



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-01	BOARD MEETING: January 24, 2017	PROJECT NO: 16-029	PROJECT COST: Original: \$6,221,598
FACILITY NAME: Fresenius Medical Care Ross Dialysis- Englewood		CITY: Chicago	
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The applicants (Fresenius Medical Care Holdings, Inc., Ross Dialysis - Englewood, LLC d/b/a Fresenius Medical Care Ross Dialysis-Englewood) are proposing to discontinue a sixteen (16) station ESRD facility located at 6333 S. Green Street, Chicago and establish a twenty-four (24) station ESRD facility at 6226-6236 S. Sangamon Street, Chicago. The anticipated cost of the project is \$7,949,665 and the anticipated project completion date is September 30, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Fresenius Medical Care Holdings, Inc., Ross Dialysis - Englewood, LLC d/b/a Fresenius Medical Care Ross Dialysis-Englewood) are proposing to discontinue a sixteen (16) station ESRD facility located at 6333 S. Green Street, Chicago and establish a twenty-four (24) station ESRD facility at the 6226-6236 S. Sangamon Street, Chicago, Illinois. The anticipated cost of the project is \$7,949,665 and the anticipated project completion date is September 30, 2018.
- A Type A Modification was filed on November 14, 2016 to change the site of the proposed twenty-four (24) station ESRD facility from the NW Corner of W 63rd Street & S. Halsted Street to 6226-6236 S. Sangamon Street, Chicago, Illinois and increase the cost from \$6,221,598 to \$7,949,665 an increase of 27.8% or \$1,728,067.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

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

PURPOSE OF THE PROJECT:

- **The applicants' state:** *"the purpose of the proposed project is to relocate to a modern facility that will provide a safer clinic for staff and patients and address the high utilization of the existing facility."*

PUBLIC HEARING/COMMENT:

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

CONCLUSION:

The State Board Staff has reviewed the application for permit and modification and note the following:

- There is a calculated need for an additional thirteen (13) ESRD stations in the HSA VI ESRD Planning Area by CY 2018.
- The discontinuation of the sixteen (16) station ESRD facility is warranted based upon the condition of the existing facility and the fact that the location of the clinic poses safety issues for staff and patients.
- The establishment of the twenty-four (24) station ESRD facility two (2) minutes from the existing site is warranted based upon the 94% utilization of the existing facility over the past two (2) years and the number of pre-ESRD patients (48 patients) identified as needing dialysis within two (2) years.
- The State Board Staff believes the proposed establishment of the new facility will maintain service access in the community and there will be no unnecessary duplication of service or surplus of stations within the thirty (30) minute service area as the proposed project is proposing to replace an existing facility and add eight (8) stations in a planning area with a calculated need for stations.

CONCLUSIONS:

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

STATE BOARD STAFF REPORT
Ross Dialysis - Englewood, LLC d/b/a Fresenius Medical Care Ross Dialysis-Englewood
PROJECT #16-029

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Fresenius Medical Care Holdings, Inc., Ross Dialysis - Englewood, LLC d/b/a Fresenius Medical Care Ross Dialysis-Englewood
Facility Name	Ross Dialysis - Englewood, LLC d/b/a Fresenius Medical Care Ross Dialysis-Englewood
Location	6226-6236 S. Sangamon Street, Chicago, Illinois
Application Received	June 28, 2016
Application Deemed Complete	June 28, 2016
Review Period Ends	October 26, 2016
Permit Holder	Ross Dialysis - Englewood, LLC d/b/a Fresenius Medical Care Ross Dialysis-Englewood
Operating Entity	Ross Dialysis - Englewood, LLC d/b/a Fresenius Medical Care Ross Dialysis-Englewood
Owner of the Site	Englewood Square Development Partners, LP.
Project Financial Commitment Date	September 13, 2018
Gross Square Footage	10,991GSF
Project Completion Date	September 30, 2018
Expedited Review	Yes
Can Applicants Request Another Deferral?	No
Modification of Application	November 14, 2016
Has the Application been extended by the State Board?	No

I. The Proposed Project

The applicants are proposing to discontinue a sixteen (16) station ESRD facility located at 6333 S. Green Street, Chicago and establish a twenty-four (24) station facility at the 6226-6236 S. Sangamon Street, Chicago. The anticipated cost of the project is \$7,949,665 and the anticipated project completion date is September 30, 2018.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1120.

