



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: G-01	BOARD MEETING: March 29, 2016	PROJECT NO: 15-062	PROJECT COST: Original: \$4,918,090
FACILITY NAME: Fresenius Medical Care Belleville		CITY: Belleville	
TYPE OF PROJECT: Substantive			HSA: XI

PROJECT DESCRIPTION: The applicants (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Belleville) are proposing the establishment of a twelve (12) station ESRD facility in 6,877 GSF of leased space in Belleville, Illinois. The cost of the project is \$4,918,090. The anticipated completion date is December 31, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Belleville) are proposing the establishment of a twelve (12) station ESRD facility in 6,877 GSF of leased space in Belleville, Illinois. The cost of the project is \$4,918,090. The anticipated completion date is December 31, 2017.
- Additionally Project #16-004 – DaVita O’Fallon Dialysis to establish a twelve (12) station ESRD facility in Belleville, Illinois is scheduled to be heard at the March 29, 2016 State Board Meeting. The proposed two facilities will be located in the same HSA XI ESRD Planning Area.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes to establish a health care facility as defined at 20 ILCS 3960/3

PURPOSE OF THE PROJECT:

- **The applicants state:** *“The 12-station Belleville ESRD facility, to be located in a Federally Designated Medically Underserved Area (MUA) in HSA 11 (St. Clair County), is being proposed to address high area utilization creating a lack of access to dialysis services in the Belleville area, specifically the preferred daytime treatment shifts.”*

PUBLIC HEARING/COMMENT:

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

SUMMARY:

- There is a projected need for thirteen (13) stations in the HSA XI ESRD Planning Area by CY 2018. There appears to be sufficient demand for the twelve (12) stations as the applicants have identified seventy-two (72) patients that will need dialysis within twenty four months after project completion. Based upon information reported by the facilities to the State Board this planning area (HSA XI ESRD Planning Area) has seen a compounded annual increase in the number of ESRD patients of 4.65% over the past four years. (CY 2012-CY 2015). The State of Illinois has seen a compounded annual increase of 3.42% in the number of dialysis patients over this same four (4) year period. All of the pre ESRD patients live within HSA XI ESRD planning area. There are six (6) facilities within thirty minutes currently operating at an average utilization of eighty percent (80%). Additionally, the facility will be located in a medically underserved area. It does not appear there will be an unnecessary duplication of service or a mal-distribution of stations in the planning area as a result of this project. Additionally it does not appear the proposed facility will have a negative impact on other facilities in the ESRD Planning Area.

CONCLUSIONS:

The applicants addressed twenty one (21) criteria and have met them all.

STATE BOARD STAFF REPORT
Fresenius Medical Care Belleville
PROJECT #15-062

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Fresenius Medical Care Holdings, Inc Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Belleville
Facility Name	Fresenius Medical Care Belleville
Location	6525 W. Main Street, Belleville, Illinois
Application Received	December 23, 2015
Application Deemed Complete	January 4, 2016
Review Period Ends	May 3, 2016
Permit Holder	Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Belleville
Operating Entity	Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Belleville
Owner of the Site	Belleville Renal Construction, Inc.
Project Financial Commitment Date	March 29, 2018
Gross Square Footage	6,877 GSF
Project Completion Date	December 31, 2017
Can Applicants Request Another Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The applicants (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Belleville) are proposing the establishment of a twelve (12) station ESRD facility in 6,877 GSF of leased space in Belleville, Illinois. The cost of the project is \$4,918,090. 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 of Illinois, LLC d/b/a Fresenius Medical Care Belleville. **Fresenius Medical Care Holdings**, operating as Fresenius Medical Care North America or FMCNA, operates a network of some 2,100 dialysis clinics located throughout the continent. One of the largest providers of kidney dialysis services, FMCNA offers outpatient and in-home hemodialysis treatments for chronic kidney disease. The company's operating units also market and sell dialysis machines and related equipment and provide renal research, laboratory, and patient support services. FMCNA oversees the North American

operations of dialysis giant Fresenius Medical Care AG & Co. Fresenius Medical Care of Illinois, LLC is a wholly owned subsidiary of Fresenius Medical Care Holdings, Inc. Fresenius Medical Care Belleville will be located at 6525 W. Main Street, Belleville, Illinois in the HSA XI ESRD planning area. HSA XI includes the counties of Clinton, Madison, Monroe, and St. Clair. The State Board has projected a need for 13 ESRD stations by CY 2018. This is a substantive project subject to an 1110 and 120 review. Project obligation will occur after permit issuance. Table One outlines the current Fresenius projects approved by the State Board and there completion date.

