



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-06	BOARD MEETING: February 16, 2016	PROJECT NO: 15-050	PROJECT COST: Original: \$6,230,992
FACILITY NAME: Fresenius Medical Care Chicago Heights		CITY: Chicago Heights	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants (Fresenius Medical Care Holdings, Inc., Fresenius Medical Care Chicago, LLC d/b/a Fresenius Medical Care Chicago Heights) are proposing to establish a 12 station ESRD facility in 9,657 GSF of leased space at a cost of approximately \$6,230,992. The anticipated completion date is December 31, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Fresenius Medical Care Holdings, Inc., Fresenius Medical Care Chicago, LLC d/b/a Fresenius Medical Care Chicago Heights) are proposing to establish a 12 station ESRD facility in 9,657 GSF of leased space at a cost of approximately \$6,230,992. The anticipated completion date is December 31, 2017.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

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

PURPOSE OF THE PROJECT:

- *“The proposed Chicago Heights **ESRD** (end stage renal disease) facility outlined in this application will provide access to life-sustaining dialysis services in a Federally Designated Medically Underserved Area (MUA) in the far south suburbs of Chicago and will address the determined need for 69 **ESRD** stations in HSA 7.*

NEED FOR THE PROJECT:

- There is a calculated need for 69 ESRD stations in the HSA VII ESRD Planning Area. There appears to be sufficient demand for the project as the applicants have identified 96 pre-ESRD patients that are expected to require dialysis within two (2) years after project completion. The proposed facility will be located within an area where the population has been identified as being medically underserved. The applicants have stated that one (1) in every four hundred (400) Chicago Heights residents require dialysis therapy compared to the overall State of Illinois prevalence of 1 out of 765 residents (see Renal Network Data). Average utilization within the thirty (30) minute service area (adjusted) is seventy three percent (73%).

PUBLIC COMMENT:

- An opportunity of a public hearing was provided however no hearing was requested. No opposition letters were received by the State Board Staff. Letters of support were received from:
 - o David A. Gonzalez – Mayor Chicago Heights

CONCLUSION:

- The applicants addressed 21 criteria and appear to meet all of them.

STATE BOARD STAFF REPORT
PROJECT #15-050
FRESENIUS MEDICAL CARE CHICAGO HEIGHTS

APPLICATION/SUMMARY/CHRONOLOGY	
Applicants(s)	Fresenius Medical Care Holdings, Inc., Fresenius Medical Care Chicago, LLC d/b/a Fresenius Medical Care Chicago Heights
Facility Name	Fresenius Medical Care Chicago Heights
Location	1-25 E. Independence Drive, Chicago Heights
Permit Holder	Fresenius Medical Care Chicago, LLC d/b/a Fresenius Medical Care Chicago Heights
Operating Entity	Fresenius Medical Care Chicago, LLC d/b/a Fresenius Medical Care Chicago Heights
Owner of Site	15 E. Independence Investment, LLC
Size of Facility	9,657 GSF
Description	Establish a 12 station ESRD facility
Application Received	October 16, 2015
Application Deemed Complete	October 16, 2015
Review Period Ends	December 15, 2015
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. Project Description

The applicants (Fresenius Medical Care Holdings, Inc., Fresenius Medical Care Chicago, LLC d/b/a Fresenius Medical Care Chicago Heights) are proposing to establish a 12-station ESRD facility in 9,657 GSF of leased space in Chicago Heights, Illinois. The estimated cost of the project is \$6,230,992. The anticipated completion date is December 31, 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. and Fresenius Medical Care Chicago, LLC d/b/a Fresenius Medical Care Chicago Heights. The facility will be located at 1-25 E. Independence Drive, Chicago Heights, Illinois in the HSA VII ESRD Planning Area. The HSA VII ESRD Planning Area consists of Suburban Cook and DuPage County. The operating entity will be Fresenius Medical Care Chicago, LLC d/b/a Fresenius Medical Care Chicago Heights and the owner of the site is 15 E. Independence Investment, LLC. The proposed facility will be a “joint venture” between Bio-Medical Applications of Illinois, Inc.

with 60% ownership and AIN Ventures, LLC with 40% ownership interest. AIN Ventures, LLC members are part of the Associates in Nephrology (AIN) physician practice in Chicago and the north and south suburbs of Chicago. The AIN physicians supporting this project are part of a practice of approximately 40 nephrologists who treat over 2,000 dialysis patients in the Chicago-land area. Project obligation will occur after permit issuance. Bio-Medical Application of Illinois, Inc. is a subsidiary of Fresenius Medical Care Holdings, Inc. Below are the current Fresenius projects approved by the State Board.