III. General Information

The applicants are Fresenius Medical Care Holdings, Inc. and Ross Dialysis - Englewood, LLC d/b/a Fresenius Medical Care Ross Dialysis-Englewood. Fresenius Medical Care Holdings, Inc. operating as Fresenius Medical Care North America, operates a network of some 2,100 dialysis clinics located North America. Fresenius Medical Care Holdings, Inc. 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. The operating entity will be Ross Dialysis-Englewood, LLC d/b/a Fresenius Medical Care Ross Dialysis-Englewood. The owner of the site is Weitzman Realty Associates, LLC. The applicants have the following projects outstanding.

TABLE ONE
Outstanding Projects for Fresenius Medical Care

Project Number	Facility	Type of Project	Expected Completion Date	Status
#14-012	Fresenius Medical Care Gurnee	Expansion	12/31/2016	Open 3/21/16 awaiting CMS certification
#14-019	Fresenius Medical Care Summitt	Establishment	6/30/2016	Opening 6/16
#13-040	Fresenius Medical Care Lemont	Establishment	3/30/2016	Opening 6/16
#14-041	Fresenius Medical Care Elgin	Expansion	6/30/2016	Done - Waiting for CMS certification
#14-026	Fresenius Medical Care New City	Establishment	6/30/2016	Construction Underway, Permit Renewal In
#14-047	Fresenius Medical Care Humboldt Park	Establishment	12/31/2016	Construction Underway Permit Renewal In
#14-065	Fresenius Medical Care Plainfield North	Relocation	12/31/2016	Construction End Date 8/6
#15-001	Fresenius Medical Care Steger	Expansion	12/31/2016	Done Waiting for CMS certification
#15-022	Fresenius Medical Blue Island	Expansion	12/31/2016	Construction End Date 6/16
#15-024	Fresenius Medical Care Chicago	CHOW	12/31/2016	In Negotiations
#15-034	Fresenius Medical South Holland	Expansion	12/31/2015	Construction Underway
#15-028	Fresenius Medical Care Schaumburg	Establishment	2/28/2017	Bidding/Permitting Phase
#15-036	Fresenius Medical Care Zion	Establishment	6/30/2017	Bidding/Permitting Phase
#15-062	Fresenius Medical Care Belleville	Establishment	12/31/2017	Bidding/Permitting Phase
#16-035	Fresenius Medical Care Evergreen Park	Relocation	12/31/2017	Permit Granted October 25, 2016

IV. Health Service Area VI

The proposed facility is located in the Health Service Area VI ESRD Planning Area which is the City of Chicago. Currently there are sixty-three (63) ESRD facilities with 1,258 ESRD stations in this planning area. Eight (8) of the sixty-three (63) facilities are new facilities and no data is available. Two (2) of the sixty-three (63) facilities did not report utilization data for the third quarter of 2016. Utilization of the remaining fifty-three (53) facilities was 76.67% for the third quarter of 2016. Over the past four (4) years [CY 2012- CY 2015] this planning area has seen growth in the number of ESRD patients of 1.5% compounded annually.

TABLE TWO
Calculation of Station Need
HSA VI

State of Illinois Use Rate	1.236
HSA VI ESRD Planning Area Patients 2013	4,820
HSA VI ESRD Planning Area Population Est. 2013	2,713,600
Area Use Rate (4,820 Patients/[2,713,600/1,000] Pop.)	1.776
HSA VI ESRD Planning Area Projected Pop. 2018	2,582,908
Projected Patients	4,587.80
Adjustment Factor	1.33
Number of ESRD Patients Projected by 2018	6,102
Projected Treatments	951,886
Stations Needed	1,271
Existing Stations	1,258
Station Need	13

V. Project Cost and Sources of Funds

The applicants are funding this project with cash of \$2,625,201 and a lease with a fair market value of \$5,325,464. The initial start up and operating deficit is projected to be \$212,428.

TABLE THREE
Project Costs and Sources of Funds

	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total	Difference
	Original			Modification			
Modernization Contracts	\$1,482,710	\$344,883	\$1,827,593	\$1,348,375	\$316,408	\$1,664,783	(\$162,810)
Contingencies	\$142,517	\$33,150	\$175,667	\$129,605	\$30,413	\$160,018	(\$15,649)
Architectural and Engineering Fees	\$162,243	\$38,057	\$200,300	\$146,124	\$34,276	\$180,400	(\$19,900)
Movable or Other Equipment	\$435,000	\$185,000	\$620,000	\$435,000	\$185,000	\$620,000	\$0
FMV of Leased Space and Equipment	\$2,853,244	\$544,794	\$3,398,038	\$4,413,649	\$910,815	\$5,324,464	\$1,926,426
Total Uses of Funds	\$5,075,714	\$1,145,884	\$6,221,598	\$6,472,753	\$1,476,912	\$7,949,665	\$1,728,067
							\$0
Cash	\$2,222,470	\$601,090	\$2,823,560	\$2,059,104	\$566,097	\$2,625,201	(\$198,359)
FMV of Leased Space and Equipment	\$2,853,244	\$544,794	\$3,398,038	\$4,413,649	\$910,815	\$5,324,464	\$1,926,426
Total Sources of Funds	\$5,075,714	\$1,145,884	\$6,221,598	\$6,472,753	\$1,476,912	\$7,949,665	\$1,728,067