TABLE ONE			
Current Fresenius Projects and Status			
Project Number	Name	Project Type	Completion Date
#14-012	FMC Gurnee	Relocation/Expansion Establishment	12/31/2016
#14-019	FMC Summit	Establishment	12/31/2016
#13-040	FMC Lemont	Establishment	9/30/2016
#14-041	FMC Elgin	Expansion	6/30/2016
#14-026	FMC New City	Establishment	6/30/2016
#14-047	FMC 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
#15-024	FMC Chicago	Change of Ownership	1/31/2016
#15-034	FMC South Holland	Expansion	12/31/2016
#15-028	FMC Schaumburg	Establishment	02/28/2017
#15-036	FMC Zion	Establishment	06/30/2017
#15-046	FMC Beverly Ridge	Establishment	06/30/2017
#15-050	FMC Chicago Heights	Establishment	12/31/2017
#15-057	FMC Spoon River	Add three (3) Stations	05/31/2017
<i>Source: Page 33 of the Application for Permit.</i>			

IV. Project Costs

The applicants are funding this project with cash and securities of \$360,000 and the fair market value of leased space and equipment of \$4,558,090. The estimated start-up costs and the operating deficit are projected to be \$102,449.

TABLE TWO			
Project Costs and Sources of Funds			
USE OF FUNDS	Reviewable	Non Reviewable	Total
Movable or Other Equipment (not in construction contracts)	\$250,000	\$110,000	\$360,000
Fair Market Value of Leased Space & Equipment	\$3,589,291	\$968,799	\$4,558,090
TOTAL USES OF FUNDS	\$3,839,291	\$1,078,799	\$4,918,090
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total
Cash and Securities	\$250,000	\$110,000	\$360,000
Leases (fair market value) ⁽¹⁾	\$3,589,291	\$968,799	\$4,558,090
TOTAL SOURCES	\$3,839,291	\$1,078,799	\$4,918,090
<i>1. Fresenius is leasing space in a building that is being constructed by the Landlord. Fresenius is not expending any capital for the construction of the building.</i>			

TABLE TWO Project Costs and Sources of Funds			
USE OF FUNDS	Reviewable	Non Reviewable	Total
Source: Page 6 of the Application for Permit.			

V. Section 1110.230 - Purpose of Project, Safety Net Impact Statement and Alternatives

A) Criterion 1110.230 (a) Purpose of the Project

The applicants stated the following:

“The 12-station Belleville ESRD facility, to be located in a Federally Designated Medically Underserved Area (MUA) in HSA 11 (St. Clair County), is being proposed to address high area utilization creating a lack of access to dialysis services in the Belleville area, specifically the preferred daytime treatment shifts. The clinics within 30 minutes are operating at an average utilization of 80% as of September 30, 2015. The only other Fresenius facility in this area, Regency Park, is operating at 88% with 106 patients. Dr. Koch needs additional access for his pre-ESRD patients who will be requiring services in the upcoming years. According to the 2014 Annual ESRD survey conducted by the IHFSRB, of the patients who dialyzed at the clinics within 30 minutes of Belleville, an average of 74% received Medicare benefits (46% of patients were over age 65) and 8% were Medicaid recipients. There is a 17% poverty level of the residents living in Belleville. Of the residents in Belleville 24% is African American. This percentage rises to 32% for St. Clair County. These statistics correlate to the area's MUA status and reveal a patient population experiencing access issues to health care. Dr. Koch, the physician supporting this project, follows patients primarily at Fresenius Regency Park where he serves as Medical Director and also at DaVita Metro East, Sauget, and Shiloh within the 30-minute travel radius. These clinics are all operating at high utilization rates making it difficult to access treatment schedule times that can accommodate new patient's transportation options and lifestyle. Many of the patients seen in the Belleville area are travelling in from rural areas south of Belleville where there is not another dialysis clinic for over 30-minutes. The goal of Fresenius Medical Care is to provide access in the Belleville MUA by establishing the Belleville facility, which will maintain access to dialysis services. 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 Belleville facility is expected to have similar quality outcomes as the Fresenius Illinois facilities.”(See Application for Permit Page 41)

B) Criterion 1110.230 (b) - Safety Net Impact Statement

The applicants stated the following:

“The establishment of Fresenius Medical Care Belleville dialysis facility will not have any impact on safety net services in St. Clair 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 Application for Permit Page 99)

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 2. Source: Page 100 of the Application for Permit.			