TABLE ONE Current Fresenius Projects			
Project Number	Name	Project Type	Completion Date
#14-012	Fresenius Gurnee	Relocation/Expansion Establishment	12/31/2016
#14-019	Fresenius Summit	Establishment	12/31/2016
#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
#15-028	FMC Schaumburg	Establishment	02/28/2017
#15-034	FMC South Holland	Expansion	12/31/2016
#15-036	FMC Zion	Establishment	06/30/2017

IV. Project Costs and Sources of Funds

The applicants are funding this project with cash of \$400,000 and the FMV of lease of space and equipment of \$5,830,992. The operating deficit start-up costs are \$162,805.

TABLE TWO Project Costs and Sources of Funds ⁽¹⁾			
Uses of Funds	Clinical	Non-Clinical	Total
Movable or Other Equipment	\$300,000	\$100,000	\$400,000
FMV of Leased Space	\$3,707,512	\$1,909,930	\$5,617,442
FMV of Leased Equipment	\$213,550	\$0	\$213,550
Total Uses of Funds	\$4,221,062	\$2,009,930	\$6,230,992
Sources of Funds	Clinical	Non-Clinical	Total
Cash and Securities	\$300,000	\$100,000	\$400,000
FMV of Leases	\$3,921,062	\$1,909,930	\$5,830,992
Total Sources of Funds	\$4,221,062	\$2,009,930	\$6,230,992
1. The applicants will not be incurring any of the modernization or architecture costs. These are included in the fair market value of the leased space. These costs will be paid to the landlord over the term of the lease along with the rent expense.			

V. Purpose, Safety Net Impact, Alternatives

A) Criterion 1110.230 (a) – Purpose of the Project

The applicants stated the following:

*“The proposed Chicago Heights **ESRD** (end stage renal disease) facility outlined in this application will provide access to life-sustaining dialysis services in a Federally Designated Medically Underserved Area (MUA) in the far south suburbs of Chicago and will address the determined need for 69 **ESRD** stations in HSA 7. The two facilities currently serving Chicago Heights (DaVita Chicago Heights at 81% and Fresenius South Suburban at 85%) are over-utilized, thus this project will address the lack of available access to dialysis services in this underserved community. The proposed 12-station facility will bring access to dialysis services to a medically underserved area where facilities are over-utilized severely limiting patient treatment shift choice and as well as access to life saving services. The two closest clinics serving Chicago Heights are over utilized (DaVita Chicago Heights at 81% and Fresenius South Suburban at 85%). The next closest facility serving the area (Fresenius Steger) was recently approved to add 6 stations to address its over-utilization. Associates in Nephrology (AIN), physicians supporting this project, currently refer the majority of their patients from Chicago Heights to Fresenius South Suburban and DaVita Chicago Heights. With diminishing shift availability they need additional stations to be able to offer their Chicago Heights patients reasonable access to dialysis services. AIN physicians are currently treating nearly 300 dialysis patients in this area and have approximately 247 additional patients identified who will require dialysis in the next few years. Establishing a facility in the medically underserved area of Chicago Heights will solve the lack of access here and create favorable patient treatment shift times. Convenient access to healthcare services reduces overall healthcare costs as patients are more likely to make and keep health related appointments. Missed dialysis treatments are reduced when patients can access a clinic near their home. Missed dialysis treatments relate to increased hospital visits and worsening of patient's co-morbid conditions and lower quality of life.” See page 57-58 of the application for permit.*

B) Criterion 1110.230 (b) Safety Net Impact

The applicants stated the following: *“The establishment of the Fresenius Medical Care Chicago Heights dialysis facility will not have any impact on safety net services in the Chicago Heights 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.” See pages 111-113 of the application for permit.

