



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-03	BOARD MEETING: March 14, 2017	PROJECT NO: 16-049	PROJECT COST: Original:\$2,223,191
FACILITY NAME: Fresenius Medical Care Macomb		CITY: Macomb	
TYPE OF PROJECT: Substantive			HSA: II

PROJECT DESCRIPTION: The applicants (Fresenius Medical Care Holdings, Inc., and Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Macomb) are proposing to discontinue an existing 6-station End Stage Renal Dialysis facility in Macomb, and establish an 8-station replacement ESRD facility in Macomb, Illinois. The cost of the project is \$2,223,191, and the completion date is December 31, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Fresenius Medical Care Holdings, Inc., and Fresenius Medical Care of Illinois, LLC) are proposing to discontinue an existing 6-station ESRD facility in Macomb, and establish an 8-station replacement facility approximately one mile away, in the same city. The cost of the project is \$2,223,191, and the project completion date is December 31, 2018.

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 purpose of the project is to ensure continued access to dialysis services, through the establishment of a more modern, structurally sound and permanent location. The current six-station facility has been operating for the last seventeen (17) years in a modular double-wide building, on the campus of McDonough District Hospital, Macomb. The building itself is now seventeen (17) years old, lacks sufficient isolation treatment space, and has surpassed its useful life as a dialysis facility. The replacement facility will contain eight (8) ESRD stations, to better serve an underserved and largely rural population.

PUBLIC HEARING/COMMENT:

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

SUMMARY:

- State Board is estimating an excess of sixteen (16) stations in the HSA II ESRD Planning Area by CY 2018. The proposed project will relocate six (6) existing stations to a modern, more permanent facility, and add two (2) stations to the service area. The current patient base (17 patients) is expected to transfer to the replacement facility. Ten (10) pre-ESRD patients under the care of Dr. Sudha Cherukuri, M.D. are expected to require dialysis services within the next year, and an additional twenty-two (22) pre-ESRD patients are expected to require treatment at the new facility, once it becomes operational. Based on these assertions, sufficient need exists to re-establish this 8-station ESRD facility.

CONCLUSIONS:

- **The applicants addressed twenty-two (22) criteria and have met them all.**

STATE BOARD STAFF REPORT
Fresenius Medical Care Macomb
PROJECT #16-049

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Fresenius Medical Care Holdings, Inc. Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Macomb
Facility Name	Fresenius Medical Care Macomb
New Location	212 East Calhoun Street, Macomb
Application Received	November 28, 2016
Application Deemed Complete	November 30, 2016
Review Period Ends	March 30, 2017
Permit Holder	Fresenius Medical Care of Illinois, LLC
Operating Entity	Fresenius Medical Care of Illinois, LLC
Owner of the Site	Fred Heslop & K.K. Heslop, LP
Project Financial Commitment Date	March 24, 2019
Gross Square Footage	4,884 GSF
Project Completion Date	December 31, 2018
Expedited Review	No
Can Applicants Request a 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) are proposing to discontinue an existing 6-station End Stage Renal Dialysis (ESRD) facility in Macomb, and establish an 8-station replacement facility in the same city. The cost of the project is \$2,223,191, and the completion date is December 31, 2018.

II. Summary of Findings

- A. State Board Staff finds the proposed project is in conformance with the provisions of Part 1110.
- B. 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 Fresenius Medical Care of Illinois, LLC d/b/a Fresenius Medical Care Macomb. The applicants are both Delaware-based corporations licensed to conduct business in the State of Illinois. Both are currently in good standing with the State of Illinois. Fresenius Medical Care of Illinois, LLC is also the operating entity, and the owner of the new site is Fred Heslop & K.K. Heslop, LP. The proposed facility will be located at 212 East Calhoun Street, Macomb, Illinois in the HSA II ESRD Planning Area. This is a substantive project subject to an

1110 and 1120 review. Financial commitment of the project will occur after permit issuance

Table One below outlines the current Fresenius Projects approved by the State Board and not yet completed.