VI. Discontinuation of Facility

A) Criterion 1110.110 (a) Discontinuation

To demonstrate compliance with this criterion the applicants must provide documentation of the reason for the discontinuation and the impact on access of the proposed discontinuation.

1. The applicants are proposing to discontinue its 16-station ESRD facility located at 6333 S. Green Street, Chicago and establish a 24-station facility to be located at 6226-6236 S. Sangamon Street Chicago. All patients are expected to transfer to the new facility and therefore all medical records will be transferred to the new site. The discontinuation is expected to occur simultaneously with the opening of the new facility, on or before September 30, 2018. There will be no break in service to the patients involved. The evacuated building at 6333 S. Green Street is leased space so will be released back to the landlord.

Per the applicants "this existing facility is located in one of the poorest and highest crime neighborhoods of Chicago. In 2007 when the facility was facing closure Fresenius Medical Care acquired it in order to preserve dialysis services in Englewood. After assuming ownership Fresenius made numerous repairs and renovations to keep the facility in operable condition. Despite these efforts there are ongoing issues that are beyond repair. It is a tri-level building with no emergency exit on the treatment floor level with only one entrance/exit to serve patients, staff and deliveries. The HVAC system, RO/water system, roof and electrical service all need replacing. Even if these repairs were within reason, the location of the clinic poses safety issues for staff and patients. It is located at the end of an isolated dead-end road surrounded by abandoned boarded up buildings, abandoned parking lot and the "L" tracks. The only available parking is in an abandoned parking lot across the street. A new modern clinic in a more visible and safe area with available parking is desperately needed to serve the ESRD patients in Englewood.

2. There will no impact on service accessibility as the proposed new facility is approximately two (2) minutes from the existing facility. [Source: Application for Permit Pages 37-57]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION DISCONTINUATION (77 IAC 1110.110 (a) (b) (c))

VII. Purpose of the Project, Safety Net Impact, Alternatives to the Proposed Project

A) Criterion 1110.230 (a) Purpose of the Project

To demonstrate compliance with this criterion the applicants must document the existing problems or issues to be addressed by the proposed project, the planning area/market area and how the proposed project will address the issues identified.

1. The existing facility has extensive physical plant issues that are beyond reasonable to repair and also issues due to the layout and location of the building that cannot be corrected. The building is in one of the poorest and highest crime neighborhoods of Chicago located at the end of a dead-end street and is completely

isolated. In order to maintain dialysis services in a structure that meets Fresenius standards and to provide a safe environment for patients and staff, a new building and location is necessary. Fresenius Medical Care is willing to invest in the relocation/upgrade of this facility although it is not a financially viable clinic.

2. The proposed new facility will be located within two (2) minutes of the existing facility in the Englewood neighborhood in a Medically Underserved Area.

3. The proposed new facility will be in a new building and safer more visible location while remaining in the Englewood neighborhood will allow patients a new, more modern facility along with easier access with improved patient parking. A more aesthetic environment will also make the need for dialysis services a more pleasant experience. There will be no interruption in service to the current patients. [Source: Application for Permit Page 64]

B) Criterion 1110.230 (b) - Safety Net Impact

To demonstrate compliance with this criterion the applicants must provide a safety net impact statement and schedule documenting the amount of Medicaid revenue and self pay patients and expense for the prior three years.

The applicants stated:

"The relocation of the Fresenius Medical Care Ross - Dialysis Englewood facility, to a location 2 minutes away, will not have any impact on safety net services in Chicago. 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 for ESRD or insurance on the Healthcare Marketplace. 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 Kidney 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 Kidney 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, National Kidney Foundation and American Kidney Fund." [Source: Application for Permit pages 118-122 for complete discussion]

TABLE FOUR ⁽¹⁾ SAFETY NET INFORMATION Fresenius Medical Care Facilities in Illinois			
	2013	2014	2015
Net Revenue	\$398,570,288	\$411,981,839	\$438,247,352
CHARITY			
Charity (# of self-pay patients)	499	251	195
Charity (self-pay) Cost	\$5,346,976	\$5,211,664	\$2,983,427
% of Charity Care to Net Rev.	1.34%	1.27%	0.68%
MEDICAID			
Medicaid (Patients)	1,660	750	396
Medicaid (Revenue)	\$31,373,534	\$22,027,882	\$7,310,484
% of Medicaid to Net Revenue	7.87%	5.35%	1.67%

1. Source: Page 119 of the Application for Permit.

Note:

1) Charity (self-pay) patient numbers decreased however treatments were higher per patient resulting in similar costs as 2013.

