



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-07	BOARD MEETING: November 17, 2015	PROJECT NO: 15-028	PROJECT COST: Original: \$4,883,415
FACILITY NAME: Fresenius Medical Care Schaumburg		CITY: Schaumburg	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Schaumburg, LLC d/b/a Fresenius Medical Care Schaumburg. ("The applicants") are proposing to establish a 12-station End Stage Renal Dialysis (ESRD) facility in 8,966 GSF of leased space in Schaumburg, Illinois. The cost of the project is \$4,883,415. **The anticipated completion date is February 28, 2017.**

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care of Schaumburg, LLC d/b/a Fresenius Medical Care Schaumburg. (“The applicants”) are proposing to establish a 12-station End Stage Renal Dialysis (ESRD) facility in 8,966 GSF of leased space in Schaumburg, Illinois. The cost of the project is \$4,883,415. **The anticipated completion date is February 28, 2017.**
- **Board Staff notes** an earlier project to establish a 12-station ESRD facility was received by the State Board. Project #12-015, Fresenius Medical Care Schaumburg, was reviewed by the State Board, received an Intent to Deny at the August 24, 2012 IHFSRB meeting, and a final denial at the October 31, 2012 IHFSRB meeting.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

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

PURPOSE OF THE PROJECT:

- The applicants state the purpose of the proposed project is to address access issues related to high utilization at other Fresenius ESRD facilities in the Schaumburg area. The applicants note FMC Elk Grove is operating at 84%, and FMC Hoffman Estates is operating at 93%, and employing a 4th shift to accommodate the patient demand for services. The applicants further note that area hospitals are experiencing high readmission rates of its ESRD patients, due to the earlier noted access issues.

NEED FOR THE PROJECT:

- The October 2015 Revised Station Need Determination shows there is a **need for 81 ESRD stations** in HSA-07 ESRD Planning Area by CY 2018. The applicants note the Fresenius two facilities in closest proximity are operating in excess of the state standard (80%), and are experiencing access issues.

PUBLIC HEARING/COMMENT

- A public hearing was offered in regard to the proposed project, but none was requested. **Letters of support were received from:**

- Maria Camarra
- Linda Bailey
- Lourdes Medina
- Mr. and Mrs. Poole

These four individuals stated in support they are current dialysis patients and the proposed Schaumburg facility would be closer to their home.

- **Opposition letters were received**

- George Hvostik, M.D. stated in opposition

“I am a nephrologist and the current medical director for Schaumburg Renal Center, Arlington Heights Renal Center, and Buffalo Grove Renal Center. Importantly I am familiar with the Schaumburg service area. I am writing to oppose Fresenius Medical

Care's ('Fresenius") application to establish a 12-station dialysis facility in Schaumburg. There is currently no need for additional stations in Schaumburg."

- Fauzia Javaid, R.N Clinic Manager, ARA South Barrington Dialysis Center stated in opposition

The fact that high quality services are available within a reasonable drive of Schaumburg is beyond question. Fresenius, itself, has identified 15 ESRD facilities-8 of which are actually owned by FMC-within 30 minutes of the proposed site that are operating at less than 70% utilization (see page 77 of CON application). One of these facilities is ARA, South Barrington, which is operating at 61% of capacity. The two closest facilities, DaVita Schaumburg (2 minutes) and USR Streamwood (7 minutes) are operating at only 60% and 50% of capacity, respectively.

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 21 facilities within 30 minutes (adjusted). Eighteen (18) of these facilities are operational. (See Table Five). Average utilization of these 18 facilities is 71.41%. There are three (3) facilities within this 30 minute area (adjusted) that are either not in operation, still within the 2 year ramp up period, or only provide respite services. Of these 18 facilities 5 (28%) facilities are at target occupancy of or above 80%.