TABLE ONE			
Current Fresenius Projects and Status			
Project Number	Name	Project Type	Completion Date
#14-012	FMC Gurnee	Relocation/Expansion Establishment	4/30/2017
#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
#15-028	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
#15-062	FMC Belleville	Establishment	12/31/2017
#16-024	FMC Kidney Care East Aurora	Establishment	9/30/2018
#16-029	FMC Ross Dialysis – Englewood	Relocation/Expansion Establishment	12/31/2018
#16-035	FMC Evergreen Park	Relocation/Establishment	12/31/2017

IV. ESRD Health Service Area II

For planning purposes for ESRD services the State Board uses Health Service Areas as the planning area. These areas provide a geographic frame of reference which allows the State Board to make an estimate of capacity. HSA II ESRD Planning Area consists of the following Illinois counties: Bureau, Fulton, Henderson, Knox, LaSalle, Marshall, McDonough, Peoria, Putnam, Stark, Tazewell, Warren, and Woodford Counties. There are twelve (12) ESRD facilities in the HSA II ESRD Planning Area. The State Board is currently estimating an excess of sixteen (16) ESRD stations in this planning area, per the December 2016 Revised Bed/Station Need Determination. See Table Seven and Eight at the end of this report for listing of ESRD planning areas and facilities in the HSA II ESRD Planning Area.

TABLE TWO	
Need Methodology HSA II ESRD Planning Area	
Planning Area Population – 2013	676,600
In Station ESRD patients -2013	560
Area Use Rate 2013 ⁽¹⁾	.828
Planning Area Population – 2018 (Est.)	853,100
Projected Patients – 2018 ⁽²⁾	558.4
Adjustment	1.33x
Patients Adjusted	743
Projected Treatments – 2018 ⁽³⁾	115,863
Existing Stations	171

Stations Needed-2018	155
Number of Stations In Excess	16
1. Usage rate determined by dividing the number of in-station ESRD patients in the planning area by the 2013 – planning area population per thousand. 2. Projected patients calculated by taking the 2018 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients. 3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient	

V. Project Costs

The applicants are funding this project with cash and securities in the amount of \$1,340,076 and the fair market value of leased space and equipment of \$883,115. The estimated start-up cost and operating deficit is \$70,443.

TABLE THREE Project Costs and Sources of Funds			
USE OF FUNDS	Reviewable	Non Reviewable	Total
Modernization Contracts	\$608,536	\$231,512	\$840,048
Contingencies	\$60,146	\$22,882	\$83,028
Architectural/Engineering Fees	\$66,860	\$25,140	\$92,000
Movable or Other Equipment (not in construction contracts)	\$240,000	\$85,000	\$325,000
Fair Market Value of Leased Space & Equipment	\$667,241	\$215,874	\$883,115
TOTAL USES OF FUNDS	\$1,642,783	\$580,408	\$2,223,191
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total
Cash and Securities	\$975,542	\$364,534	\$1,340,076
Leases (fair market value)	\$667,241	\$215,874	\$883,115
TOTAL SOURCES	\$1,642,783	\$580,408	\$2,223,191

VI. Discontinuation

A) Criterion 1110.130(a) – Discontinuation

To demonstrate compliance with this criterion the applicants must document

- 1) the reasons for the discontinuation
- 2) impact on access in the planning area

The applicants (Fresenius Medical Care Holdings, Inc., and Fresenius Medical Care of Illinois, LLC), propose to discontinue operations at its current ESRD facility located at 523 East Grant Street, Macomb, and establish operations in a modernized, leased facility, located at 212 East Calhoun Street approximately one mile (3 minutes) away. The current 6-station facility is located in a double-wide modular unit, on the campus of McDonough Hospital, Macomb. The current building is seventeen (17) years old, has no isolation accommodations, lacks a sufficient water treatment system, and needs extensive structural repairs. The applicants propose to vacate the premises and establish an 8-station replacement facility, located at 212 East Calhoun Street, Macomb. The existing

facility will continue to operate until a time when the replacement facility is ready to accept patients, with no disruption in service. The applicants attest that all patients and medical records will transfer to the replacement facility upon project completion, and the current facility will be released back to the landlord.

Given the condition of the current facility, it seems that the discontinuation is justified. There will be no impact on patient access.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION DISCONTINUATION (77 IAC 1110.130(a))

VII. Purpose of Project, Safety Net Impact Statement and Alternatives

Reviewer Note: These three (3) criteria are informational only and no determination is made by the State Board Staff on whether the criteria have been met.

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

The purpose for the proposed project is to allow ESRD patients in the Macomb area continued access to dialysis services in a modernized facility that is equipped to treat End Stage Renal Dialysis (ESRD) patients under a broad range of conditions. The current 6-station facility is located in a double-wide modular housing unit that has surpassed its practical lifespan. Structural deficiencies include an outdated water treatment system, rendering the existing facility unusable. The replacement facility, located approximately one (1) mile away, will include eight (8) stations, updated water treatment infrastructure, and treatment capacity for isolation patients. The two additional treatment stations will allow for enhanced access, less crowded conditions, and a safer dialysis environment from both patients and staff.

