/b/a Fresenius Medical Care Steger
Operating Entity	Fresenius Medical Care of Illinois, LLC, d/b/a Fresenius Medical Care Steger
Owner of the Site	Manco Property Management
Can Applicants Request Another Deferral?	Yes

I. The Proposed Project

Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care of Illinois, LLC (the applicants) are proposing to add 6 ESRD stations to a 12 station ESRD facility in 7,350 GSF of leased space in Steger. The cost of the project is \$768,598.

II. Summary of Findings

- A. The State Board Staff finds the proposed project appears 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

Fresenius Medical Care of Illinois, LLC. and Fresenius Medical Care Holdings, Inc. (the applicants) are proposing to add 6 ESRD stations to a 12 station ESRD facility in 7,350 GSF of leased space in Steger. The cost of the project is \$768,598. Manco Property Management owns the site, and Fresenius Medical Care of Illinois, LLC, d/b/a Fresenius Medical Care Steger is the operating entity. The facility is located at 219 East 34th Street, Steger, Illinois in Health Service Area VII. Health Service Area VII is comprised of

DuPage, and suburban Cook County. The March 2015 update to the IDPH Inventory of Health Care Facilities (“Inventory”) shows a computed need for 24 ESRD stations in HSA VII.

There is no land acquisition cost for this project, as the proposed facility will be an expansion of an existing facility. This is a substantive project subject to both a Part 1110 and Part 1120 review. Project obligation is contingent on permit issuance. **The anticipated project completion date is December 31, 2016.**

No public hearing was requested and no letters of support or opposition were received by the State Board Staff.

IV. The Proposed Project - Details

Fresenius Medical Care Holdings, Inc, and Fresenius Medical Care of Illinois, LLC, and (the applicants) are proposing to add 6 ESRD stations to a 12 ESRD station facility in 7,350 GSF of leased space in Steger. The cost of the project is \$768,598.

V. Project Costs and Sources of Funds

The total estimated project cost is \$768,598. The proposed project is being funded with cash and securities totaling \$441,500 and the fair market value of the lease totaling \$327,098. Table One outlines the project’s costs and uses of funds. The State Board Staff notes all costs are classified as being clinical.

TABLE ONE	
Project Uses and Sources of Funds	
Uses of Funds	Clinical
Modernization Contracts	\$225,500
Contingencies	\$10,000
A & E Fees	\$26,000
Moveable Equipment	\$180,000
FMV Leased Space & Equipment	\$327,098
Total Uses of Funds	\$768,598
Sources of Funds	Clinical
Cash and Securities	\$441,500
FMV Leased Space & Equipment	\$327,098
Total Sources of Funds	\$768,598

VI. Cost/Space Requirements

Table Two displays the project's cost/space requirements for the project. The clinical portion comprises approximately 100% of the cost and GSF.

TABLE TWO							
FMC West Belmont-Cost/Space Allocation							
Clinical Department	Cost	Existing GSF	Proposed GSF	New	Modernized	Vacated	As Is
ESRD	\$768,598	6,100	7,350	0	1,250	0	0
Total	\$768,598	6,100	7,350	0	1,250	0	0

VII. Section 1110.230 - Project Purpose, Background and Alternatives

A. Criterion 1110.230(a) - Background of Applicant

The Criterion states:

- “1) An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character, to adequately provide a proper standard of health care service for the community.* [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicant, HFPB shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by such person or entity (refer to 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder").

The applicants provided a list of all health care facilities currently owned and/or operated by the applicants, including licensing, certification and accreditation identification numbers, a certified statement from the applicants that no adverse action has been taken against any facility owned and/or operated by the applicants during the three years prior to the filing of the application, and authorization permitting HFPB and Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted. The applicants appear fit, willing and able and have the qualifications, background and character to adequately provide a proper standard of healthcare service for the community.

B. Safety Net Impact Statement/Charity Care

The applicants attest that the proposed addition of 6 stations to an existing 12-station ESRD facility will have no impact on Safety Net services in the area. The applicants' state:

"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 provides community benefit by supporting various medical education activities and associations, such as the Renal and National Kidney Foundation".

