



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-05	BOARD MEETING: May 2, 2017	PROJECT NO: 17-004	PROJECT COST: Original: \$2,214,231
FACILITY NAME: Fresenius Kidney Care Mount Prospect		CITY: Mount Prospect	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care Mount Prospect, LLC d/b/a Fresenius Kidney Care Mount Prospect) are proposing the establishment of an eight (8) station ESRD facility in 5,400 GSF of leased space in Mount Prospect, Illinois. The cost of the project is \$2,214,231, and the scheduled completion date is December 31, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care Mount Prospect, LLC d/b/a Fresenius Kidney Care Mount Prospect) are proposing the establishment of an eight (8) station ESRD facility in 5,400 GSF of leased space in Mount Prospect, Illinois. The cost of the project is \$2,214,231, and the projected 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 establish a health care facility as defined at 20 ILCS 3960/3

PURPOSE OF THE PROJECT:

- The applicants state:
“The purpose of this project is to encourage home dialysis (which provides better patient outcomes, lowers healthcare costs, and is less costly than in-center hemodialysis), provide chronic renal in-center dialysis, and improve patient outcomes for both home and in-center patients. The Fresenius Mount Prospect facility will be unique in that it will provide dual modalities on one treatment floor – Intermittent Peritoneal Dialysis (IPD), alongside and 8-station in-center hemodialysis treatment floor. IPD is a staff-assisted peritoneal dialysis (PD) modality and PD is generally considered a home dialysis treatment. This facility will allow patients to begin dialysis on PD and at the same time, a permanent vascular access (VA), for chronic hemodialysis will be established and given time to heal. The patient will undergo IPD in-center and receive education on home PD. This process avoids the use of a central venous catheter (CVA), in the patient’s neck, which increases likelihood of infection, hospitalizations, and morbidity. It also introduces the patient to PD, which encourages home dialysis. The ultimate goal is to bring about a greater awareness of home therapies and have the patient choose PD at home, which results in better patient outcomes, rather than the patient continuing with in-center hemodialysis.”

PUBLIC HEARING/COMMENT:

- No public hearing was requested. No opposition letters were received. Letters of support were received. from
 - o Eloiso Sorianno, Patient
 - o Ruben Gonzalez, Patient

SUMMARY:

- There is a projected need for eight (8) stations in the HSA-07 ESRD Planning Area by CY 2018. There appears to be sufficient demand for the eight (8) stations as the applicants have identified one hundred four (104) patients that will need dialysis within twenty four months after project completion. There are twenty-five (25) facilities within thirty (30) minutes of the proposed facility; twenty four (24) facilities reported patient data for the fourth quarter of 2016 and had an average utilization of 67.9%. One of the twenty five listed facilities is in ramp up, is not yet operational, and did not report utilization data for 4th quarter 2016. It does appear there will be an unnecessary duplication of service or a mal-distribution of stations in the planning area, due to underutilized ESRD facilities in close proximity to the proposed facility. The proposed facility will have a potential negative effect on existing facilities in the service area.

CONCLUSIONS:

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

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.1430(d)(1), (2), (3) – Unnecessary Duplication/Maldistribution of Service/Impact on Other Providers	Of the twenty-five (25) facilities identified within the service area, fourteen (14) (56%), are operating beneath the State Standard, which suggests unnecessary duplication of service, maldistribution of service, and the potential for a negative impact on other providers.

STATE BOARD STAFF REPORT
Fresenius Kidney Care Mount Prospect
PROJECT #17-004

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Fresenius Medical Care Holdings, Inc Fresenius Medical Care Mount Prospect, LLC d/b/a Fresenius Kidney Care Mount Prospect
Facility Name	Fresenius Kidney Care Mount Prospect
Location	1790 West Golf Road, Mount Prospect, Illinois
Application Received	January 30, 2017
Application Deemed Complete	January 31, 2017
Review Period Ends	July 31, 2017
Permit Holder	Fresenius Medical Care Mount Prospect, LLC d/b/a Fresenius Kidney Care Mount Prospect
Operating Entity	Fresenius Medical Care Mount Prospect, LLC d/b/a Fresenius Kidney Care Mount Prospect
Owner of the Site	MPC Company, LLC
Project Financial Commitment Date	December 31, 2018
Gross Square Footage	5,400 GSF
Project Completion Date	December 31, 2018
Expedited Review	Yes
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 Mount Prospect, LLC d/b/a Fresenius Kidney Care Mount Prospect) are proposing the establishment of an eight (8) station ESRD facility in 5,400 GSF of leased space in Mount Prospect, Illinois. The cost of the project is \$2,214,231, and the completion date is December 31, 2018.

