



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:	BOARD MEETING:	PROJECT NO: 15-015	PROJECT COST: Original: \$0 Current: \$
FACILITY NAME: Fresenius Medical Care Waukegan Harbor		CITY: Waukegan	
TYPE OF PROJECT: Non-substantive			HSA: VIII

PROJECT DESCRIPTION: Fresenius Medical Care Lake County, LLC d/b/a Fresenius Medical Care Waukegan Harbor and Fresenius Medical Holdings, Inc. ("the applicants") are requesting a change of ownership of a 21 station ESRD facility located in Waukegan, Illinois. There is no cost to the project.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- Fresenius Medical Care Lake County, LLC d/b/a Fresenius Medical Care Waukegan Harbor and Fresenius Medical Holdings, Inc. (“the applicants”) are requesting a change of ownership of a 21 station ESRD facility located in Waukegan, 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 Waukegan Harbor
Project #15-015

APPLICATION CHRONOLOGY/SUMMARY	
Applicants	Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Lake County, LLC d/b/a Fresenius Medical Care Waukegan Harbor
Facility Name	Fresenius Medical Care Waukegan Harbor
Location	101 North West Street, Waukegan, Illinois
Operating Entity	Fresenius Medical Care Lake County, LLC d/b/a Fresenius Medical Care Waukegan Harbor
Owner of the Site	American Realty Capital Operating
Application Received	February 26, 2015
Application Deemed Complete	March 10, 2015
Can Applicants Request Another Deferral?	Yes

I. The Proposal

Fresenius Medical

dical Care Lake County, LLC d/b/a Fresenius Medical Care Waukegan Harbor and Fresenius Medical Holdings, Inc. (“the applicants”) are requesting a change of ownership of a 21 station ESRD facility located in Waukegan, Illinois. There is no cost to the project. **The anticipated project completion date is December 31, 2015.**

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 provisions of Part 1120 are not applicable to this application.

III. General Information

The applicants are Fresenius Medical Care Lake County, LLC d/b/a Fresenius Medical Care Waukegan Harbor and Fresenius Medical Holdings, Inc. Fresenius Medical Care Waukegan Harbor is located at 101 North West Street, Waukegan, Illinois. Upon CON approval the facility will continue to be known as Fresenius Medical Care Waukegan Harbor. The operating entity is Fresenius Medical Care Lake County, LLC d/b/a Fresenius Medical Care Waukegan Harbor and the owner of the site is American Realty Capital Operating. The proposed project is located in Waukegan in the HSA VIII ESRD planning area. HSA VIII consists of the following Illinois counties: Kane, Lake, & McHenry. The applicants state upon project completion, all assets specific to Fresenius Medical Care of Illinois, LLC. d/b/a Fresenius Medical Care Waukegan Harbor, will be transferred to Fresenius Medical Care Lake County, LLC. Project obligation will occur

at the time of permit issuance. **The anticipated project completion date is December 31, 2015.**

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

Charity Care

The change of ownership of this dialysis facility will not have any impact on safety net services in the community. Outpatient dialysis services are not typically considered "safety net" services, to the best of our knowledge. However, we do provide care for patients in the community who are economically challenged and/or who are undocumented aliens, who do not qualify for Medicare/Medicaid. We assist patients who do not have insurance in enrolling when possible in Medicaid and/or Medicaid as applicable, and also our social services department assists patients who have issues regarding transportation and/or who are wheel chair bound or have other disabilities which require assistance with respect to dialysis services and transport to and from the unit.

This particular application will not have an impact on any other safety net provider in the area, as no hospital within the area provides dialysis services on an outpatient basis.