2) Charity (self-pay) patient numbers continue to decrease as Fresenius Financial Coordinators assist patients in signing up for health insurance in the Healthcare Marketplace. Patients who cannot afford the premiums have them paid by the American Kidney Fund.

3) Medicaid number of patients is decreasing as Fresenius Financial Coordinators assist patients in signing up for health insurance in the Healthcare Marketplace. Patients who cannot afford the premiums have them paid by the American Kidney Fund.

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

To demonstrate compliance with this criterion the applicants must document the alternatives considered and the reasons for the rejection.

The applicants considered the following

1. Do nothing and possibly closing the existing facility; [No capital costs]
2. Relocating the existing facility and not adding the additional eight stations; [Capital Cost \$5,871,598]
3. Joint venture; and
4. Utilizing other health care facilities in the area. [Capital Cost \$6,221,598]

The first alternative was rejected because the existing facility is in need of repair and is not located in a safe environment. The second alternative was rejected because the existing sixteen (16) station facility is currently operating in excess of 90% utilization and additional stations will be needed to meet future demand. The remaining two (2) alternatives were rejected because the existing facility is a joint venture and area ESRD facilities are all currently operating at high utilization. [Source; Application for Permit page 65-66]

VIII. Size of the Project, Projected Utilization, Assurances

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

To demonstrate compliance with this criterion the applicants must document that the gross square footage meets the standards established in Section 1110 Appendix B.

The applicants are proposing to establish a twenty-four (24) station ESRD facility in 8,050 BGSF of reviewable space or 336 GSF per station. The State Board Standard is 450 – 650 BGSF per station. [Source: Modification of Application submitted November 14, 2016]

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) – Projected Utilization

To demonstrate compliance with this criterion the applicants must document that the proposed project will achieve target occupancy of 80% within two years after project completion.

The applicants are projecting eighty-three percent (83%) utilization by the first year after project completion based upon the number of existing patients [90 patients] plus an additional forty-eight (48) patients that will need dialysis within two (2) years of project completion.

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

C) Criterion 1110.234 (e) –Assurances

To demonstrate compliance with this criterion the applicants' representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.

Teri Gurchiek Regional Vice President of the Chicago Region of the West Division of Fresenius Medical Care North America provided the necessary attestation that the proposed will achieve target occupancy by the end of the second year of operation after projection. [Source Application for Permit page 106]

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

IX. In-Center Hemo Dialysis Center

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

To demonstrate compliance with this criterion the applicants must provide a listing of all health care facilities owned or operated by the applicants, including licensing, and certification; a certified listing of any adverse actions taken against any facility owned and/or operated by the applicant during the past three years before the filing of the application and authorization allowing the State Board and IDPH access to any all records to verify information in the application for permit.

1. The applicants provided a listing of all of their facilities in the State of Illinois as required and their Medicare number. [Source Application for Permit pages 60-61]
2. Bryan Mello Assistant Treasurer Fresenius Medical Care Holdings, Inc. certified 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.
3. The applicants have granted the State Board and IDPH access to any documents necessary to verify information provided in the application for permit.
4. Dr April Kennedy the medical director is licensed with the Illinois Department of Professional Regulation. <https://idfpr.illinois.gov>
5. The applicants provided a letter from the Illinois Historic Preservation Agency that no significant historic, architectural or archaeological resources are located within the proposed project area. Additionally the proposed facility is not located in a flood plain. [Source: Application for Permit page 32-33]
6. Ross Dialysis-Engelwood, LLC, a Delaware Limited Liability Company is in Good Standing with the Illinois Secretary of State and can transact business in the State of Illinois.

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

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

To demonstrate compliance with this criterion the applicants must document that the number of stations to be established is necessary to serve the planning area's population based on the following four subparts:

- 1) 77 Ill. Adm. Code 1100 (Formula Calculation)
 - 2) Service to Planning Area Residents
 - 3) Service Demand
 - 5) Service Accessibility
1. Calculated Need
There is a calculated need by CY 2018 for an additional thirteen (13) stations in the HSA VI ESRD Planning Area.