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

The applicants considered the following three (3) alternatives to the proposed project.

1. Proposing a project of greater or lesser scope and cost.
2. Pursuing a joint venture or similar arrangement
3. Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project.

These alternatives were rejected for the following reasons:

The alternative of doing nothing and maintaining the status quo in this MUA is not an option. Clinics within 30 minutes travel time of Belleville are operating at 80% utilization as of September 2015 and the only Fresenius facility (Regency Park) in the area is operating at 88% as of September 2015. Additional access is needed to address the utilization, inventory need and the medically underserved status of the area. The alternative of expanding the Regency Park facility to accommodate patient growth was rejected because the current site does not have room for additional stations. The referring physician (Dr. Koch) currently follows patients at several area clinics, predominantly at the Fresenius Regency Park facility where he is the Medical Director. He also sees patients at DaVita Metro East, Sauget and Shiloh in the 30-minute travel radius. These four facilities are operating at an average of 83% utilization which severely restricts access to dialysis treatment. . (See *Application for Permit page 42-44*)

VI. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234 (a) - Size of Project

The applicants are proposing five thousand one hundred forty seven gross square feet (5,147 GSF) for twelve stations or four hundred thirty two gross square feet (432 GSF) per station. The State Board standard is 450-650 GSF per station. (See *Application for Permit page 45*)

B) Criterion 1110.234 (b) – Projected Utilization

The referring physician (Dr. Koch) treats 361 pre-ESRD patients who live in the Belleville area who could ultimately require dialysis services. Of these 361 pre-ESRD patients has identified 72 that he expects would require dialysis treatment in the first two years that the Belleville facility is in operation. Figuring in a yearly patient attrition of approximately 10% the facility is expected to reach 80% utilization by the end of the second year of operation. . (See *Application for Permit page 46*)

64 patients x 156 treatment per year = 9984 treatments
12 stations x 936 treatments per stations per year = 11,232 treatments
9,984 treatments/11,232 treatments = 88.8% utilization

C) Criterion 1110.234 (e) – Assurances

The applicants have provided the necessary assurance that they will be at target occupancy within two years after project completion. . (See *Application for Permit page 89*)

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

VII. Section 1110.1430 - In-Center Hemo-dialysis Projects

A) Criterion 1110.1430 (b) (1) (3) - 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 35-40 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 THE APPLICANT (77 IAC 1110.1430 (b) (1) (3))

B) Criterion 1110.1430 (c) - Planning Area Need

The applicant shall document the following:

- 1) 77 Ill. Adm. Code 1100 (Formula Calculation)
- 2) Service to Planning Area Residents
- 3) Service Demand – Establishment of In-Center Hemodialysis Service
- 5) Service Accessibility

The proposed facility will be located in the HSA XI ESRD Planning Area. There is calculated need for thirteen (13) ESRD stations in this planning area by CY 2018. Dr. Koch (the referring physician) currently has three hundred thirty six (361) patients in different stages of chronic kidney disease in the Belleville area that may eventually require dialysis. Of these there are seventy two (72) patients are expected to begin dialysis at the Belleville facility in the first two years of operation. All seventy two (72) patients reside in the HSA XI Planning Area as demonstrated in

the table below. From the number of pre ESRD patients there appears to be sufficient demand for the ESRD stations. The proposed facility will be located in a medically underserved area as designated by the *United States Department of Health and Human Services Health Resources and Services Administration*; therefore it would appear that service access would be improved with the establishment of this facility. (See *Application for Permit* pages 47-67)

TABLE FOUR			
Pre ESRD Patient Origin Information			
City	Zip Code	Number of Patients	County
East St. Louis	62206	8	St, Claire
East St. Louis	62207	3	St, Claire
Albers	62215	1	St, Claire
Belleville	62220	9	St, Claire
Belleville	62221	9	St, Claire
Belleville	62223	8	St, Claire
Belleville	62226	17	St, Claire
Dupo	62239	1	St, Claire
Freeburg	62243	4	St, Claire
Mascoutah	62258	2	St, Claire
Millstadt	62260	1	St, Claire
New Athens	62264	3	St, Claire
New Baden	62265	4	St, Claire
Smithton	62285	2	St, Claire
Total		72	
<i>Source: Application for Permit Page 51</i>			