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 Project

The proposed facility will be a “joint venture” between Bio-Medical Applications of Illinois, Inc. with 60% ownership and AIN Ventures, LLC with 40% ownership interest. AIN Ventures, LLC members are part of the Associates in Nephrology (AIN) physician practice in Chicago and the north and south suburbs. The AIN physicians supporting this project are part of a practice of approximately 40 nephrologists who treat over 2,000 dialysis patients in the Chicago-land area. They already admit patients to 7 Chicago Heights area facilities. Physicians prefer to admit patients closest to where the patients live and currently there is no reasonable access to dialysis services for the patients who live in Chicago Heights. It is also nearly impossible for a physician to see patients at

numerous clinics further beyond the area where they practice and offer patients continuity of care. Patients who have to go outside of their community for care may have to change physicians thereby breaking the patient/physician relationship that may have been years in the making. It is in the best interest of the patients who live in the Chicago Heights MUA to maintain access here where the patients are at a higher risk due to healthcare and economic barriers. *See page 59-60 of the application for permit for a complete discussion of alternatives considered by the applicants.*

VI. Section Project Size, Project Utilization, Assurances

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

The applicants are proposing 12 stations in 6,387 GSF of leased space or 532.25 GSF per station. This appears reasonable when compared to the State Standard of 450-650 GSF per station. See page 61 of the application for permit.

B) Criterion 1110.234 (b) – Projected Utilization

The applicants are projecting that they will be at target occupancy within 2 years after project completion. From the number of pre-ESRD patients identified to be served by the proposed facility it appears that the applications will meet the State Board's target occupancy within 2 years. See page 62 of the application for permit.

Number of expected patients	96 patients
Number of treatments	$96 \times 3 \times 52 = 14,976$
Number of Stations	12
Number of Treatments	$12 \times 3 \times 6 \times 52 = 11,232$
Occupancy	100% +

C) Criterion 1110.234 (e) – Assurances

The applicants have provided the necessary assurance at page 101 of the application for permit that the proposed facility will be at target occupancy two years after project completion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT, PROJECTED UTILIZATION AND ASSURANCES 77 IAC 1110.234 (a) (b) (c).

VII. Section In-Center Hemodialysis Facilities

A) Criterion 1110.1430 (b) (1) (3) – Background of the Applicants

The applicants attested to the following: *In accordance with Section III, A (2) of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby certify that no adverse actions have been taken against Fresenius Medical Care Holdings, Inc. 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 & Services Review Board; and In regards to' section Ill, A (3) of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby authorize the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or information that the State Board or Agency finds pertinent to this subsection.

The Illinois Historic Preservation Agency under the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended at 17 IAC 4180) is required to review all state funded, **permitted** or licensed undertakings for their effect on cultural resources. The Illinois Historic Preservation Agency has determined that that no significant historic, architectural or archaeological resources are located within the proposed project area. The proposed site for the establishment of Fresenius Medical Care Chicago Heights complies with the requirements of Illinois Executive Order #2006-5. The site on the northeast corner of Independence Drive and Chicago Road in Chicago Heights is not located in a flood plain.

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

There is a calculated need for 69 ESRD stations in the HSA VII ESRD planning area by CY 2018. There appears to be sufficient **demand** for the number of stations being requested as the applicants have identified two hundred forty-seven (247) pre-ESRD patients currently receiving treatment by AIN the referring physician group for the proposed facility. Of these two hundred forty-seven (247) pre-ESRD patients ninety-six (96) patients are expected to begin dialysis within the two (2) years following project completion. As seen in the table below all two hundred forty-seven (247) pre-ESRD patients resides in the HSA VII ESRD Planning Area.

TABLE FOUR	
Pre-ESRD patients zip code of residence	
Zip Code City	Patients
60411 – Chicago Heights	115
60422 – Flossmoor	9
60425 – Glenwood	21
60430 – Homewood	19
60461 – Olympia Fields	13
60466 – Park Forest	39
60471 – Richton Park	12
60475 – Steger	17
60476 – Thornton	2
Total	247

There are twenty (20) facilities located within thirty (30) minutes adjusted of the proposed facility. Of these twenty (20) facilities six (6) are at target occupancy of 80%, one (1) facility is not yet operational and three (3) facilities are being expanded and those additional stations are not yet operational. In addition the facility will be located in a

Federally Designated Medically Underserved Area (MUA) consisting of low income residents and a Medically Underserved Population (MUP). Chicago Heights is forty-nine percent (49%) African American and twenty-four percent (24%) Hispanic. African American's are three times more likely to develop kidney failure and Hispanics are 1.5 times more likely than the general population

Given the calculated need for ESRD stations in the planning area, the documented demand for the number of stations being requested and the designation as Chicago Heights as a MUA/MUP area, the applicants have successfully addressed this criterion. See pages 63-85 of the application for permit for a complete discussion of this criterion.