TABLE THREE			
SAFETY NET INFORMATION			
Fresenius Medical Care Facilities in Illinois			
NET REVENUE	\$362,977,407	\$387,393,758	\$398,570,288
CHARITY CARE			
	2011	2012	2013
Charity (# of self-pay patients)	93	203	642
Charity (self-pay) Cost	\$642,947	\$1,536,372	\$5,346,976
% of Charity Care to Net Rev.	0.18%	.4%	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%	9.36%	7.87%

C. Criterion 1110.230(b) - Purpose of the Project

The Criterion states:

The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

- 1) The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project. Examples of such information include:**
 - A) The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that may affect the need for services in the future;**
 - B) The population's morbidity or mortality rates;**
 - C) The incidence of various diseases in the area;**
 - D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);**
 - E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).**
- 2) The applicant shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).**
- 3) The applicant shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicant shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.**
- 4) For projects involving modernization, the applicant shall describe the conditions being upgraded. For facility projects, the applicant shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicant shall also include repair and maintenance records.**

The applicants state that the purpose of the proposed project is to keep dialysis services accessible to a growing ESRD population in the service area (HSA-07),

and alleviate the continued high utilization at the Fresenius Medical Care Steger dialysis facility. FMC Steger began operations three years ago, as a 12-station ESRD facility, and was operating in excess of the 80th percentile shortly after its first year of being in service. The applicants note this operational capacity has been historically consistent, and similar operational capacities have been reported at ESRD facilities in the service area.

The applicants cited quantifiable goals as being the ability to keep dialysis access available, and that the facility will achieve quality outcomes as demonstrated by achieving 94% of patients having a URR greater than or equal to 65%, and 93% of patients having a Kt/V greater than or equal to 1.2.

D. Criterion 1110.230(c) - Alternatives to the Proposed Project

The Criterion states:

“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.

- 1) Alternative options shall be addressed. Examples of alternative options include:**
 - A) Proposing a project of greater or lesser scope and cost;**
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;**
 - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and**
 - D) Other considerations.**
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.**
- 3) The applicant shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available.”**

The applicants considered the two alternatives:

1. A Project of Greater or Lesser Scope

The applicants note this option was deemed infeasible, due to the need to add six stations, in an effort to maintain operational capacity. The applicants considered adding two additional stations under “3 station of 10% rule” at a cost of \$150,000, but determined 2 ESRD stations would not sufficiently address the excess

capacity at FMC Steger. **No capital costs were provided for this option.**

2. Pursue a Joint Venture or Similar Arrangement

The applicants note the preferred model of ownership is for their facilities to be wholly owned, and have on occasions, entered into joint ventures. In these instances, Fresenius Medical Care always maintains control of the governance, assets, and operations of these facilities. The applicants note their healthy financial position makes it unnecessary to enter into a joint venture, and thus rejected this alternative. **The applicants provided a capital cost of \$768,598 with this option.**

3. Utilize Other Health Care Resources

The applicants rejected this alternative because it did not meet the current and future needs of the patients under the care of Dr. Cline. It is also noted that ten ESRD clinics located in a ten mile radius of the applicants' facility are operating at an average capacity of 81%. **No capital costs were provided for this option.**

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

A) Size of Project

The Criterion states:

“The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards of Appendix B, unless the additional GSF can be justified by documenting one of the following:

- 1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;**
- 2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;**
- 3) The project involves the conversion of existing bed space that results in excess square footage.”**

The applicants propose to add 6 stations to an existing 12 station facility for a total of 18 stations in 7,350 GSF of leased space. The State board standard is 360-520 GSF per station. The applicants note the project is allocating 458 GSF per station. The proposed project meets the spatial standards established by the State Board, and a positive finding has been made.

TABLE FOUR SIZE OF PROJECT 15-001 Fresenius Medical Care Steger				
Department/Service	Proposed BGSF/DGSF	State Standard	Difference	Met Standard?
ESRD Facility	7,350 GSF (18 Stations)	360-520 GSF (408 GSF/Station)	112 GSF under per station	Yes

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

B) Criterion 1110.234 (b) - Project Services Utilization

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented. If the applicant does not meet the utilization standards in Appendix B, or if service areas do not have utilization standards in 77 Ill. Adm. Code 1100, the applicant shall justify its own utilization standard by providing published data or studies, as applicable and available from a recognized source, that minimally include the following:

The applicants have documented by the second year after project completion (2017), they will be above the State Board's target occupancy of 80% (Application, P. 56).