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

The applicants stated the following:

"The relocation and expansion of the Fresenius Medical Care Macomb dialysis facility will not have any impact on safety net services in the Macomb area of McDonough 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 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 and National Kidney Foundation, and American Kidney Fund.” (See Application for Permit Page 85)

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 107 of the Application for Permit.			

Note to Table Four Above

- 1) Charity (self-pay) patient numbers decreased in 2014; however treatments were higher per patient resulting in similar costs as 2013 but those patients had more treatments (stayed uninsured longer) than those in 2013 resulting in similar charity costs.
- 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 Project

The applicants considered the following four (4) alternatives to the proposed project.

1. Relocate/Maintain Current Station Complement
2. Pursue Joint Venture or Similar Arrangement
3. Utilizing Other Health Care Resources
4. Discontinue/Relocate/Expand Macomb Dialysis

1. Relocate/Maintain Current Station Complement

The applicants considered the relocation of six (6) stations, without adding two (2) stations. This was deemed as unacceptable, because the facility currently operates four (4) shifts, and has no isolation capabilities. It is not safe to have patients traveling long barren roadways in the dark to and from treatment. A smaller facility would be inapplicable, based on the current station need. The applicants note an immediate need for additional stations, in a modernized facility, equipped to accommodate isolation patients. Approximate cost identified with this alternative: \$2,186,000.

2. Pursue Joint Venture or Similar Arrangement

The applicants determined there is no desire for any parties to form a joint venture for this clinic at this time. There were no costs identified with this alternative.

3. Utilize Other Health Care Resources

The applicants note there are no other dialysis facilities within a thirty minute travel radius. This was not seen as a viable option, and no costs were identified.

4. Discontinue/Relocate/Expand Macomb Dialysis

The applicants determined this was the most viable option, given the deteriorated condition of the current facility and its equipment. In addition to the modernized facility and equipment, this option will provide two additional ESRD stations and the capability to dialysis patients requiring an isolation environment. Cost of the proposed option: \$2,223,191. (Application for Permit, p. 46-47)

VIII. Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234(a) - Size of Project

To demonstrate compliance with this criterion the applicants must document that the proposed gross square footage does not exceed the State Board Standards in Part 1110 Appendix B.

The applicants are proposing to construct 3,538 GSF of clinical space for eight (8) stations or 442 GSF per station. The State Board standard is 450-650 BGSF per station. (See Application for Permit page 37)

B) Criterion 1110.234(b) – Projected Utilization

To demonstrate compliance with this criterion the applicants must document that by the second year after project completion the applicants will be at the target occupancy of eighty percent (80%).

The Medical Director and referring physician for Fresenius Medical Care Macomb (Dr. Sudha Cherukuri, M.D.), has identified eighty-one (81) pre-ESRD

patients from his practice who live in the Macomb area. Of these patients, Dr. Cherukuri conservatively estimates ten (10) will require dialysis services within the next twelve (12) months, and another twenty-two (22) patients will require dialysis services at the time the facility becomes operational. These patients, combined with the seventeen (17) patients currently being served at the existing facility, will result in utilization surpassing the 80th percentile. *(See Application for Permit page 51)*

49 patients x 156 treatment per year = 7,644 treatments
8 stations x 936 treatments per stations per year = 7,488 treatments
7,644 treatments / 7,488 treatments = 100.2% utilization

C) Criterion 1110.234(e) – Assurances

To demonstrate compliance with this criterion the applicants must attest that the proposed project by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Part 1110. Appendix B.

The applicants provided the necessary assurance that they will be at target occupancy within two years after project completion. *(See Application for Permit page 72)*

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

IX. 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 to access information in order to verify any documentation or information submitted in response to the requirements of the application for permit.

The applicants provided sufficient background information, including a list of facilities and the necessary attestations as required by the State Board at *pages 39-44 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)

To demonstrate compliance with this sub-criterion the applicants must document that there is a calculated need for stations in the HSA II ESRD Planning Area.

The proposed facility will be located in the HSA II ESRD Planning Area. The State Board is estimating **an excess of sixteen (16) ESRD** stations in this planning area by CY 2018, per the December 2016 ESRD Inventory Update.

2) Service to Planning Area Residents

To demonstrate compliance with this sub-criterion the applicants must document that at least fifty percent (50%) of proposed patients reside in the HSA II ESRD Planning Area.

The applicants note the service area for the proposed facility is the same as the service area for the existing facility, which is classified as being in a medically underserved area, with no other facilities within a 30-minute travel radius. The proposed facility will continue to serve the patients under the care of Dr. Soda Cherukuri, M.D., which includes seventeen (17) existing patients as well as thirty-two (32) pre-ESRD patients expected to require dialysis services within two years after project completion. It is noted that ninety-two percent (92%) of the projected referral patients reside in the McDonough County service area, while the remaining eight percent (8%) reside in neighboring Schuyler County.

