



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-04	BOARD MEETING: November 17, 2015	PROJECT NO: 15-036	PROJECT COST: Original: \$4,132,650
FACILITY NAME: Fresenius Medical Care Zion		CITY: Zion	
TYPE OF PROJECT: Substantive			HSA: VIII

PROJECT DESCRIPTION: The applicants (Fresenius Medical Care Holdings, Inc. Fresenius Medical Care Zion, LLC d/b/a Fresenius Medical Care Zion) are proposing to establish a 12 station ESRD facility in Zion, Illinois at a cost of \$4,132,650. The anticipated project completion date is June 30, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Fresenius Medical Care Holdings, Inc. Fresenius Medical Care Zion, LLC d/b/a Fresenius Medical Care Zion) are proposing to establish a 12 station ESRD facility in Zion, Illinois at a cost of \$4,132,650. The anticipated project completion date is June 30, 2017.

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 Illinois Health Facilities Planning Act (20 ILCS 3960(3).

PURPOSE OF THE PROJECT:

- **According to the applicants:** *“The proposed 12-station Zion ESRD facility, to be located in a Federally Designated Medically Underserved Area/Population (MUAP) of HSA 8 in Lake County will address the unique access issues that hinder health care for this disadvantaged population.”*

PUBLIC COMMENT:

- An opportunity of a public hearing was provided however no hearing was requested. No **letters of support or opposition were received by the State Board Staff.**

CONFORMANCE:

- The applicants addressed 21 criteria and have successfully addressed them all.

STATE BOARD STAFF REPORT
Fresenius Medical Care Zion
PROJECT #15-036

APPLICATION/SUMMARY/CHRONOLOGY	
Applicants(s)	Fresenius Medical Care Holdings, Inc. Fresenius Medical Care Zion, LLC d/b/a Fresenius Medical Care Zion
Facility Name	Fresenius Medical Care Zion
Location	1920-1926 N. Sheridan Road, Zion Illinois
Permit Holder	Fresenius Medical Care Zion, LLC d/b/a Fresenius Medical Care Zion
Operating Entity	Fresenius Medical Care Zion, LLC d/b/a Fresenius Medical Care Zion
Owner of the Site	Health Property Services
Gross Square Footage	7,860
Number of Stations	12
Application Received	July 30, 2015
Application Deemed Complete	July 31, 2015
Financial Commitment Date	June 30, 2017
Anticipated Completion Date	June 30, 2017
Can applicants request a deferral?	Yes
Review Period Extended by the State Board Staff?	No

I. The Proposed Project

The applicants are proposing to establish a 12 station ESRD facility in Zion, Illinois at a cost of \$4,132,650. The anticipated project completion date is June 30, 2017.

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

The applicants are Fresenius Medical Care Holdings, Inc. Fresenius Medical Care Zion, LLC d/b/a Fresenius Medical Care Zion Fresenius Medical Care Holdings, Inc., a New York corporation, is a subsidiary of Fresenius Medical Care AG & Co. KGaA, a German partnership. The facility is located at 1920-1926 North Sheridan Road, Zion, Illinois. The operating entity is Fresenius Medical Care Zion, LLC d/b/a Fresenius Medical Care Zion. The owner of the site is Health Property Services. The facility will be located in the HSA VIII ESRD Planning Area. There is a calculated need for 48 ESRD stations in this planning area.

The project is a substantive project and is subject to Part 1110 and Part 1120 review. Obligation will occur after permit issuance. **The anticipated project completion date is June 30, 2017.**

Below are the current Fresenius Projects.

TABLE ONE			
Current Fresenius Projects			
Project Number	Name	Project Type	Completion Date
#12-029	Fresenius SW Illinois	Relocation	12/31/2015
#12-095	Fresenius Waterloo	Establishment	12/31/2015
#12-098	Fresenius Monmouth	Establishment	12/31/2015
#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
#14-065	FMC Plainfield North	Relocation	12/31/2016
#15-001	FMC Steger	Expansion	12/31/2016
#15-022	FMC Blue Island	Expansion	12/31/2016
#E-006-15	Fresenius Medical Care Gurnee	Change of Ownership	12/30/2015

IV. Project Costs and Sources of Funds

The applicants are funding the project with cash and securities of \$1,938,380 and a lease with a FMV of \$2,194,270.