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

IX. Section 1110.1430 - In-Center Hemodialysis Projects – Review Criteria

The criterion for establishing an ESRD facility reads as follows:

1) 77 Ill. Adm. Code 1100 (formula calculation)

- A) The number of stations to be established for in-center hemodialysis is in conformance with the projected station deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.**

- B) The number of stations proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the utilization standard specified in 77 Ill. Adm. Code 1100.

2) **Service to Planning Area Residents**

- A) Applicants proposing to establish or add stations shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.
- B) Applicants proposing to add stations to an existing in-center hemodialysis service shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.
- C) Applicants proposing to expand an existing in-center hemodialysis service shall submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility).

b) **Planning Area Need Review Criterion**

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)**

According to the March 2015 update to the IDPH Inventory of Health Care Facilities ("Inventory"), HSA-VII shows a computed need for 24 ESRD stations.

2) **Service to Planning Area Residents**

The primary purpose of this project is to provide in-center ESRD services to the existing and growing patient base in suburban Cook County and DuPage Counties (HSA-VII). The applicants note providing treatment to 382 patients during the last reporting quarter, and expect an additional 63 patients to receive treatment at the expanded facility, upon project completion.

4) Expansion of In-Center Hemodialysis Service

The applicants are currently providing service to 69 patients at the FMC Steger facility and have identified an additional 382 pre-ESRD patients expected to refer to the facility after project completion (application, p. 44).

Conclusion

There is a calculated need for 24 stations in the HSA VII ESRD planning area, and the applicants note another 382 pre-ESRD patient living in the immediate vicinity, which are expected to require dialysis within the first two years of the new station's operation. From the documentation provided it appears that the applicants can justify the additional stations based upon the historical utilization and future demand for the service in the planning area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PLANNING AREA NEED CRITERION (77 IAC 1110.1430(b)).

C) Staffing - Availability

The Criterion states:

“The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

1) Qualifications

- A) Medical Director – Medical direction of the facility shall be vested in a physician who has completed a board-approved training program in nephrology and has at least 12 months experience providing care to patients receiving dialysis.**
- B) Registered Nurse – The nurse responsible for nursing services in the unit shall be a registered nurse (RN) who meets the practice requirements of the State of Illinois and has at least 12 months experience in providing nursing care to patients on maintenance dialysis.**
- C) Dialysis Technician – This individual shall meet all applicable State of Illinois requirements (see 210 ILCS 62, the End Stage Renal Disease Facility Act). In addition, the applicant shall document its requirements for training and continuing education.**
- D) Dietitian – This individual shall be a registered dietitian with**

the Commission on Dietetic Registration, meet the practice requirements of the State of Illinois (see the Dietetic and Nutrition Services Practice Act [225 ILCS 30]) and have a minimum of one year of professional work experience in clinical nutrition as a registered dietitian.

- E) **Social Worker** – The individual responsible for social services shall have a Master's of Social Work and meet the State of Illinois requirements (see 225 ILCS 20, the Clinical Social Work and Social Work Practice Act)."

The applicants have provided the necessary information as required by the criteria (application, p. 52-54). It appears that there will be sufficient staff to accommodate the additional patient load.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STAFFING CRITERION (77 IAC 1110.1430 (e) (1)).

D) Support Services

The Criteria states:

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

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

The applicants have provided all of the required documentation to address this criterion, to include support services from St. James Hospital & Health Center, Chicago Heights.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE SUPPORT SERVICES CRITERION (77 IAC 1110.1430 (f)).

J) Assurances

The Criterion states:

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

- 1) By the second year of operation after the project completion, the applicant will achieve and maintain the utilization standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal; and**
- 2) An applicant proposing to expand or relocate in-center hemodialysis stations will achieve and maintain compliance with the following adequacy of hemodialysis outcome measures for the latest 12-month period for which data are available:
≥ 85% of hemodialysis patient population achieves area reduction ratio (URR) ≥ 65% and ≥ 85% of hemodialysis patient population achieves Kt/V Daugirdas .1.2.”**

The applicants provided the required certification information on page 56 of the application for permit as required of the criterion. The applicants note Fresenius Medical Care Steger patients have achieved and will maintain the following adequacy outcomes.