TABLE FIVE
Facilities within 30 minutes (adjusted) of location of proposed facility

Facility	City	Stations	Adjusted Time ⁽⁵⁾	Utilization ⁽⁶⁾	Met Standard?
DaVita Chicago Heights	Chicago Heights	16	4.6	83.33%	Yes
Fresenius So Suburban	Olympia Fields	27	5.75	80.25%	Yes
Fresenius Steger ⁽¹⁾	Steger	18	6.9	61.11%	No
DaVita Olympia Fields	Matteson	24	11.5	65.25%	No
DaVita Harvey	Harvey	18	13.8	60.19%	No
DaVita Hazel Crest	Hazel Crest	19	13.8	83.33%	Yes
Fresenius Hazel Crest	Hazel Crest	16	14.95	80.21%	Yes
DaVita Country Hills	Country Club Hills	24	19.55	76.39%	No
Fresenius So Holland ⁽²⁾	South Holland	24	20.7	67.36%	No
DaVita So Holland ⁽³⁾	South Holland	24	21.85	80.56%	Yes
Fresenius Oak Forest	Oak Forest	12	24.15	59.72%	No
Fresenius Mokena	Mokena	12	25.3	72.22%	No
Concerto	Crestwood	9	26.45	29.63%	No
Fresenius Alsip	Alsip	20	26.45	66.67%	No
Fresenius Crestwood	Crestwood	24	27.6	69.44%	No
Fresenius Roseland	Chicago	12	28.75	98.61%	Yes
Merrionette Park	Merrionette Park	24	29.9	74.31%	No
Fresenius South Deering	Chicago	20	29.9	39.71%	No
DaVita Stony Island	Chicago	32	29.9	70.83%	No
Total Stations/Average Utilization ⁽⁷⁾		387		73.06%	
DaVita Tinley Park ⁽⁴⁾	Tinley Park	12	24.15	0.00%	NA

- 1) Fresenius Steger was approved to add 6 stations per #15-001 which are not yet operable resulting in its current utilization being 93%.
2) Fresenius South Holland was approved to add 5 stations per #15-034 which are not yet operable resulting in its current utilization being 85%.
3) DaVita South Holland was approved to add 4 stations per #15-025 which are not yet operable resulting in its current utilization being 100%.
4) DaVita Tinley Park was approved for a 12-station facility per #14-042, and is not yet operable.
5) Time determined by MapQuest and adjusted per 1100.560 (d)
6) Utilization of stations as of September 30, 2015.
7) Average Utilization does not include DaVita Tinley Park and the expansion of other facilities identified above.

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) (1) (2) (3) - Unnecessary Duplication of Service, Maldistribution of Service, Impact on Other Providers.

An unnecessary duplication of service is characterized by existing facilities in the thirty (30) minute service area (adjusted) that do not currently meet the State Board Standard of 80%. There are twenty (20) facilities located within thirty (30) minutes (adjusted) of the proposed facility. Of these twenty (20) facilities six (6) are at target occupancy of 80%, one (1) facility is not yet operational and three (3) facilities are being expanded and those additional stations are not yet operational. Average utilization is 73.06% if current expansion of facilities in the thirty (30) minute service area (adjusted) and DaVita Tinley Park facility are not taken into consideration.

A Mal-distribution of service is defined as the ratio of the number of stations per population in the thirty (30) minute service area compared to the State of Illinois ratio that is 1.5 times greater than the State of Illinois ratio. The State of Illinois ratio is 1 station per 3,085 residents and the ratio in the thirty (30) minute service area (adjusted) is 1 station per 2,431 residents. The thirty (30) minute service area ratio is not 1.5 times greater than the State of Illinois ratio therefore it appears there is no surplus of stations in this thirty (30) minute (adjusted) service area. According to the applicants every 400 Chicago Heights resident requires dialysis therapy vs the State prevalence of 1 out of 765 residents.

It also appears that there will be no **impact on other area providers** as the patients identified for this project have not been used to justify any other dialysis projects approved by the State Board.

While there are existing facilities not at target occupancy within the thirty (30) minute service area (adjusted), given the calculated need for 69 ESRD stations by 2018, and the high prevalence of this disease in Chicago Heights, there does not appear to be an unnecessary duplication or mal-distribution of service, nor does the proposed facility appear to impact any other providers in the thirty (30) minute (adjusted) service area.