TABLE TWO			
Use and Sources of Funds			
Uses of Funds	Clinical	Non clinical	Total
Modernization Contracts	\$1,076,315	\$236,305	\$1,312,620
Contingencies	\$103,120	\$22,640	\$125,760
Architectural and Engineering Fees	\$114,796	\$25,204	\$140,000
Movable or Other Equipment	\$300,000	\$60,000	\$360,000
FMV of Leased Space and Equipment	\$1,837,690	\$356,580	\$2,194,270
Total	\$3,431,921	\$700,729	\$4,132,650
Sources of Funds			
Cash	\$1,594,231	\$344,149	\$1,938,380
FMV of Leased Space and Equipment	\$1,837,690	\$356,580	\$2,194,270
Total	\$3,431,921	\$700,729	\$4,132,650

Section 1110.230 – Purpose, Safety Net Impact, Alternatives

A) Criterion 1110.230 (a) – Purpose of Project

The applicants stated the following:

“The proposed 12-station Zion ESRD facility, to be located in a Federally Designated Medically Underserved Area/Population (MUAP) of HSA 8 in Lake County, will address the unique access issues that hinder health care for this disadvantaged population. Specifically, a significant number of patients with income below the poverty level that do not have reasonable access to life saving dialysis services. The providers within 30 minutes travel time are operating at an average 79% utilization rate and the three closest facilities to Zion, Fresenius Gurnee, Waukegan Harbor and DaVita Waukegan are at a combined utilization rate of 88% significantly restricting access. The physician group supporting this project, Nephrology Associates of Northern Illinois serve as Medical Directors of all of these dialysis facilities. Zion residents are 35% African American and 22% Hispanic. These minority populations are twice as likely to experience diabetes and hypertension leading to kidney failure. 16% of Zion residents live below the poverty level. These minority populations are twice as likely to experience diabetes and hypertension leading to kidney failure. There are 361 dialysis patients residing in the Zion/Waukegan market zip codes which are one out of every 511 residents. This prevalence of ESRD is much higher than Lake County as a whole, where one out of every 835 residents is receiving dialysis treatment. Compounding this increased health risk is Zion resident's low income levels making chronic disease management more burdensome. The physicians supporting this project currently see their Zion area patients mainly in Gurnee and Waukegan. These facilities are between 8 and 11 miles away from Zion. The Fresenius Gurnee facility is full pending the addition of two stations which will still leave the utilization above 80%. The two facilities serving Zion patients in Waukegan (Fresenius Waukegan Harbor and DaVita Waukegan) are operating at 80% and 87% respectively further limiting access. The goal of Fresenius Medical Care is to provide access for two medically underserved areas of Lake County by establishing the Zion facility which will in turn maintain access in the Waukegan MUA. There is no direct empirical evidence relating to this project other than that when chronic care patients have adequate access to services, it tends to reduce overall healthcare costs and results in less complications. The Fresenius facilities within 30 minutes of Zion that serve this area have exceptional quality outcomes and the same is expected of the proposed Zion facility as listed below:

- o 93% of patients had a URR > 65%*
- o 96% of patients had a KW > 1.2”*

B) Criterion 1110.230 (b) – Safety Net Impact

The applicants stated the following:

“The establishment of the Fresenius Medical Care Zion dialysis facility will not have any impact on safety net services in tile Zion area of Lake County although it will provide dialysis services to a Federally Designated Medically Underserved area of Lake 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.

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.”

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

The applicants stated the following:

“A. Proposing a project of greater or lesser scope and cost.

Since originally proposing the Zion project several years ago, Fresenius Medical Care has established the Waukegan Harbor 21-station ESRD facility in Waukegan just three years ago and it is now operating over 80% utilization with 101 patients. Of these, 17 live in the Zion zip code. While this facility has offered Zion patients access, it is reaching its capacity. The only alternative that has a lesser cost/scope is to do nothing and that will not maintain access for Zion patients due to high utilization and it will not address financial, transportation or healthcare issues facing this underserved population.