- 94% of patients had a URR ≥ 65%
- 93% of patients had a Kt/V ≥ 1.2

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES CRITERION (77 IAC 1110.1430 (j)).

X. 1120.120 - Availability of Funds

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

The applicants are funding the project with cash and securities totaling \$441,500, and fair market values of a lease totaling \$327,098. A review of the applicants' financial statements indicates that sufficient cash is available to fund the project.

TABLE FIVE Fresenius Medical Care Audited Financial Information In thousands (000)		
Calendar Year	2013	2012
Cash and Investments	\$275,719	\$341,071
Current Assets	\$3,866,123	\$5,673,703
Total Assets	\$16,597,314	\$17,808,635
Current Liabilities	\$2,094,693	\$2,510,111
Long Term Debt	\$2,113,723	\$2,030,126
Total Liabilities	\$8,075,490	\$8,401,166

TABLE FIVE Fresenius Medical Care Audited Financial Information In thousands (000)		
Net Revenues	\$9,433,192	\$8,885,401
Expenses	\$8,088,952	\$7,384,745
Income Before Tax	\$1,344,240	\$1,500,656
Income Tax	\$465,540	\$497,177
Net Income	\$878,700	\$1,003,479

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

XI. 1120.130 - Financial Feasibility

A. Criterion 1120.130 - Financial Viability

Financial Viability Waiver

The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or**

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA), or its equivalent; or**

HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.**

The applicants are funding the project with cash and securities totaling \$441,500, and fair market values of a lease totaling \$768,598. A review of the applicants' financial statements indicates that sufficient cash is available to fund the project.

Because the applicants are funding this project internally no financial viable ratios are required.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL FEASIBILITY CRITERION (77 IAC 1120.130 (a)).

XII. Section 1120.140 - Economic Feasibility

A. Criterion 1120.140(a) - Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

The applicants are funding the project with cash and securities totaling \$441,500, and fair market values of a lease totaling \$327,098. A review of the applicants' financial statements indicates that sufficient cash is available to fund the project. Economic Feasibility has been determined through financial statements accompanying the application for project #14-029, FMC Grayslake.

THE STATE BOARD STAFF FINDS THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION IS INAPPLICABLE TO THE PROPOSED PROJECT (77 IAC 1120.140(a)).

B. Criterion 1120.140(b) - Terms of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

The applicants are funding the project with cash and securities totaling \$441,500, and fair market values of a lease totaling \$327,098. A review of the applicants' financial statements indicates that sufficient cash is available to fund the project.

THE STATE BOARD STAFF FINDS THE TERMS OF DEBT FINANCING CRITERION IS INAPPLICABLE TO THE PROPOSED PROJECT (77 IAC 1120.140(b)).

C. Criterion 1120.140(c) - Reasonableness of Project Cost

The applicant shall document that the estimated project costs are reasonable and shall document compliance with the State Board's standards as detailed in 77 IAC 1120.

Modernization and Contingencies – These costs total \$235,500 or \$188.40 per gross square feet. ($\$235,500/1,250 \text{ GSF} = \188.40). This appears reasonable when compared to the State Board standard of \$189.19

Contingencies – These costs total \$10,000. These costs are 4.4% of modernization costs. This appears reasonable when compared to the State Board standard of 10%-15% of modernization costs.

Architect and Engineering Fees – These costs total \$26,000 or 11% of modernization and contingency costs. This appears reasonable when compared to the State Board standard of 8.80%-13.20% of modernization and contingency costs.

Moveable Equipment - These costs total \$180,000 or \$30,000 per station. This appears reasonable when compared to the State Board standard of \$39,945.

Fair Market Value of Leased Space and Equipment - These costs are \$327,098. The State Board does not have a standard for these costs.

It appears the applicants have reported excessive costs for modernization and contingencies, resulting in a negative finding for this criterion.

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

D) Criterion 1120.140 (d) - Projected Operating Costs

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

The applicants anticipate the direct operating costs per treatment to be \$95.42. The State Board does not have a standard for these costs.

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

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

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

The applicants anticipate the total effect of the Project on Capital Costs per treatment to be \$9.77. The State Board does not have a standard for these costs.