2. Service to Planning Area Residents

The applicants are proposing to relocate ninety (90) patients to the new facility and have identified sixty-eight (68) pre-ESRD patients. Of these one hundred fifty-eight (158) patients one hundred fifty-seven (157) live in the City of Chicago or the HSA 6 ESRD Planning Area. It would appear the proposed project will serve the residents of the planning area. See Table below.

TABLE FIVE		
Zip Code and City Information of		
Current Patients and Pre-ESRD Patients		
60473	Chicago	1
60609	Chicago	3
60615	Chicago	4
60617	Chicago	2
60619	Chicago	3
60620	Chicago	15
60621	Chicago	21
60628	Chicago	4
60629	Chicago	5
60636	Chicago	17
60637	Chicago	6
60649	Chicago	5
60652	Chicago	1
60653	Chicago	2
60804	Cicero	1
Total		90
60621	Chicago	13
60636	Chicago	38
60637	Chicago	17
Total Pre		
ESRD		158

3. Service Demand

The existing sixteen (16) station dialysis facility has been operating at an average utilization rate of ninety-three percent (93%) for the past twelve (12) months and at ninety-four (94%) utilization for the past two (2) years. The demand for the additional eight (8) stations appears justified based upon the historical utilization of the sixteen (16) station facility, the number of identified pre-ESRD patients, and the calculated need for an additional thirteen (13) stations in the HSA VI ESRD Planning Area.

5. Service Accessibility

The proposed project is the discontinuation of an existing sixteen (16) station facility operating in excess of ninety percent (90%) utilization to a new twenty-four (24) station facility two (2) minutes away. Based upon the information

provided by the applicants it appears that the proposed discontinuation and establishment will improve access to planning area residents by providing a safer environment in a newer modern facility.

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/Maldistribution/Impact on Other Providers

To demonstrate compliance with this criterion the applicants must document that the proposed project will not result in an unnecessary duplication of service or a surplus of ESRD stations in the planning area or will not lower the utilization of other area providers. .

1. Unnecessary Duplication of Service

There are sixty-one (61) facilities within thirty (30) minutes of the proposed facility. Eight (8) of the facilities are new facilities and no data is available. Of the remaining fifty-one (53) facilities average utilization is approximately seventy-nine percent (79%). [See Table at the end of this report]

The Englewood neighborhood is a Federally Designated Medically Underserved Area/Population based on the low income of residents and lack of healthcare resources. Maintaining dialysis services by relocating the facility to a more modern building in a safe location and adding stations will address the HSA station need and the lack of access in Englewood due to the facility's current high utilization. While there are existing facilities that are underutilized in the thirty (30) minute service area it appears to the State Board Staff based upon the information furnished by the applicants that the proposed project will not duplicate services, but will maintain access in an area of healthcare and economic limitations and will not result in an unnecessary duplication of service.

2. Mal-distribution of Service

The State Board defines a mal-distribution (i.e. surplus) of stations as 1.5 times the State of Illinois station to population ratio compared to the ratio of the number of stations within the thirty (30) minute service area to population. The ratio of ESRD stations to population in the zip codes within a 30-minute radius of the proposed facility is 1 station per 2,200 residents according to the 2010 census. The State ratio is 1 station per 2,911 residents (based on US Census estimate for 2015 and the State Board station inventory). Englewood has one of the highest, if not the highest, rates of ESRD per capita than anywhere in the State. One out of every 192 residents suffers from End Stage Renal Disease (based on the 2010 U.S. Census Bureau population and the Renal Network 2010 ESRD census for zip code 60621. For comparison, the State of Illinois ratio for 2010 was 1 out of every 772 residents. Based upon the information above the State Board Staff concludes there is not a surplus of stations within this thirty (30) minute service area.

3. Impact on Other Providers

The State Board Staff believes the discontinuation and establishment will not have an adverse effect on any other area ESRD provider and will maintain access to dialysis services to a medically underserved area/population based upon the information provided in the application for permit. The proposed facility will provide a location for the supporting nephrologists to establish a clinic to educate and treat those in the early stages of kidney disease. State Board Staff concludes the proposed project will not impact other providers in the service area.

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

D) Criterion 1110.1430 (f) - Staffing

To demonstrate compliance with this criterion the applicants must document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and Joint Commission staffing requirements can be met.

