



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

52525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: (217) 785-4111

DOCKET NO:	BOARD MEETING:	PROJECT NO: 15-012	PROJECT COST: Original: \$0 Current: \$
FACILITY NAME: Fresenius Medical Care Round Lake (f/k/a Neomedica Round Lake)		CITY: Round Lake	
TYPE OF PROJECT: Non-substantive			HSA: VIII

PROJECT DESCRIPTION: Fresenius Medical Care Lake County, LLC d/b/a Fresenius Medical Care Round Lake and Fresenius Medical Holdings, Inc. ("the applicants") are requesting a change of ownership of a 16 station ESRD facility located in Round Lake, Illinois. There is no cost to the project. The anticipated completion date is December 31, 2015.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- Fresenius Medical Care Lake County, LLC d/b/a Fresenius Medical Care Round Lake and Fresenius Medical Holdings, Inc. (“the applicants”) are requesting a change of ownership of a 16 station ESRD facility located in Round Lake, Illinois. There is no cost to the project. The anticipated project completion date is December 31, 2015.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project proposes a change of ownership of a health care facility as defined by the Act. 20 ILCS 3960/3

REQUIREMENTS FOR CHANGE OF OWNERSHIP:

- An applicant proposing a change of ownership must provide details on any proposed changes in the beds or services currently offered,
 - the reason for the transaction,
 - any anticipated additions or reductions in employees,
 - any changes in the restriction of patient admissions, and;
 - document that no reductions in access to care will result from the proposed change of ownership transaction.
- A change of ownership of an existing health care facility does not require evidence of need for the facility.

BACKGROUND/COMPLIANCE ISSUES:

- None

PUBLIC COMMENTS:

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

CONCLUSIONS:

- The applicants have attested the transaction is a corporate restructuring, resulting in the transfer of assets between two companies wholly owned by Fresenius Medical Care Holdings, Inc. The reason for the transaction is to allow for physician investment. Fresenius Medical Care Holdings, Inc. will retain control of the facility.
 - there will be no change in stations or services being offered,
 - no change in the number of employees, and
 - no restrictions in the admission of patients or access to care.

STATE BOARD STAFF REPORT
Fresenius Medical Care Round Lake
Project #15-012

APPLICATION CHRONOLOGY/SUMMARY	
Applicants	Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Lake County, LLC d/b/a Fresenius Medical Care Round Lake
Facility Name	Fresenius Medical Care Round Lake
Location	401 Nippersink, Round Lake, Illinois
Operating Entity	Fresenius Medical Care Lake County, LLC d/b/a Fresenius Medical Care Round Lake
Owner of the Site	Rockford 550, LLC
Application Received	February 26, 2015
Application Deemed Complete	March 10, 2015
Can Applicants Request Another Deferral?	Yes

I. The Proposed Project

Neomedica - Round Lake (a 16-station ESRD facility) is currently owned and operated by National Medical Care, Inc., a Delaware corporation that is qualified to do business in Illinois. The facility is located at 401 Nippersink, Round Lake. All of the assets specific to National Medical Care, Inc. d/b/a Neomedica - Round Lake will be transferred to Fresenius Medical Care Lake County, LLC, also a Delaware corporation that is qualified to do business in Illinois. There is no cost associated with this transaction as it entails the transfer of assets between companies wholly owned by Fresenius Medical Care Holdings, Inc. The anticipated completion date is December 31, 2015. At the completion of this project the facility will be known as Fresenius Medical Care Round Lake

II. Summary of Findings

- A. The State Board Staff finds that the proposed project appears to be in conformance with the provisions of Part 1110.
- B. Part 1120 is not applicable to this project.

III. General Information

The applicants are Fresenius Medical Care Lake County, LLC d/b/a Fresenius Medical Care Round Lake and Fresenius Medical Care Holdings, Inc. Fresenius Medical Care Holdings Inc., doing business as Fresenius Medical Care North America, provides kidney dialysis and renal services in North America. It manufactures and distributes various dialysis equipment, including dialysis machines and disposables, dialyzers, bloodlines, and concentrates, as well as renal pharmaceuticals. The company also provides home therapies services, such as peritoneal dialysis and home hemodialysis services; and patient care, vascular care, and pharmacy services. In addition, it offers laboratory

products and services in the renal industry; inpatient dialysis treatment services; and dialysis treatment therapies, therapeutic apheresis therapies, and quality assessment and performance improvement services. Further, the company provides Bridge Program that helps clinicians to place dialysis patients to outpatient dialysis clinics or home settings; and product support services that include technical phone support, field, and technical training services.