3) Service Demand – Establishment of In-Center Hemodialysis Service

To demonstrate compliance with this sub-criterion the applicants must document that there is sufficient demand for the number of stations being requested by providing the projected number of pre-ESRD patients that will require dialysis within twelve (12) to twenty-four (24) months after project completion.

Dr. Sudha Cherukuri, M.D., the referring physician, identified seventeen (17) patients currently treated at the Rutledge Street facility and another thirty-two (32) patients expected to begin dialysis at the replacement facility in the first two years of operation. Pages 53-55 of the application contains zip code origins of historical and projected patient referrals from the Springfield area.

5) Service Accessibility/Service Restrictions

To demonstrate compliance with this sub-criterion the applicants must document one of the following:

1. There is an absence of the proposed service within the HSA VII ESRD planning area;
2. There is access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;
3. There is restrictive admission policies of existing providers;

4. The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;
5. For purposes of this subsection (c) (5) only, all services within the 30-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

There is no absence of dialysis service in the planning area; nor access limitations due to payor status, or restrictive admission policies at existing providers. The applicants have documented that the proposed facility will be located in a medically underserved area and population (MUA/P). [Application for Permit page 56] There are no ESRD facilities within thirty (30) minutes of the proposed facility.

Reviewer Note: MUA/P designations are based on the Index of Medical Underservice (IMU). IMU is calculated based on four criteria:

- the population to provider ratio;
- the percent of the population below the federal poverty level;
- the percent of the population over age 65; and
- the infant mortality rate.

IMU can range from 0 to 100, where zero represents the completely underserved. Areas or populations with IMUs of 62.0 or less qualify for designation as an MUA/P. McDonough County has a score of 61.10. <https://bhwh.hrsa.gov/shortage-designation/muap>

The proposed 8-station replacement facility is needed to maintain access to life-sustaining dialysis patients in Macomb and the surrounding service area. The relocation of this facility is necessary to ensure the continued provision of dialysis services in a medically-underserved area, in a modernized, updated environment. The applicants' further note the newly constructed facility will contain two (2) additional stations to accommodate the high utilization and the need for isolation stations. The infrastructure at the existing facility is not equipped to continue serving the Macomb community.

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

C) Criterion 1110.1430(d)(1), (2) and (3) - Unnecessary Duplication/Mal-distribution/ Impact on Other Facilities

To demonstrate compliance with this criterion the applicants must document the following:

- 1) The applicant shall document that the project will not result in an unnecessary duplication within the thirty (30) minute service area.
- 2) The applicant shall document that the project will not result in maldistribution of services in the thirty minute service area.
- 3) The applicant shall document that, within 24 months after project completion, the proposed project will not lower the utilization of other area providers within the thirty (30) minute service area 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 within the thirty minute service area that are currently (during the latest 12-month period) operating below the occupancy standards.

1. There are no ESRD facilities within thirty (30) minutes of the proposed facility.
2. The ratio of ESRD stations to population in the geographical service area (GSA) of Fresenius Medical Care Macomb is 1 station per 9,482 residents according to the 2010 census. The State ratio is 1 station per 2,888 residents (as of November 2016). There is no surplus of stations in this thirty (30) minute service area.
3. There are no facilities within thirty (30) minutes of the proposed facility; therefore, it does not appear that the proposed facility will have an impact on other facilities because of its remoteness and the need for modernized services. The proposed project will not create a surplus of stations or negatively impact existing providers.

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) and (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 (j) – Relocation of Facilities**
- J) 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 will be provided at the proposed facility. The following services will be provided via referral to OSF St. Francis Medical Center, Peoria: blood bank services, rehabilitation services and psychiatric services. The applicants are proposing eight (8) stations and the minimum number of stations outside of an MSA is six (6) stations. Continuity of care will be provided at OSF

St. Francis Medical Center, Peoria as stipulated in the agreement provided in the application for permit. Additionally, the proposed 8-station facility will be a replacement facility established approximately one of a mile from the existing 6-station facility. The seventeen (17) existing patients, as well as thirty-two (32) additional referral patients will be served by this facility, after project completion. Lastly, 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 58-72)*

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), (j) and (k))

X. 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 in the amount of \$1,340,076 and the fair market value of leased space and equipment of \$883,115. A review of the 2014/2015 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 Five below outlines Fresenius Medical Care's Credit Rating.¹

TABLE FIVE			
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+
Source: Information provided by the Applicants.			