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

D) Criterion 1110.1430 (f) - Staffing

The proposed facility will be Medicare Certified therefore the facility will have the appropriate staffing required by the State Board.

E) Criterion 1110.1430 (g) - Support Services

The applicants' utilizes a patient data tracking system in all of its facilities. These support services are will be available at Fresenius Medical Care Chicago Heights 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 Advocate South Suburban Hospital, Olympia Fields: Blood Bank Services, Rehabilitation Services, and Psychiatric Services

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

The minimum number of in-center hemodialysis stations for an End Stage Renal Disease (ESRD) facility is eight dialysis stations for a facility within an MSA. The applicants are proposing a 12 station facility.

G) Criterion 1110.1430 (i) - Continuity of Care

The applicants have a transfer agreement with Advocate South Suburban Hospital to provide if necessary inpatient care or other hospital services. (See application for permit pages 95-100)

H) Criterion 1110.1430 (k) - Assurances

The applicants have provided the necessary assurances at page 101 of the application for permit as required by the State Board.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING, SUPPORT SERVICES, MINIMUM NUMBER OF STATIONS, CONTINUITY OF CARE, AND ASSURANCES 77 IAC 1110.1430 (f)(g)(h)(i)(k) See application for permit pages 88-101.

VIII. Financial

A) Criterion 1120.120 – Availability of Funds

The applicants are funding this project with cash of \$400,000 and the FMV of leased space and equipment of \$5,830,992. A review of the applicants' most recent audited financial statements indicate the applicants have sufficient cash to fund the project.

TABLE SIX 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)

B) Criterion 1120.130 – Financial Viability

The applicants have qualified for the financial waiver because they are funding the project with internal funds; cash and the fair market value of a lease of space and equipment.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY 77 IAC 1120.120 (b)

IX. Economic Feasibility

A) Criterion 1120.140 (a) - Reasonableness of Financial Arrangements

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

The applicants are funding this project with cash of \$400,000 and the FMV of leased space and equipment of \$5,830,992. The lease is for 15 years with an annual increase of two and one half-percent (2.5%) annually. Base rent is \$32.44 per GSF for 9.657 GSF. Fresenius will not be incurring any of the modernization or architecture costs. These are included in the fair market value of the leased space. These costs will be paid to the landlord over the term of the lease along with the rent expense. The lease appears reasonable when compared to the previously approved leases.

TABLE SEVEN Lease amounts per month	
Year 1	\$26,105.40

TABLE SEVEN	
Lease amounts per month	
Year 2	\$26,758.03
Year 3	\$27,426.98
Year 4	\$28,112.66
Year 5	\$28,815.48
Year 6	\$29,535.86
Year 7	\$30,274.26
Year 8	\$31,031.11
Year 9	\$31,806.89
Year 10	\$32,602.07
Year 11	\$33,417.12
Year 12	\$34,252.54
Year 13	\$35,108.86
Year 14	\$35,986.58
Year 15	\$36,886.14

C) Criterion 1120.140 (c) - Reasonableness of Project Costs

Movable and Other Equipment Costs are \$300,000 which are \$25,000 per station. These costs include the following:

TABLE EIGHT	
Movable Equipment Costs	
Dialysis Chairs	\$30,000
Clinical Furniture & Equipment	\$40,000
Office Equipment & Other Furniture	\$35,000
Water Treatment	\$200,000
TVs & Accessories	\$35,000
Telephones	\$15,000
Generator	\$10,000
Facility Automation	\$20,000
Other miscellaneous	\$15,000
Total	\$400,000

These costs appear reasonable when compared to the State Board Standard of \$52,120 per station by CY 2018.

FMV of Leased Space and FMV of Leased Equipment are \$3,707,512 and \$213,550. The State Board does not have a standard for these costs.

D) Criterion 1120.140 (d) – Projected Direct Operating Costs

The applicants are estimating \$171.97 direct operating costs per treatment for CY 2018. This appears reasonable when compared to previously approved projects.

E) Criterion 1120.140 (e) – Projected Capital Costs

The applicants are estimating capital costs per treatment of \$19.47 for CY 2018. This appears reasonable when compared to previously approved projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENT, TERMS OF DEBT FINANCING, REASONABLENESS OF PROJECT COSTS, PROJECTED DIRECT OPERATING COSTS AND PROJECTED CAPITAL COSTS 77 IAC 1120.140 (a) (b) (c) (d) (e)

15-050 Fresenius Chicago Heights - Chicago Heights