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

15-001 Fresenius Medical Care Steger - Steger



END STAGE RENAL DIALYSIS - FACILITY PROFILE 2013

Ownership, Management and General Information

Name: Fresenius Medical Care Steger
Address: 219 East 34th Street
City: Steger
County: Cook
HSA: 7
Medicare ID: 14-2725

Legal Entity Operator: Fresenius Medical Care of Illinois, LLC
Legal Entity Owner:
Ownership Type: Limited Liability Company
Property Owner: MANCO PROPERTY MANAGEMENT, LLC
Other Ownership:
Medical Director Name: Dr. Kenneeth Clinc
Provides Incenter Nocturnal Dialysis: ☐

STATION INFORMATION

Authorized Stations as of 12/31/2013: 12
Certified Stations by CMS: 12
Peak Authorized Stations Operated: 12
Authorized Stations Setup and Staffed in Oct 1-7: 12
Isolation Stations Set up in Oct 1-7: 1
(subset of authorized stations)
Number of Shifts Operated per day

FACILITY STAFFING - FULL TIME EQUIVALENT

Full-Time Work Week: 32
Registered Nurse : 4
Dialysis Technician : 6
Dietician : 1
Social Worker: 1
LPN : 0
Other Health : 0
Other Non-Health: 1

Dialysis Station Utilization for the Week of Oct 1 - 7

Date of Operation	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7
Hours operated	13	18	13	18	13	0	18
Number of Patients Treated	23	30	23	30	22	0	33

Facility Utilization Information

Facility Reported Patient Information

Patients treated as of 1/1/2013: 54
(Beginning patients)
Patients treated as of 12/31/2013: 57
(Ending patients)
Total Unduplicated patients treated in calendar year: 74

Facility Reported Treatment Information

In-Center Treatments in calendar year: 8,338
Number of Missed Treatments: 488
Average Daily Treatments:
Average Treatment Time (min): 260.0

ADDITIONS to the FACILITY

New Patients: 33
Transient Patients: 7
Patients Re-Started: 0
Post-Transplant Patien 0
Total: 40

LOSSES to the FACILITY

Recovered patients: 1
Transplant Recipients: 3
Patients transferred out: 9
Patients voluntarily discontinued 0
Patients lost to follow up: 1
Patients deceased: 11
Total: 25

USE RATE for the FACILITY

Treatment Capacity/year (based on Stations): 11,232
Use Rate (Treatments/Treatment capacity): 74%
Use Rate (including Missed Treatments): 79%
Use Rate (Beginning patients treated): 75%
Use Rate (Year end Patients/Stations*6): 79%
Renal Network Use Rate: 94%

Patients and Net Revenue by Payor Source

	Medicare	Medicaid	Private Insurance	Private Pay	Other Public	TOTAL	Charity Care
	64.9%	4.1%	25.7%	2.7%	2.7%	100.0%	0.0%
Patient	48	3	19	2	2	74	0
1/1/2012 to 12/31/2012	54.3%	1.0%	40.3%	0.0%	4.5%	100.0%	0.0%
Net Revenue	\$1,151,648	\$21,238	\$854,188	\$0	\$94,836	\$2,121,910	\$0

Patients by Age and Sex

AGE GROUPS	MALE	FEMALE	TOTAL
<14 yrs	0	0	0
15-44 yr	6	5	11
45-64 yr	18	13	31
65-74 yr	9	4	13
75 < yrs	12	7	19
Total	45	29	74

Patients by Race

Asian Patients:	1
Native American/ Indian:	0
Black/ African American :	47
Hawaiian /Pacific Islande	0
White:	26
Unknown :	0
TOTAL:	74

Patients by Ethnicity

Hispanic Latino Patients:	4
Non-Hispanic Latino Patien	68
Unknown Ethnicity Patients	2
TOTAL:	74

Fresenius Medical Care does not hold long term debt on any Illinois dialysis location balance sheet. Fresenius Medical Care does not, as a for profit corporation, provide charity care under the Board's definition of same; however, it treats all patients regardless of ability to pay and thus does provide uncompensated care.

Source: Data based on 2013 Annual ESRD Questionnaire administered on behalf of Illinois Department of Public Health, Health Systems Development.