STATE BOARD STAFF REPORT
Fresenius Medical Care Schaumburg
PROJECT #15-028

APPLICATION CHRONOLOGY	
Applicants(s)	Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Schaumburg, LLC d/b/a Fresenius Medical Care Schaumburg
Facility Name	Fresenius Medical Care Schaumburg
Location	Schaumburg, Illinois
Permit Holder	Fresenius Medical Care Schaumburg, LLC d/b/a Fresenius Medical Care Schaumburg
Operating Entity	Fresenius Medical Care Schaumburg, LLC d/b/a Fresenius Medical Care Schaumburg
Owner of Site	Schaumburg 1.0, LLC
GSF	8,966
Financial Commitment Date	February 28, 2017
Completion Date	February 28, 2017
Application Received	June 23, 2015
Application Deemed Complete	June 24, 2015
Review Period Ends	August 23, 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 Schaumburg, LLC d/b/a Fresenius Medical Care Schaumburg (“the applicants”) are proposing to establish a 12-station End Stage Renal Dialysis (ESRD) facility in 8,966 GSF of leased space in Schaumburg, Illinois. The project is classified as substantive, and the cost of the project is \$4,883,415.

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 Schaumburg, LLC d/b/a Fresenius Medical Care Schaumburg. 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 825 Wise Road, Schaumburg, Illinois in the HSA VII ESRD Planning Area. The owner of the site is Schaumburg 1.0, LLC and the operating entity is Fresenius Medical Care Schaumburg, LLC d/b/a Fresenius Medical Care Schaumburg. The facility is not located in a flood plain and no historic, architectural or archaeological sites exist within the project area. There are 68 ESRD facilities in the HSA VII ESRD Planning Area with 1,286 stations. The State Board has a calculated need for 81 additional ESRD stations by CY 2018 in the HSA VII ESRD planning area.

IV. **Project Description**

The applicants are proposing to establish a 12-station in-center hemodialysis facility located at 815-825 Wise Road, Schaumburg, in 8,966 GSF of leased space with the interior to be built out by the applicants. According to the applicants, two facilities proximal to the proposed site (FMC Elk Grove and FMC Hoffman Estates), are operating in excess of the State standard (80%), creating patient access issues resulting in increased hospital admissions from ESRD related illnesses.

V. **Project Costs**

The applicants are funding this project with cash and securities of \$2,150,778 and the fair market value of leased space of \$2,732,637. The estimated start-up costs and the operating deficit is projected to be \$141,510. The lease is for 8,966 GSF of space at \$27.65 per GSF with a 10% escalation clause is in effect in years six, eleven, and sixteen.

TABLE ONE			
Project Costs and Sources of Funds			
Uses of Funds	Clinical	Non-Clinical	Total Costs
Modernization Contracts	\$1,268,532	\$228,790	\$1,497,322
Contingencies	\$121,536	\$21,920	\$143,456
Architectural and Engineering Fees	\$127,080	\$22,920	\$150,000
Movable Equipment	\$300,000	\$60,000	\$360,000
FMV of Leased Space	\$2,347,722	\$384,915	\$2,732,637
Total	\$4,164,870	\$718,545	\$4,883,415
Sources of Funds			
Cash	\$1,817,148	\$333,630	\$2,150,778
FMV of Leased Space	\$2,347,722	\$384,915	\$2,732,637
Total	\$4,164,870	\$718,545	\$4,883,415

VI. 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 project is being proposed in an effort to address access issues related to high utilization at the other Schaumburg area Fresenius clinics (Elk Grove: 91%, Hoffman Estates: 90.8% and operating a 4th shift). The applicants note these high utilization data results in inadequate access for its patient base, new patients having to travel outside of their market area for services, and patients having to receive treatment at non-traditional treatment times. The applicants propose to provide Schaumburg area physicians and ESRD patients with enhanced access to services with additional treatment schedule times and facilities in the Schaumburg service area.

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 104-108 of the application for permit for complete discussion.