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/Mal-distribution/ Impact on Other Facilities

- 1) The applicant shall document that the project will not result in an unnecessary duplication.
- 2) The applicant shall document that the project will not result in maldistribution of services.
- 3) The applicant shall document that, within 24 months after project completion, the proposed project will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100 and will not lower, to a further extent, the utilization of other area providers that are currently (during the latest 12-month period) operating below the occupancy standards.

The applicants argue that “the Belleville facility will not duplicate services, but would provide necessary access in an area of determined need. There are six (6) facilities within 30 minutes "normal" travel time of Belleville and they are currently operating at a combined utilization rate of 80% (83% for those clinics

under 20 minutes) restricting access at those facilities and also limiting access to a treatment schedule times that can accommodate a patient's transportation options, work schedule or family time. The only Fresenius facility in this area, Regency Park where Dr. Koch is the Medical Director, is operating at 88% utilization and does not have the ability to expand to accommodate Dr. Koch's additional patients. There is another clinic in Belleville, DaVita Metro East, which has some available capacity, however it is primarily referred to by another physician practice and cannot accommodate all of the patients Dr. Koch has identified from his practice who will require dialysis services in the first two years of operation of the proposed Fresenius Belleville clinic.”

The ratio of ESRD stations to population in the zip codes within a 30-minute radius of Fresenius Belleville is 1 station per 4,316 residents according to the 2010 census. The State ratio is 1 station per 3,036 residents (based on US Census projections for 2015 of 12,978,800 Illinois residents and November 2015 Board station inventory of 4,275). There are fewer stations available per resident in the Belleville/St. Clair County market than the State. According to the applicants Fresenius Medical Care Belleville will not have an adverse effect on any other area ESRD provider, but will have a positive impact by providing access to dialysis services in a medically underserved area, alleviating high utilization at area facilities and addressing a determined need for thirteen (13) stations in HSA XI.

It appears the establishment of the proposed facility will not result in an unnecessary duplication of service given the average utilization of the facilities within thirty (30) minutes. There is no surplus of the stations in the thirty (30) minute service area as evidence by the ratio of stations in this thirty (30) minute area compared to the State of Illinois ratio. Additionally it does not appear that the proposed facility will have an impact on other facilities in the area because no patients are being moved from existing facilities to the proposed facility. (See Application for Permit Pages 68-69)

TABLE FIVE					
Facilities within thirty (30) minutes of the proposed facility and utilization					
Facility	City	Time ⁽¹⁾	Stations	Utilization ⁽²⁾	Met Standard?
DaVita Metro East	Belleville	1	36	78.70%	No
DaVita Sauget ⁽³⁾	Sauget	11	24	90.63%	Yes
DaVita Shiloh	Shiloh	12	12	80.56%	Yes
Fresenius Regency Park	O'Fallon	18	20	85.83%	Yes
DaVita Maryville	Maryville	22	14	72.62%	No
DaVita Granite City	Granite City	28	20	72.50%	No
Total Stations/Average Utilization			126	80.63%	
1. Time from MapQuest 2. Utilization December 31, 2015 reported by the existing facilities 3. Eight (8) Stations approved February 16, 2016 State Board Meeting as Permit #15-052 not yet operational.					

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION

OF SERVICE/MADISTRIBUTION/IMPACT ON OTHER FACILITIES (77 IAC 1110.1430 (d) (1) (2) (3))

- E) Criterion 1110.1430 (f) - Staffing**
- F) Criterion 1110.1430 (g) - Support Services**
- G) Criterion 1110.1430 (h) - Minimum Number of Stations**
- H) Criterion 1110.1430 (i) - Continuity of Care**
- I) Criterion 1110.1430 (k) – Assurances**