B. Pursuing a joint venture or similar arrangement with one or more providers of 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.

The preferred 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 to ensure financial stability. 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. This ownership of this facility is structured so that if physicians choose to invest at a later date they would be able to do so. The cost of a joint venture would be the same as the current project, however split amongst joint venture partners.

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

ESRD patients from Zion are currently utilizing many of the areas facilities of which most are operating at high utilization rates. Three are above 80% and one is just below. These rates severely restrict patient's options of what time of day they receive treatment. The only facility that is not operating near or above the 80% target utilization is Fresenius Antioch which is a more rural facility and does not realistically serve Zion, which is situated 15 miles east on the shores of Lake Michigan. For the disadvantaged patient population in Zion it might as well be 50 miles away. The current practice of using other area resources until they are full is cutting off access for Zion patients. The physician group that is supporting this project has served this northeast portion of Lake County for over 35 years and currently serve as Medical Directors of Fresenius Antioch, Round Lake, Gurnee, Waukegan Harbor and DaVita Waukegan and DaVita Lake County. As the largest nephrology group in this area, they treat a majority of the ESRD patients there.

The clinics they serve at are full and they need additional access to keep dialysis services available to their patients.

D. The only alternative that is going to make dialysis services accessible to the ESRD patients in Zion and relieve high utilization at area clinics is to establish the 12-station Fresenius Zion facility. The cost of this project is \$4,132,650.”

Section 1110.234 - Size of Project, Project Utilization, Assurances

A) Criterion 1110.234 (a) – Size of the Project

The applicants are proposing 6,445 GSF of clinical space for 12 ESRD stations or 538 GSF per station. This space is within the State Board range of acceptable gross square footage of 450-650 GSF per station.

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

B) Criterion 1110.234 (b) – Projected Utilization

164 pre-ESRD patients have been identified by the applicants who are expected to require dialysis services in the next 1-4 years who live in the immediate zip codes of Zion. Taking into account patient attrition and varying rates at which patients progress through the disease stages, approximately 69 would be expected to require dialysis services at the Zion facility during the 'first two years it is in operation. (69 patients x 156 treatments per year/12 stations x 936 treatment per year per station = 10,764/11,232 = 95.8%). The applicants' projection exceeds the State Board's Target occupancy of 80%.

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

C) Criterion 1110.234 (e) – Assurances

The applicants have provided the necessary assurance that the facility will be at target occupancy within two years after project completion and will maintain target occupancy as required by State Board rule.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.234 (c))

Section 1110.1430 - In-Center Hemodialysis

A) Criterion 1110.1430 (b) (1) (3) – Background to Applicants

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

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION BACVKGROUND OF APPLICANTS (77 IAC 1110.1430 (b) (1) (3))

B) Criterion 1110.1430 (c)(1) (2)(3)(5) – Planning Area Need

The proposed Fresenius Medical Care Zion dialysis facility is located in Lake County in the HSA 8 ESRD Planning Area. HSA 8 is comprised of Lake, McHenry, and Kane Counties. According to the September 2015 Inventory there is a calculated need for 48 stations in the HSA 8 ESRD Planning Area. The primary purpose of this project is to provide in-center hemodialysis services to the residents of the Zion area market in HSA 8 in Lake County. 100% of the pre-ESRD patients identified to be referred to the facility reside in HSA 8 thereby meeting this requirement. The proposed Fresenius Medical Care Zion dialysis facility will be located in HSA 8 in the far northeast corner of Lake County. Zion is a Federally Designated Medically Underserved Area/Population consisting of approximately 24,000 residents. Due to high utilization of area ESRD clinics and residents who are experiencing a higher propensity for kidney disease and severe economic barriers for appropriate healthcare, a dialysis clinic in Zion to directly serve these patients will eliminate their current barriers to dialysis services.