The applicants stated the following:

Safety Net Statement

“The establishment of the Fresenius Medical Care Schaumburg dialysis facility will not have any impact on safety net services in the Schaumburg area of Cook County. 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	\$387,393,758	\$398,570,288	\$411,981,839
CHARITY			
	2012	2013	2014
Charity (# of self-pay patients)	203	499	251
Charity (self-pay) Cost	\$1,536,372	\$5,346,976	\$5,211,664
% of Charity Care to Net Rev.	.40%	1.34%	1.27%
MEDICAID			
	2012	2013	2014
Medicaid (Patients)	1,705	1,660	750
Medicaid (Revenue)	\$36,254,633	\$31,373,534	\$22,027,882
% of Medicaid to Net Revenue	9.36%	7.87%	5.35%
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 applicants note having already executed several plans of a lesser scope, to include adding three stations to its Hoffman Estates facility (E-011-11, and still are compelled to operate a 4th shift. FMC Elk Grove (28 stations), has no room to expand and is operating in excess of the State Board standard of 80%. FMC Glendale Heights was approved to add 8 stations in January 2015 by the Stae Board. The applicants have attested to exhausting any alternatives for expansion, and dispelled any alternatives for reduction. The applicants have identified no associated costs with these alternatives.

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. The ownership of this facility is structured to allow physician investment at a later date, and the total cost of this alternative would remain the same, only split among investors. Total Cost: \$4,883,415.

3. Utilizing other health care resources

*As evidenced by Dr. Wick's support letter for this project, he and his NANI partners currently admit to all the operating facilities in the Schaumburg market (Fresenius Hoffman Estates & Elk Grove, DaVita Schaumburg and US Renal Streamwood). However if the physicians and their patients prefer a Fresenius clinic, there is not one in the market that they can currently go to. It is not in the patient's best interest to send them further out of their healthcare market for treatment. They would then loose important physician/patient relationships and have increased travel hardships especially if they have to cross township or county lines. Medical transportation services generally do not transport across these lines. **There is no monetary cost to sending patients to area facilities.***

4. Establish a 12-Station ESRD Facility in the Schaumburg Market Area

The most desirable alternative to keep access to dialysis services available in the Schaumburg market area is to establish Fresenius Medical Care Schaumburg, a 12-station ESRD facility, in Schaumburg. The cost of this project is \$4,883,415.

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 7,596 GSF for 12 stations or 633 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 note Dr. Grady Wick, M.D. has identified 173 pre-ESRD patients who live in the market area for the proposed Schaumburg facility and it is expected that after accounting for patient attrition approximately 74 will likely be referred to the facility in the first two years of operation. It is anticipated that this number of referred patients will reach the State target utilization of 80% in the second year of operation. The projected utilization for FMC Schaumburg facility is outlined below:

TABLE FOUR	
FMC Schaumburg	
1.	73 patients
2.	73 patients x 3 treatments a week x 52 weeks a year = 11,388 treatments
3.	12 stations x 3 shifts per day x 6 days a week x 52 weeks a year = 11,232 treatment capacity
4.	11,388 treatments /11,232 treatments = 101.3%

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 VII 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 66-78 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 81 ESRD stations in the HSA VII ESRD planning area by CY 2018.

All 73 patients expected to be referred to the proposed Schaumburg facility reside in the HSA VII ESRD planning area. Demand for the project is evidenced by the 73 patients that will utilize the proposed facility and the fact the proposed project is to be at target occupancy by the second year of operation. The proposed facility will serve residents of suburban Cook and DuPage counties. It is estimated that the residents of Elk Grove, Hoffman Estates, and Schaumburg alone will populate the proposed facility in a manner consistent with the State standard of 80% 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, and the number of patients that will receive dialysis by the second year of operation.

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 21 facilities within 30 minutes (adjusted). Eighteen (18) of these facilities are operational. (See Table Five). Average utilization of these 18 facilities is 71.41%. There are three (3) facilities within this 30 minute area (adjusted) that are either not in operation, still within the 2 year ramp up period, or only provide respite services. Of these 18 facilities 5 (28%) facilities are at target occupancy of or above 80%.