The proposed facility will be certified by Medicare if approved therefore appropriate staffing is required for certification. Support services including nutritional counseling, psychiatric/social services, home/self training, and clinical laboratory services - provided by Spectra Laboratories will be provided at the proposed facility. The following services will be provided via referral to Memorial Hospital in Belleville: blood bank services, rehabilitation services and psychiatric services. The applicants are proposing twelve (12) stations and the minimum number of stations in an MSA is eight (8) stations. Continuity of care will be provided at Memorial Hospital in Belleville as stipulated in the agreement provided in the application for permit. Additionally, the appropriate assurances have been provided by the applicants asserting the proposed facility will be at the target occupancy of eighty percent (80%) two years after project completion and that the proposed facility will meet the adequacy outcomes stipulated by the State Board. ((See Application for Permit Pages 70-89)

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) (k))

VIII. FINANCIAL VIABILITY

- A) **Criterion 1120.120 – Availability of Funds**
B) **Criterion 1120.130 – Financial Viability**

The applicants are funding this project with cash and securities of \$360,000 and the fair market value of leased space and equipment of \$4,558,090. A review of the 2014 audited financial statements indicates there is sufficient cash to fund the project. Because the project will be funded with cash no viability ratios need to be provided. Table Seven below outlines Fresenius Medical Care Credit Rating.

TABLE SIX FMC Holdings Inc. Audited Financial Statements (Dollars in Thousands) December 31,		
	2014	2013
Cash & Investments	\$195,280	\$275,719
Current Assets	\$4,027,091	\$3,866,123
Total Assets	\$12,669,858	\$16,597,314
Current Liabilities	\$2,058,123	\$2,094,693
Long Term Debt	\$2,686,923	\$2,113,723
Total Liabilities	\$9,569,927	\$8,075,490
Total Revenues	\$10,373,232	\$9,433,192
Expenses	\$9,186,489	\$8,088,952
Income Before Tax	\$1,186,743	\$1,344,240
Income Tax	\$399,108	\$465,540
<i>Net Income</i>	\$787,635	\$878,700
<i>Source: 2014 Audited Financial Statements</i>		

TABLE SEVEN Fresenius Credit Rating			
	Standard & Poor's	Moody's	Fitch
Corporate credit rating	BBB-	Ba1	BB+
Outlook	stable	stable	stable
Secured debt	BBB-	Baa3	BBB-
Unsecured debt	BB+	Ba2	BB+
<i>Source: Information provided by the Applicants</i>			

IX. ECONOMIC FEASIBILITY

- A) **Criterion 1120.140 (a) – Reasonableness of Financing Arrangements**
B) **Criterion 1120.140 (b) – Terms of Debt Financing**

The applicants provided a copy of a lease of 6,877 rentable contiguous square feet with an initial lease term of fifteen (15) years with three (3) five (5) year renewal options. The lease rate per gross square foot is \$41.98. The applicants have attested that the 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. Further, should the applicant be required to pay off the lease in full, its existing investments and capital retained could be converted to cash or used to retire the outstanding lease obligations within a sixty (60) day period. 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. (See *Application for Permit pages 95-97*)

Lease Rate Calculation

Shell Project Costs	\$3,200,399
Cap Rate	9.05%
Annual Shell Rent	\$289,636
Shell Lease Rate	\$41.98
Total Development Costs	\$3,200,399

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

Movable or Other Equipment – These costs are \$250,000 or \$20,834. This appears reasonable when compared to the State Board Standard.

Moveable or Other Equipment

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

Fair Market Value of Leased Space and Equipment – These costs are \$3,589,291. The State Board does not have a standard for these costs. The costs include the following:

Fair Market Value of Leased Space and Equipment

Leased Space	\$4,344,540
FMV Leased Dialysis Machines 200,550	\$200,550

FMV Leased Office Equipment 13,000	<u>\$13,000</u>
Total	\$4,558,090

D) Criterion 1120.140 (d) - Direct Operating Costs

The applicants are estimating \$134.36 per treatment in direct operating costs. This appears reasonable when compared to previously approved projects of this type.