<u>Pre –ESRD Patients</u>	
City	
Wadsworth	7
Beach Park Waukegan	20
Winthrop Harbor	9
<u>Zion</u>	<u>33</u>
Total	69 patients

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

C) Criterion 1110.1430 (d) (1) (2) (3) – Unnecessary Duplication of Service/Maldistribution of Service/Impact on Other Facilities

There are five facilities within 30 minutes (adjusted) of the proposed facility operating at an average utilization rate of 80.3%. It does not appear that an unnecessary duplication of service will result with the establishment of the proposed facility. The ratio of ESRD stations to population in the zip codes within a 30-minute radius of Fresenius Zion is 1 station per 4,953 residents according to the 2010 census. The State ratio is 1 station per 3,078 residents (based on US Census projections for 2015 of 12,978,800 Illinois residents and June 2015 Board station inventory of 4,217). There is no surplus of stations in this 30 minute service area. Because of the high utilization of existing facilities within 30 minutes it does not appear that the proposed facility will have an impact on other facilities in this 30 minute service area.

Facilities within 30 minutes adjusted ⁽¹⁾				
Facilities	City	Adjusted Time	Stations	Utilization ⁽³⁾
Fresenius Waukegan Harbor	Waukegan	14.95	21	88.1%
DaVita Waukegan	Waukegan	16.1	22	92.4%
Fresenius Gurnee ⁽²⁾	Gurnee	20.7	16	86.4 %
Fresenius Antioch	Antioch	27.6	12	59.7%
Fresenius Lake Bluff	Lake Bluff	28.75	16	75%
Total Stations/Average Utilization			87	80.3%
1. Time determined by Map Quested and adjusted per 1100.510 (d) 1.15 x 2. FMC Gurnee approved for relocation and addition of 2 stations as Permit #14-012 – Project not yet complete. 3. Utilization information submitted by ESRD facilities September 2015.				

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE/MALDISTRIBUTION/IMPACT ON OTHER FACILITIES (77 IAC 1110.1430 (d) (1) (2) (3))

D) Criterion 1110.1430 (f) – Staffing

The proposed facility will be Medicare certified; therefore staffing requirements will have to meet Medicare requirements. Fresenius Medical Care Zion will be an "open" unit with regards to medical staff. Any Board Licensed nephrologist may apply for privileges at the Zion facility, just as they currently are able to at all Fresenius Medical Care facilities.

E) Criterion 1110.1430 (g) – Support Services

Fresenius Medical Care utilizes a patient data tracking system in all of its facilities. These support services are will be available at Fresenius Medical Care Zion during all six shifts:

- Nutritional Counseling
- Psychiatric/Social Services
- Home/self training
- Clinical Laboratory Services - provided by Spectra Laboratories

The following services will be provided via referral to Vista Medical Center:
Blood Bank Services, Rehabilitation Services and Psychiatric Services

F) Criterion 1110.1430 (h) – Minimum Number of Stations

Fresenius Medical Care Zion is located in the Chicago-Naperville-Joliet Gary, IL-IN-WI Metropolitan Statistical Area (MSA). A minimum of eight dialysis stations is required to establish an in-center hemodialysis center in an MSA. Fresenius Medical Care Zion will have 12 dialysis stations thereby meeting this requirement.

G) Criterion 1110.1430 (i) – Continuity of Care

An affiliation agreement with Vista Medical Center – East has been provided to provide the needed services

H) Criterion 1110.1430 (k) – Assurances

Fresenius Medical Care Zion in the first two years of operation, the facility is expected to achieve and maintain the utilization standard, specified in 77 III. Adm. Code 1100, of 80% and; Fresenius Medical Care Illinois hemodialysis patients have achieved adequacy outcomes of:

- o 94% of patients had a URR > 65%
 - o 96% of patients had a Kt/V > 1.2
- and same is expected for Fresenius Medical Care Zion.