The proposed facility will be Medicare certified. Dr. April Kennedy is the Medical Director for Fresenius Medical Care Ross Dialysis - Englewood and will continue to be the Medical Director after the relocation. Dr. Kennedy's curriculum vitae has been provided as required. All staff will transfer to the new facility. Fresenius Medical Care Ross Dialysis - Englewood will remain an "open" unit with regards to medical staff. The facility will have a

- Clinic Manager who is a Registered Nurse
- 2 Full-time Registered Nurses
- 9 Full-time Patient Care Technicians
- 1 Full-time Registered Dietitian
- 1 Full-time Licensed Master level Social Worker
- 1 Part-time Equipment Technician
- 1 Full-time Secretary
- 1 Part-time Secretary

After the relocation one more registered nurse and one more patient care technician will be hired. [Source: Application for Permit pages 93-97]

It appears from the information the applicants have provided that relevant clinical and professional staffing will meet the Medicare certification requirements.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 IAC 1110.1430 (f))

E) Criterion 1110.1430 (g) - Support Services

To demonstrate compliance with this requirement the applicants must attest that they will:

- 1) Participate in a dialysis data system;
- 2) Have available support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and
- 3) Provide training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training provided at the proposed facility, or the existence of a signed, written agreement for provision of these services with another facility.

The applicants have provided the necessary attestation at page 98 of the Application for Permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SUPPORT SERVICES (77 IAC 1110.1430 (g))

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

To demonstrate compliance with this criterion the applicants must propose a facility with a minimum of eight (8) in-center hemodialysis stations in the Chicago-Naperville-Joliet-Gary, IL-IN-WI Metropolitan Statistical Area

The applicants are proposing a twenty-four (24) station ESRD facility in Chicago. The applicants have met this requirement

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION MINIMUM NUMBER OF STATIONS (77 IAC 1110.1430 (h))

G) Criterion 1110.1430 (i) - Continuity of Care

To demonstrate compliance with this criterion the applicants must provide a signed, written affiliation agreement or arrangement is in effect for the provision of inpatient care and other hospital services.

The applicants have provided a copy of a signed written affiliation agreement with St. Bernard Hospital in Chicago. [Source: Application for Permit pages 100-104]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CONTINUITY OF CARE (77 IAC 1110.1430 (i))

H) Criterion 1110.1430 (j) - Relocation of Facilities

To demonstrate compliance with this criterion the applicants must document that the existing facility has been at target occupancy for the past twelve months and the proposed facility will improve access to care.

The existing facility has been operating at an average utilization rate of ninety-four percent (94%) for the past two (2) years. The new facility will provide patients with a more modern facility that that will meet Fresenius facility standards. It will also have easier access with improved parking. Patient/staff physical safety concerns will also be met by continuing to serve this patient population in a more visible and therefore safer location.

Based upon the information provided in the application 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 RELOCATION OF FACILITIES (77 IAC 1110.1430 (j))

I) Criterion 1110.1430 (k) - Assurances

To demonstrate compliance with this criterion the applicants must attest that the proposed facility will achieve and maintain target utilization and achieve adequacy outcomes.

Teri Gurchiek Regional Vice President of the Chicago Region of the West Division of Fresenius Medical Care North America provided the necessary attestation at page 106 of the Application for Permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.1430 (k))

FINANCIAL VIABILITY

Criterion 1120.120 – Availability of Funds

Criterion 1120.130 – Financial Viability

To demonstrate compliance with these criteria the applicants must provide documentation that sufficient resources are available and the resources will be from internally generated funds.

The applicants are funding this project with cash of \$2,625,201 and a lease with a fair market value of \$5,325,464. A review of the audited financial statements indicates that the applicants have sufficient resources to fund this project. Also included in the Table below is the credit rating of Fresenius Medical Care Holdings, Inc.

TABLE SIX		
FMC Holdings Inc. Audited Financial Statements		
(Dollars in Thousands)		
December 31,		
	2014	2015
Cash & Investments	\$195,280	\$249,300
Current Assets	\$4,027,091	\$4,823,714
Total Assets	\$18,489,619	\$19,332,539
Current Liabilities	\$2,058,123	\$2,586,607
Long Term Debt	\$2,669,500	\$2,170,018
Total Liabilities	\$9,029,351	\$9,188,251
Total Revenues	\$10,373,232	\$11,691,408
Expenses	\$9,186,489	\$10,419,012
Income Before Tax	\$1,186,743	\$1,272,396
Income Tax	\$399,108	\$389,050
Net Income	\$787,635	\$883,346

Source: 2014/2015 Audited Financial Statements

TABLE SEVEN			
Fresenius Medical Care Holdings, Inc.			
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+