Estimated Personnel Expense:	\$442,320
Estimated Medical Supplies:	\$89,907
Estimated Other Supplies (Exc. Dep/Amort):	\$675,120
Total	\$1,207,347
Estimated Annual Treatments:	8,986
Cost Per Treatment:	\$134.36

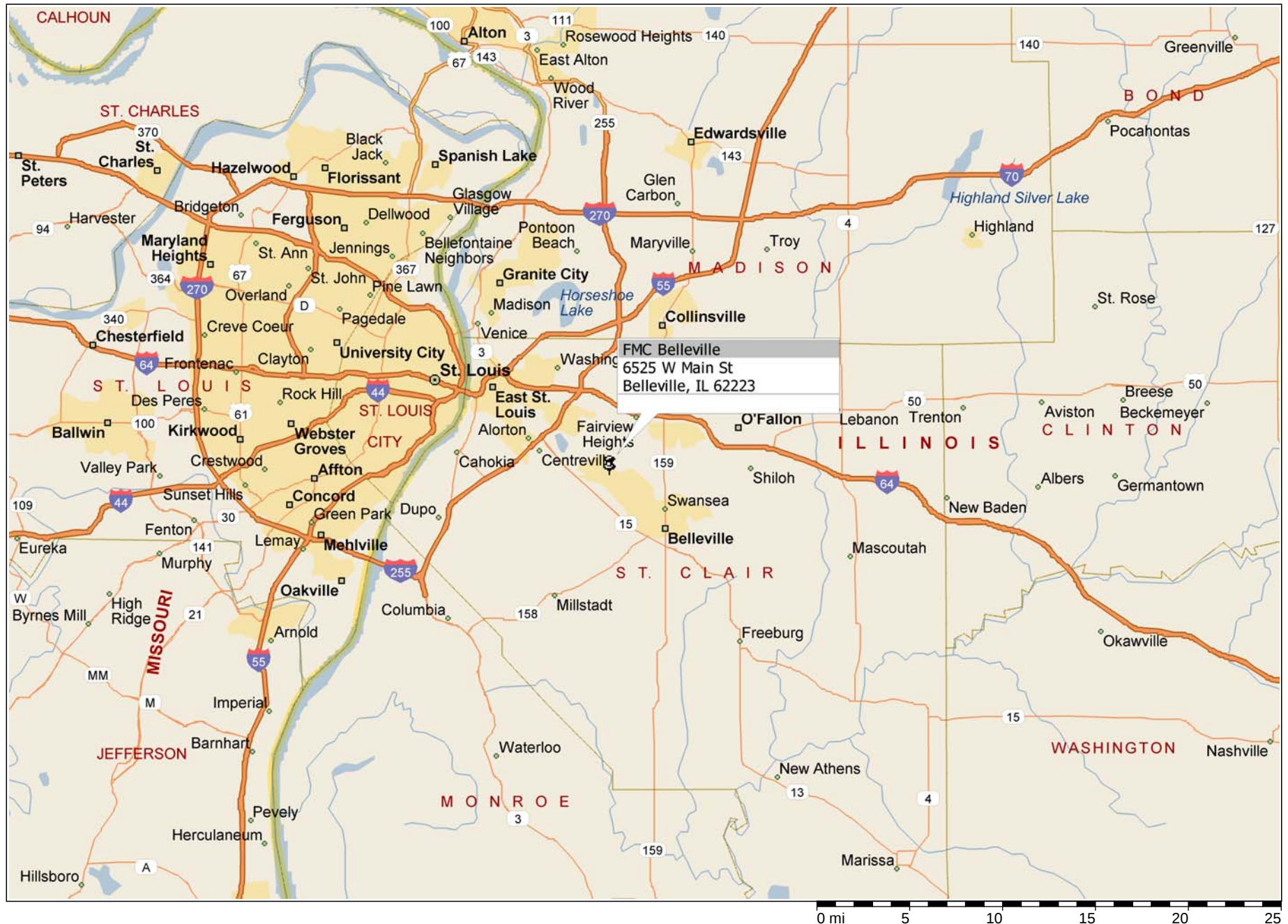
E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

The applicants are estimating \$14.24 in capital costs. This appears reasonable when compared to previously approved projects of this type.

Depreciation/Amortization:	\$128,000
Interest	\$0
Capital Costs:	\$128,000
Treatments:	8,986
Capital Cost per Treatment	\$14.24

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS, FINANCIAL VIABILITY, REASONABLENESS OF FINANCING ARRANGEMENTS TERMS OF DEBT FINANCING, REASONABLENESS OF PROJECT COSTS, DIRECT OPERATING COSTS, TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.120, 130, 140 (a) (b) (c) (d) (e))

15-062 Fresenius Medical Care Belleville - Belleville



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