Fresenius Medical Care is a for-profit publicly traded company and is not required to provide charity care, nor does it do so according to the Board's definition. However,

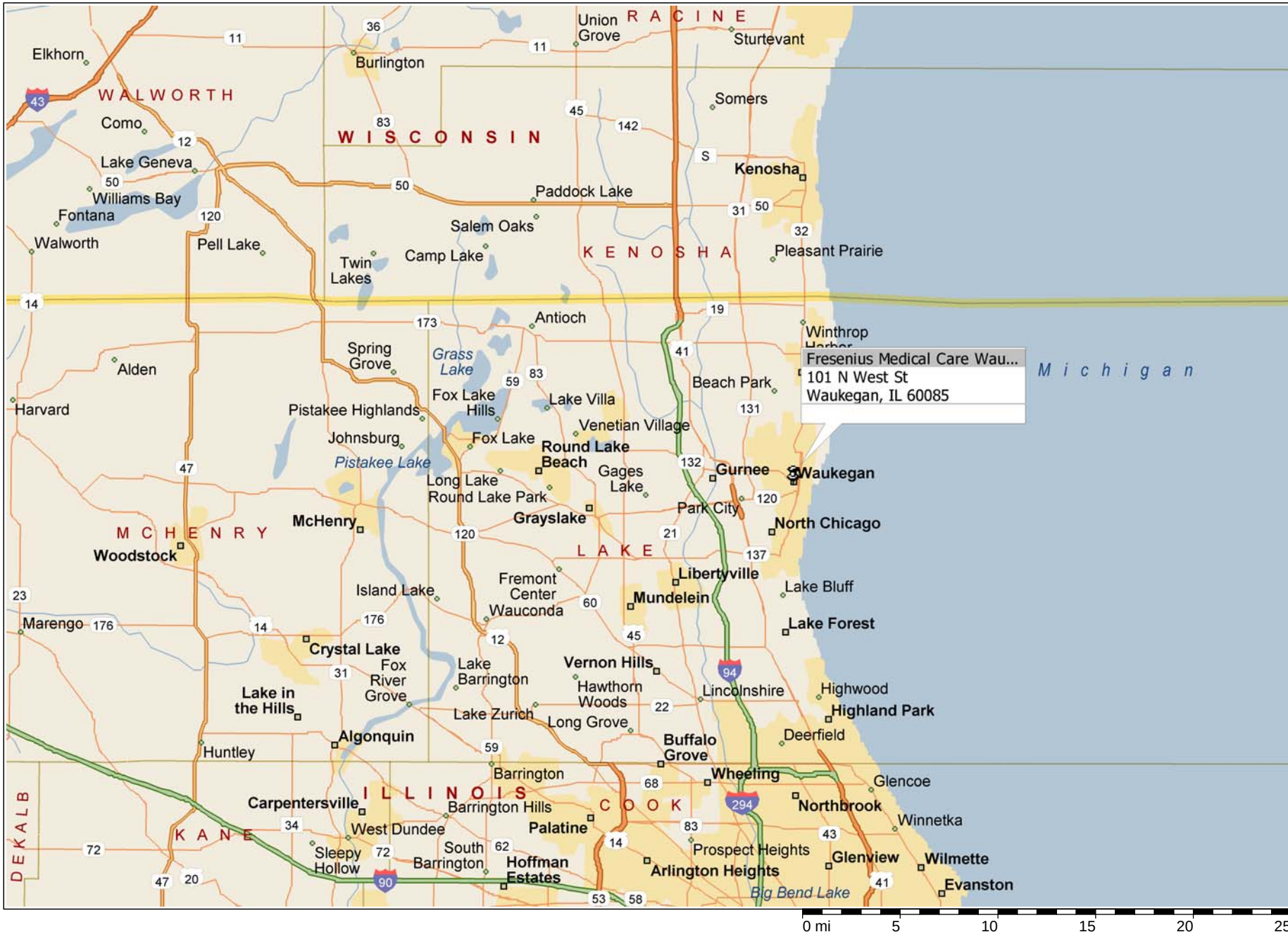
Fresenius provides care to all patients regardless of their ability to pay. There are a number of patients treated by Fresenius who either do not qualify for or will not seek any type of coverage for dialysis services. These patients are considered “self-pay” patients. These patients are invoiced as all patients are invoiced, however payment is not expected and Fresenius does not initiate any collections activity on these accounts. These unpaid invoices are written off as bad debt. Fresenius notes that as a for profit entity, it does pay sales, real estate and income taxes. It also does provide community benefit by supporting various medical education activities and associations, such as the Renal Network and National Kidney Foundation.