Fresenius Medical Care Round Lake is located at 401 Nippersink, Round Lake, Illinois in the Health Service Area ESRD 8 planning area. The operating entity is Fresenius Medical Care Lake County, LLC d/b/a Fresenius Medical Care Round Lake and the owner of the site is Rockford 550, LLC. This is a non-substantive project subject to a Part 1110 review. Project obligation will occur after permit issuance. Part 1120 is not applicable to this project because there is no cost to this project.

Below are the current Fresenius projects that have been approved by the State Board.

TABLE ONE Current Fresenius Projects			
Project Number	Name	Project Type	Completion Date
#10-063	Fresenius Lakeview	Expansion	4/15/2015
#12-029	Fresenius SW Illinois	Relocation	5/1/2015
#12-095	Fresenius Waterloo	Establishment	2/28/2015
#12-098	Fresenius Monmouth	Establishment	2/28/2015
#13-008	Fresenius Chicago Kidney Center	Relocation	12/31/2015
#14-010	Fresenius Highland Park	Establishment	11/30/2015
#14-012	Fresenius Gurnee	Relocation/Expansion Establishment	12/31/2015
#14-019	Fresenius Summit	Establishment	12/31/2015
#13-040	Fresenius Lemont	Establishment	9/30/2016
#14-041	Fresenius Elgin	Expansion	6/30/2016
#14-026	Fresenius New City	Establishment	6/30/2016
#14-047	Fresenius Humboldt Park	Establishment	12/31/2016
#14-059	Fresenius Glendale Heights	Expansion	1/31/2016
#15-011	Fresenius McLean County	Change of Ownership	12/31/2015

IV. Criterion 1110.240 – Impact and Access

The applicants stated the following:

“The proposed change of ownership will not result in the reduction or addition of stations at the existing certified dialysis facility. The current owner/operator of the facility is National Medical Care, Inc., (whose ultimate parent entity is Fresenius Medical Care Holdings, Inc.) and will be owned/operated by Fresenius Medical Care Lake County, LLC, (whose ultimate parent entity is also Fresenius Medical Care Holdings, Inc.), after the change of ownership. There will be no reduction in employees

at the facility for a period of two years from the date of change of ownership other than in the normal course of business. There is no cost associated with this transaction. There will be no changes to patient admissions and no reduction in access to dialysis services as a result of the change of ownership. The admission policies of the facility involved will not become more restrictive. Facilities owned and operated by National Medical Care, Inc., accept all patients regardless of ability to pay. They are "open" facilities from the standpoint of granting privileges to any physician who wishes to admit patients to the facility. The facility currently operates under the Fresenius Medical Care Holdings, Inc. Admissions Policies and will remain operating under the Fresenius Medical Care Holdings, Inc. Policies, a copy of which are attached. These policies will not change. The preferred Fresenius model of ownership is for our facilities to be wholly owned, however we do enter into Joint Ventures on occasion. The Round Lake facility will likely be one of those occasions due to the fact that the physicians desire to serve this community as well as investing in the facility. Changing ownership of the Round Lake facility from National Medical Care, Inc. to Fresenius Medical Care Lake County,. LLC will allow for this investment should it occur. Fresenius Medical Care will maintain control of the governance, assets and operations of the facility as if physicians do invest in this facility their investment will be a minority interest only and will not allow them control of the facility. No health care system is involved in this transaction."