The ratio of ESRD stations to population in the zip codes within a 30-minute radius of Fresenius Schaumburg is one station per every 4,139 residents. The State ratio is 1 station per 3,078 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 area facilities have been operating at or above the 80th percentile in the past, and there is a need for 81 additional ESRD stations in HSA-07. However, Table Five shows that five (5) of the 18 ESRD facilities (28%), are operating at or above the State standard (80%).

The State Board Staff concludes the applicants have successfully addressed 1110.1430 (2) (3). However, 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 FIVE					
Facilities within 30 minutes adjusted					
Name	City	HSA	Adjusted Time ⁽¹⁾	Stations	Utilization ⁽²⁾
Schaumburg Renal Center	Schaumburg	7	2	20	56.60%
USRC Streamwood Dialysis	Streamwood	7	9	13	65.30%
FMC Hoffman Estates	Schaumburg	7	10	20	90.80%
FMC Elk Grove Village	Elk Grove Village	7	11	28	91%
FMC Glendale Heights	Glendale Heights	7	13	29	71.20%
ARA South Barrington Dialysis	Barrington	8	14	14	60.70%
DSI Arlington Heights	Arlington Heights	7	17	18	57.40%
US Renal Care Villa Park Dialysis	Villa Park	7	17	13	85.90%
FMC Rolling Meadows	Rolling Meadows	7	19	24	71.50%
Cobblestone Dialysis	Elgin	8	20	14	92.80%
DSI Buffalo Grove	Buffalo Grove	7	23	14	65.60%
FMC Lombard	Lombard	7	23	12	61.10%
USRC Oak Brook Dialysis	Downers Grove	7	23	13	70.50%

TABLE FIVE					
Facilities within 30 minutes adjusted					
Name	City	HSA	Adjusted Time ⁽¹⁾	Stations	Utilization ⁽²⁾
FMC West Chicago	West Chicago	7	24	12	66.60%
FMC Palatine	Palatine	7	25	14	73.80%
Loyola Dialysis Center	Maywood	7	26	30	82.70%
Fresenius Medical Care Elmhurst	Elmhurst	7	26	28	63.60%
FMC Elgin	Elgin	8	28	20	58.30%
Total Stations/Average Utilization				336	71.41%
NxStage Oak Brook ⁽³⁾	Oak Brook	7	23	8	25%*
FMC Des Plaines ⁽⁴⁾	Des Plaines	7	27	12	34.70%
Nocturnal Dialysis Spa ⁽⁵⁾	Villa Park	7	24	12	0.0%*
Total Stations/Average Utilization				368	69.58%
1. Time and distance determined by MapQuest and adjusted per 1100.560(d) 2. Utilization based upon September 2015 data reported to the State Board. 3. NxStage Oak Brook is within 30 minutes however this facility provides dialysis service to respite care patients and will never be at the 80% target occupancy. 4. FMC Des Plaines still in 2-year ramp-up. 5. Nocturnal Dialysis not yet operational.					

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 12 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 \$2,150,778 and the fair market value of the lease of \$2,732,637. 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 \$183.00 per GSF. These costs are in compliance with the State standard of \$183.68 for modernization of an ESRD facility with a mid-point in construction being the year 2016.

Contingency costs are \$121,536 and are 8.7% of modernization costs. This appears reasonable when compared to the State Board Standard of 10-15% for modernization construction.

Architectural and Engineering Fees are \$127,080 and are 9.1% of modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 6.76-10.16% for Architectural and Engineering Fees for modernization projects.

Moveable or Other Equipment Costs are \$300,000 or \$25,000 per station. This appears reasonable when compared to the adjusted State Board Standard of \$50,601. These costs include the following:

FMV of Leased Space and Equipment is \$2,347,722. The State Board does not have a standard for these costs

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 \$186.31 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 \$16.69 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))

15-028 Fresenius Medical Care Schaumburg - Schaumburg