The table below shows the amount of “self-pay” care provided for the 3 fiscal years prior to submission of the application for **all Fresenius Medical Care facilities in Illinois** and the amount of care provided to Medicaid patients for the three fiscal years prior to submission of the application for all **Fresenius Medical Care facilities in Illinois**. This includes in-center hemodialysis, peritoneal dialysis, home hemodialysis & sub-acute hemodialysis. **At the conclusion of this report is the Medicaid and Charity care information by facility. No revenue information by facility has been provided.**

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	\$0.18%	.40%	1.34%

TABLE TWO			
Charity Care and Medicaid Information Fresenius Medical Care Facilities in Illinois			
Revenue			

15-015 Fresenius Medical Care Waukegan Harbor - Waukegan Harbor



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END STAGE RENAL DIALYSIS - FACILITY PROFILE 2013

Ownership, Management and General Information

Name: Fresenius Medical Care Waukegan Harbor
Address: 110 North West Street
City: Waukegan
County: Lake
HSA: 8
Medicare ID: 14-2727

Legal Entity Operator: Fresenius Medical Care of Illinois, LLC
Legal Entity Owner:
Ownership Type: Limited Liability Company
Property Owner: AMERICAN REALTY CAPITAL OPERATING
Other Ownership:
Medical Director Name: Dr. Rakhi Khanna
Provides Incenter Nocturnal Dialysis: ☐

STATION INFORMATION

Authorized Stations as of 12/31/2013: 21
Certified Stations by CMS: 21
Peak Authorized Stations Operated: 21
Authorized Stations Setup and Staffed in Oct 1-7: 21
Isolation Stations Set up in Oct 1-7: 0
(subset of authorized stations)
Number of Shifts Operated per day

FACILITY STAFFING - FULL TIME EQUIVALENT

Full-Time Work Week: 32
Registered Nurse : 5
Dialysis Technician : 7
Dietician : 1
Social Worker: 1
LPN : 0
Other Health : 0
Other Non-Health: 2

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	17	13	17	13	0	17
Number of Patients Treated	10	46	10	46	10	0	48

Facility Utilization Information

Facility Reported Patient Information

Patients treated as of 1/1/2013: 37
(Beginning patients)
Patients treated as of 12/31/2013: 76
(Ending patients)
Total Unduplicated patients treated in calendar year: 108

Facility Reported Treatment Information

In-Center Treatments in calendar year: 7,882
Number of Missed Treatments: 412
Average Daily Treatments:
Average Treatment Time (min): 270.0

ADDITIONS to the FACILITY

New Patients: 65
Transient Patients: 7
Patients Re-Started: 2
Post-Transplant Patien 1
Total: 75

LOSSES to the FACILITY

Recovered patients: 0
Transplant Recipients: 0
Patients transferred out: 19
Patients voluntarily discontinued 1
Patients lost to follow up: 0
Patients deceased: 5
Total: 25

USE RATE for the FACILITY

Treatment Capacity/year (based on Stations): 19,656
Use Rate (Treatments/Treatment capacity): 40%
Use Rate (including Missed Treatments): 42%
Use Rate (Beginning patients treated): 29%
Use Rate (Year end Patients/Stations*6): 60%
Renal Network Use Rate: 60%

Patients and Net Revenue by Payor Source

	Medicare	Medicaid	Private Insurance	Private Pay	Other Public	TOTAL	Charity Care
	53.7%	5.6%	23.1%	13.9%	3.7%	100.0%	0.0%
Patient	58	6	25	15	4	108	0
1/1/2012 to 12/31/2012	42.4%	0.1%	56.4%	0.0%	1.1%	100.0%	0.0%
Net Revenue	\$632,129	\$1,694	\$840,713	\$0	\$17,059	\$1,491,594	\$0

Patients by Age and Sex

AGE GROUPS	MALE	FEMALE	TOTAL
<14 yrs	0	0	0
15-44 yr	10	4	14
45-64 yr	30	20	50
65-74 yr	12	15	27
75 < yrs	5	12	17
Total	57	51	108

Patients by Race

Asian Patients:	5
Native American/ Indian:	0
Black/ African American :	49
Hawaiian /Pacific Islande	0
White:	54
Unknown :	0
TOTAL:	108

Patients by Ethnicity

Hispanic Latino Patients:	34
Non-Hispanic Latino Patien	74
Unknown Ethnicity Patients	0
TOTAL:	108

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.