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

FINANCIAL

IX. 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 \$1,938,380, and fair market value of a lease totaling \$2,194,270. A review of the applicants' audited 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	2014	2013	2012
Cash and Investments	\$195,280	\$275,719	\$341,071
Current Assets	\$4,027,091	\$3,866,123	\$5,673,703
Total Assets	\$12,669,858	\$16,597,314	\$17,808,635
Current Liabilities	\$2,058,123	\$2,094,693	\$2,510,111
Long Term Debt	\$2,686,923	\$2,113,723	\$2,030,126
Total Liabilities	\$9,569,927	\$8,075,490	\$8,401,166
Total Revenues	\$10,373,232	\$9,433,192	\$8,885,401
Expenses	\$9,186,489	\$8,088,952	\$7,384,745
Income Before Tax	\$1,186,743	\$1,344,240	\$1,500,656
Income Tax	\$399,108	\$465,540	\$497,177
Net Income	\$787,635	\$878,700	\$1,003,479

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

X. 1120.130 - Financial Feasibility

A. Criterion 1120.130 - Financial Viability

The applicants are funding the project with cash and securities totaling \$1,938,380, and fair market value of a lease totaling \$2,194,270. A review of the applicants' audited financial statements indicates that sufficient cash is available to fund the project.

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

XI. Section 1120.140 - Economic Feasibility

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

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

The State Board considers lease as debt. The applicants have provided a letter of intent to lease the proposed property. The initial lease is for 10 years with three 5 year renewal options and an initial rate of \$24 per rentable gross square footage with a 10% escalation every 5 years. The proposed lease appears reasonable when compared to previously approved projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1120.140(a) (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 Contracts and Contingencies – These costs total \$1,179,435 and are \$183 per GSF (\$1,179,435/6,445 GSF = \$183.00 per GSF). This appears reasonable when compared to the State Board standard of \$183.68. These costs include the following:

General Conditions	\$65,600
Temp Facilities, Controls, Cleaning, Waste Management	\$3,300
Concrete	\$16,800
Masonry	\$20,000
Metal Fabrications	\$9,800
Carpentry	\$115,000
Thermal, Moisture & Fire Protection	\$23,300
Doors, Frames, Hardware, Glass & Glazing	\$89,900
Walls, Ceilings, Floors, Painting	\$211,900
Specialties	\$16,400
Casework, FI Mats & Window Treatments	\$7,800
Piping, Sanitary Waste, HVAC, Ductwork, Roof Penetrations	\$420,000
Wiring, Fire Alarm System, Lighting	\$253,000
Miscellaneous Construction Costs	\$59,820
Total Modernization	\$1,312,620

State Board Standard for Modernization and Contingency (2008)	\$145
Inflation Factor	3%
Midpoint of Construction	2016
Adjusted State Board Standard	\$183.68 per GSF

Contingencies – These costs are \$103,120 and are 9.5% of modernization costs. This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural and Engineering Fees - These costs are \$114,796 and are 9.7% of modernization and contingency costs of 7.08-10.62%.

Moveable Equipment - These costs total \$300,000 or \$25,000 per station. This appears reasonable when compared to the State Board standard of \$50,601.

Moveable or Other Equipment	
Dialysis Chairs	\$25,000
Clinical Furniture & Equipment	\$35,000
Office Equipment & Other Furniture	\$35,000
Water Treatment	\$180,000
TVs & Accessories	\$25,000
Telephones	\$15,000
Generator	\$10,000
Facility Automation	\$20,000
Other miscellaneous	<u>\$15,000</u>
Total Equipment	\$360,000

State Board Standard	\$39,945
Inflation Factor	3%
Midpoint of Construction	2016
Adjusted State Board Standard	\$50,601 per station

Fair Market Value of Leased Space and Equipment - These costs are \$1,837,690. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT 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 \$187.31. The State Board does not have a standard for these costs.

Estimated Personnel Expense:	\$729,907
Estimated Medical Supplies:	\$160,165
Estimated Other Supplies (Exc. Dep/Amort):	\$ 663,552
Total	\$1,553,624
Estimated Annual Treatments:	8,294
Cost Per Treatment:	\$187.31

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 \$22.30. The State Board does not have a standard for these costs.

Depreciation/Amortization:	\$185,000
Interest	\$0
Total Capital Costs:	\$185,000
Treatments:	8,294
Capital Cost per Treatment	\$22.30

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)).



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