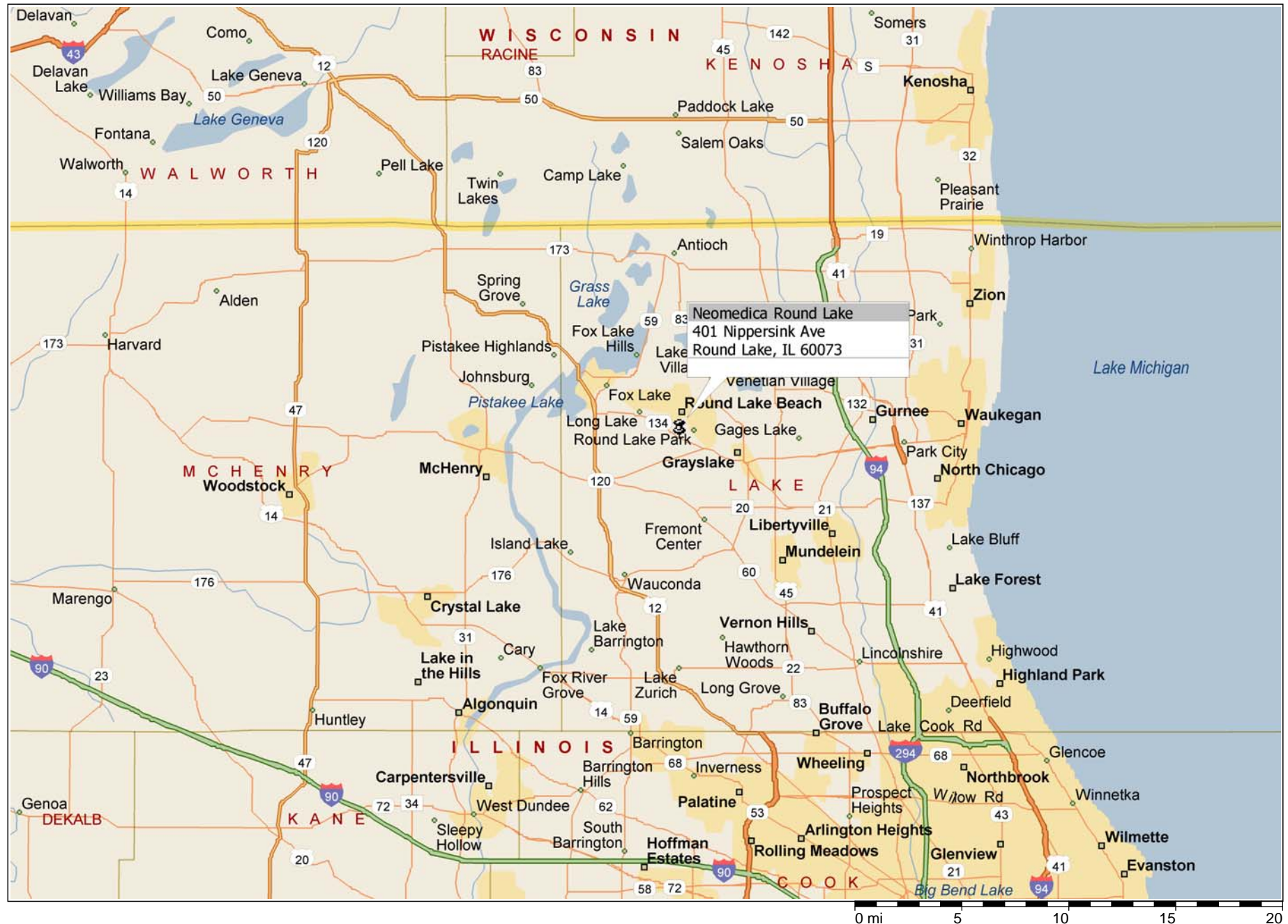
V. Criterion 1110.230 (b) - Safety Net Impact Statement

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 be Medicaid, Medicare and/or coverage through the AKF. The applicants donate to the AKF to support its initiatives. If a patient has no available insurance coverage, they are billed for services

rendered, and after three statement reminders the charges are written off as bad debt. Collection actions are not initiated unless the applicants are aware that the patient has substantial financial resources available and/or the patient has received reimbursement from an insurer for services we have rendered, and has not submitted the payment for same to the applicants. Nearly all dialysis patients in Illinois will qualify for some type of coverage and Fresenius works aggressively to obtain insurance coverage for each patient.

TABLE TWO			
Charity Care and Medicaid Information Fresenius Medical Care Facilities in Illinois			
CHARITY CARE			
	2011	2012	2013
Net Revenue	\$362,977, 407	\$387,393,758	\$398,570,288
Charity (# of self-pay patients)	93	203	642
Charity (self-pay) Cost	\$642,947	\$1,536,372	\$5,346,976
Ratio Charity Care Cost to Net Patient Revenue	\$0.18%	.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
Ratio Medicaid to Net Patient Revenue	12%	12.99%	7.87%
CHARITY CARE			
	2011	2012	2013
Net Revenue	\$362,977, 407	\$387,393,758	\$398,570,288
Amount of Charity Care (Charges)	\$642,947	\$1,566,380	\$5,346, 976
Charity Care Expense/Net Revenue	\$0.18%	.40%	1.34%

15-012 Neomedica Round Lake - Round Lake



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