Source: Information provided by the Applicants

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA AVAILABILITY OF FUNDS, FINANCIAL VIABILITY (77 IAC 1120.120, 77 IAC 1120.130)

ECONOMIC FEASIBILITY

A) Criterion 11120.140 (a) – Reasonableness of Financing Arrangements

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

To demonstrate compliance with these two criteria the applicants must document that entering into a lease (borrowing) is less costly than the liquidation of existing investments 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 applicants provided the necessary attestation that the lease is less costly than the liquidation of existing investments and the cost of leasing is less costly than the constructing a new facility or purchasing new equipment. The lease term is a fifteen (15) year initial term, with three (3) five (5) year renewal terms. The base rent will be \$28.50 net with 1.79% annual increases. [Source Modification of Application received November 14, 2016]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS, TERMS OF DEBT FINANCING (77 IAC 1120.140 (a) (b))

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

To demonstrate compliance with this criterion the applicants must document that the costs of the project are reasonable and are in compliance with Section 1120 Appendix A.

The applicants have met the State Board Standards of Section 1120 Appendix A

TABLE EIGHT
Reasonableness of Project Costs

Reviewable Costs	Proposed Cost		State Standard	Met Standard
Modernization Cont & Contingencies	\$1,477,980	\$183.60	\$194.87	Yes
Contingencies	\$129,605	8.76%	10-15%	Yes
Architectural and Engineering Fees	\$146,124	9.88%	10.16%	Yes
Movable or Other Equipment	\$435,000	\$18,125	\$53,683	Yes
FMV of Leased Space and Equipment	\$4,413,649	NA		

Itemization of Modernization Costs and Movable or Other Equipment Costs are below.

TABLE NINE	
Itemization of Modernization Contract	
General Conditions	\$83,240
Temp Facilities, Controls, Cleaning, Waste Management	\$4,160
Concrete	\$21,310
Masonry	\$25,300
Metal Fabrications	\$12,500
Carpentry	\$146,330
Thermal, Moisture & Fire Protection	\$29,628
Doors, Frames, Hardware, Glass & Glazing	\$114,040
Walls, Ceilings, Floors, Painting	\$268,860
Specialties	\$20,800
Casework, Floor Mats & Window Treatments	\$9,999
Piping, Sanitary Waste, HVAC, Ductwork, Roof Penetrations	\$532,730
Wiring, Fire Alarm System, Lighting	\$320,970
Miscellaneous Construction Costs	\$74,916
Total	\$1,664,783

TABLE TEN	
Itemization of Movable or Other Equipment	
Dialysis Chairs	\$60,000
Clinical Furniture & Equipment	\$35,000
Office Equipment & Other Furniture	\$45,000
Water Treatment	\$210,000
TVs & Accessories	\$80,000
Telephones	\$30,000
Generator	\$110,000
Facility Automation	\$30,000
Other miscellaneous	\$20,000
Total	\$620,000

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 demonstrate compliance with this criterion the applicants must document the projected operating costs per treatment.

The applicants stated the operating costs per treatment are \$224.85.

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) – Effect of Project on Capital Costs

To demonstrate compliance with this criterion the applicants must document the projected capital costs per treatment.

The applicants stated the capital costs per treatment are \$20.87.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION EFFECT OF PROJECT ON CAPITAL COSTS (77 IAC 1120.140 (e))