1 An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories

Ba Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.

TABLE SIX FMC Holdings Inc. Audited Financial Statements (Dollars in Thousands)		
	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
<i>Net Income</i>	\$787,635	\$883,346
Source: 2014/2015 Audited Financial Statements		

XI. 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 4,884 GSF rentable contiguous square feet with an initial lease term of ten (10) years with three (3) five (5) year renewal options. The lease rate per gross square foot is \$13.00. The applicants attested that entering into a lease (borrowing) is less costly than liquidating 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 73-79)*

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

Only Clinical Costs are reviewed in this criterion.

Modernization and Contingencies Costs are \$668,682 or \$189.00 per GSF for 3,538 GSF. This appears reasonable when compared to the State Board Standard of \$194.87 per GSF, when projecting 2018 as the mid-point of construction.

Contingencies – These costs total \$60,146, and are 9.8% of the modernization costs identified for this project. This is in compliance with the State standard of 10%-15%.

Architectural Fees are \$66,680 and are 9.9% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 7.50%-11.26%.

Movable or Other Equipment – These costs are \$240,000 or \$30,000 per station (8 stations). This appears reasonable when compared to the State Board Standard of \$53,682 per station.

Fair Market Value of Leased Space and Equipment – These costs are \$667,241. The State Board does not have a standard for these costs.

D) Criterion 1120.140(d) - Direct Operating Costs

The applicants are estimating \$247.00 per treatment in direct operating costs. This appears reasonable when compared to previously approved projects of this type.

Operating Expenses:	\$829,920
Treatments:	3,360
Cost Per Treatment:	\$247.00

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

The applicants are estimating \$34.23 in capital costs. This appears reasonable when compared to previously approved projects of this type.

Depreciation/Amortization	\$115,000
Total Capital Costs:	\$115,000
Treatments:	3,360
Capital Cost per Treatment	\$34.23

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, AND TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.120, 130, 140(a), (b), (c), (d) and (e))

TABLE SEVEN ESRD Planning Areas	
HSA I	Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago
HSA II	Bureau, Fulton, Henderson, Knox, LaSalle, Marshall, McDonough, Peoria, Putnam, Stark, Tazewell, Warren, and Woodford
HSA III	Adams, Brown, Calhoun, Cass, Christian, Greene, Hancock, Jersey, Logan, Macoupin, Mason, Menard, Montgomery, Morgan, Pike, Sangamon, Schuyler, and Scott
HSA IV	Champaign, Clark, Coles, Cumberland, DeWitt, Douglas, Edgar, Ford, Iroquois, Livingston, Macon, McLean, Moultrie, Piatt, Shelby, and Vermilion
HSA V	Alexander, Bond, Clay, Crawford, Edwards, Effingham, Fayette, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Johnson, Lawrence, Marion, Massac, Perry, Pope, Pulaski, Randolph, Richland, Saline, Union, Wabash, Washington, Wayne, White, and Williamson
HSA VI	City of Chicago
HSA VII	DuPage County and Suburban Cook County
HSA VIII	Kane, Lake, and McHenry
HSA IX	Grundy, Kankakee, Kendall, and Will
HSA X	Henry, Mercer, and Rock Island
HSA XI	Clinton, Madison, Monroe, and St. Clair

TABLE EIGHT
ESRD Facilities in the HSA II ESRD Planning Area

Facility	Ownership	City	Stations	Utilization	Star Rating
FMC - Spoon River	Fresenius	Canton	12	52.78%	4
FMC- East Peoria	Fresenius	East Peoria	24	70.14%	3
FMC - Galesburg	Fresenius	Galesburg	14	80.95%	2
MMB Dialysis, LLC	Fresenius	Macomb	6	50.00%	4
FMC-Maple City	Fresenius	Monmouth	9	20.37%	NA
FMC - Ottawa	Fresenius	Ottawa	12	66.67%	3
Davita Tazewell County	Davita	Pekin	8	43.75%	1
FMC - Pekin	Fresenius	Pekin	10	75.00%	4
FMC - Peoria Downtown	Fresenius	Peoria	32	68.23%	3
FMC - Peoria North	Fresenius	Peoria	19	75.44%	2
FMC - Spring Valley	Fresenius	Spring Valley	17	67.65%	5
FMC- Streator	Fresenius	Streator	8	45.83%	5

NA – Information not available.

Sorted by City

Star Rating taken from Medicare Compare Website <https://www.medicare.gov/dialysisfacilitycompare/>

Occupancy as of 4th Quarter 2016

16-049 Fresenius Medical Care Macomb - Macomb