TABLE ELEVEN
Facilities within 30 Minutes of Proposed Facility

Name	City	HSA	Stations	Utilization (1)	Adjusted Time (2)	Star Rating (3)
FMC Ross Dialysis - Englewood	Chicago	6	16	94.00%	2.5	1
FMC - Garfield	Chicago	6	22	80.30%	5	2
Woodlawn Dialysis	Chicago	6	32	64.06%	7.5	4
DaVita Emerald Dialysis	Chicago	6	24	76.39%	7.5	5
FMC Marquette Park	Chicago	6	16	95.83%	8.75	3
Grand Crossing Dialysis	Chicago	6	12	95.83%	8.75	2
FMC - Bridgeport	Chicago	6	27	78.40%	10	2
Fresenius Medical Care Chatham	Chicago	6	16	90.63%	10	1
Davita Kenwood	Chicago	6	32	68.23%	11.25	5
FMC - Jackson Park Dialysis	Chicago	6	24	74.31%	12.5	1
FMC - South Chicago	Chicago	6	36	97.22%	12.5	2
FMC - Greenwood Dialysis Center	Chicago	6	28	70.24%	13.75	1
FMC - Prairie	Chicago	6	24	76.39%	13.75	3
FMC - South Side	Chicago	6	39	85.04%	13.75	1
Beverly Dialysis Center	Chicago	6	16	103.13%	13.75	3
DSI Loop Renal Center	Chicago	6	28	64.88%	15	3
West Lawn Dialysis	Chicago	6	12	91.67%	15	3
DaVita Stony Island Dialysis	Chicago	6	32	90.63%	17.5	4
Fresenius Medical Center - Westside	Chicago	6	31	43.01%	18.75	1
FMC - East Delaware	Chicago	6	24	45.83%	18.75	3
FMC - Evergreen Park	Evergreen Park	7	30	0.00%	18.75	1
Fresenius Medical Care of Roseland	Chicago	6	12	98.61%	18.75	2
Cook County Hospital Dialysis	Chicago	6	9	29.63%	20	NA
DSI Renal Services - Scottsdale	Chicago	6	36	63.43%	20	3
Fresenius Medical Care South Deering	Chicago	6	20	69.17%	20	2
University of Illinois Hospital Dialysis	Chicago	6	26	87.82%	20	2
SAH Dialysis Clinic at 26th Street	Chicago	6	15	45.46%	21.25	NA
DaVita West Side Dialysis	Chicago	6	12	31.94%	21.25	NA
FMC - Northwestern University	Chicago	6	42	56.75%	21.25	1
FMC Dialysis Services of Congress Parkway	Chicago	6	30	66.11%	21.25	3
FMC - Blue Island	Blue Island	7	28	70.83%	21.25	2
DaVita Mount Greenwood Dialysis	Chicago	6	16	103.13%	21.25	3
FMC - Chicago Dialysis Center	Chicago	6	21	52.38%	22.5	1
FMC Dialysis Services - Burbank	Burbank	7	26	89.10%	22.5	1
DaVita - Little Village Dialysis	Chicago	6	16	91.67%	22.5	5
DaVita Lawndale Dialysis	Chicago	6	16	97.92%	22.5	2
Fresenius Medical Care West Willow	Chicago	6	12	52.78%	23.75	2
FMC - Merrionette Park	Merrionette Park	7	24	90.97%	23.75	2
Mt. Sinai Hospital Med Ctr	Chicago	6	16	87.50%	23.75	3
Fresenius Medical Care - Midway	Chicago	6	12	94.44%	23.75	3
Fresenius Lakeview	Chicago	6	14	65.48%	25	3
DaVita - Lincoln Park Dialysis Center	Chicago	6	22	71.97%	25	3
Fresenius Uptown	Chicago	6	14	86.90%	25	1
DaVita Stony Creek	Oak Lawn	7	12	101.39%	25	3
Country Hills Dialysis	Country Club Hills	7	24	80.56%	26.25	2
Fresenius Medical Care Oak Forest	Oak Forest	7	12	76.39%	27.5	3

TABLE ELEVEN
Facilities within 30 Minutes of Proposed Facility

Name	City	HSA	Stations	Utilization (1)	Adjusted Time (2)	Star Rating (3)
DaVita South Holland	South Holland	7	24	80.56%	27.5	3
Garfield Kidney Center	Chicago	6	16	106.25%	27.5	5
FMC Alsip	Alsip	7	20	70.83%	28.75	1
DaVita Harvey	Harvey	7	18	64.81%	28.75	2
Logan Square Dialysis	Chicago	6	28	79.17%	28.75	4
Fresenius South Holland	South Holland	7	24	72.22%	30	2
FMC - West Metro (5)	Chicago	6	12	238.89%	30	2
				78.51%		
Facilities within 30 minutes not yet operational						
Fresenius Medical Care New City	Chicago	6	16	0.00%	8.75	
DaVita Park Manor Dialysis	Chicago	6	16	0.00%	13.75	
DaVita Washington Heights Dialysis	Chicago	6	16	0.00%	13.75	
Fresenius Medical Care Beverly Ridge	Chicago	6	16	0.00%	13.75	
FMC - South Shore	Chicago	6	16	0.00%	16.25	
Calumet Dialysis Center	Calumet City	7	16	0.00%	25	
Fresenius Medical Care Humboldt Park	Chicago	6	34	0.00%	26.25	
Fresenius Medical Care Summit	Summit	7	12	0.00%	26.25	

1. Utilization data 3rd Quarter 2016
2. Adjusted Time Per 77 IAC 1100.510 (d)
3. ESRD Star Rating taken from www.medicare.gov/dialysisfacilitycompare/
4. NA – Not Available
5. FMC – West Metro was approved to discontinue twenty (20) stations as part of permit #14-047.

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