II. Summary of Findings

- A. The State Board Staff finds the proposed project **is not** 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 Fresenius Medical Care Mount Prospect, LLC d/b/a Fresenius Kidney Care Mount Prospect. **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 Mount Prospect, LLC is a wholly owned subsidiary of Fresenius Medical Care Holdings, Inc. Fresenius Kidney Care Mount Prospect will be located at 1790 west Golf Road, Mount Prospect, Illinois in the HSA-07 ESRD planning area. HSA VII includes suburban Cook and DuPage counties. The State Board has projected a need for eight additional (8) ESRD stations by CY 2018. This is a substantive project subject to an 1110 and 1120 review. Financial commitment 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	4/30/2017
#14-026	FMC New City	Establishment	9/30/2017
#14-047	FMC Humboldt Park	Establishment	12/31/2017
#14-065	FMC Plainfield North	Relocation	8/31/2017
#15-028	FMC Schaumburg	Establishment	5/31/2018
#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
#16-034	FKC Woodridge	Establishment	3/31/2019
#16-035	FMC Evergreen Park	Relocation/Establishment	12/31/2017
#16-042	FKC Paris Community	Establishment	12/31/2017
#16-049	FMC Macomb	Relocation/Establishment	12/31/2018

IV. Project Costs

The applicants are funding this project with cash and securities of \$1,417,800 and the fair market value of leased space and equipment of \$796,431. The estimated start-up costs and the operating deficit are projected to be \$131,675.

TABLE TWO			
Project Costs and Sources of Funds			
USE OF FUNDS	Reviewable	Non Reviewable	Total
Modernization Contracts	\$531,000	\$424,800	\$955,800
Contingencies	\$52,500	\$42,000	\$94,500
Architectural/Engineering Fees	\$57,400	\$45,100	\$102,500
Movable or Other Equipment (not in construction contracts)	\$200,000	\$65,000	\$265,000
Fair Market Value of Leased Space & Equipment*	\$501,751	\$294,680	\$796,431*
TOTAL USES OF FUNDS	\$1,342,651	\$871,580	\$2,214,231
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total
Cash and Securities	\$840,900	\$576,900	\$1,417,800
Leases (fair market value)	\$501,751	\$294,680	\$796,431
TOTAL SOURCES	\$1,342,651	\$871,580	\$2,214,231
Source: Page 6 of the Application for Permit.			
*FMV Leased Space= \$640,181 FMV Equipment= \$156,520			

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

A) Criterion 1110.230(a) Purpose of the Project

“The purpose of this project is to encourage home dialysis (which provides better patient outcomes, lowers healthcare costs, and is less costly than in-center hemodialysis), provide chronic renal in-center dialysis, and improve patient outcomes for both home and in-center patients. The Fresenius Mount Prospect facility will be unique in that it will provide dual modalities on one treatment floor – Intermittent Peritoneal Dialysis (IPD), alongside and 8-station in-center hemodialysis treatment floor. IPD is a staff-assisted peritoneal dialysis (PD) modality and PD is generally considered a home dialysis treatment. This facility will allow patients to begin dialysis on PD and at the same time, a permanent vascular access (VA), for chronic hemodialysis will be established and given time to heal. The patient will undergo IPD in-center and receive education on home PD. This process avoids the use of a central venous catheter (CVA), in the patient’s neck, which increases likelihood of infection, hospitalizations, and morbidity. It also introduces the patient to PD, which encourages home dialysis. The ultimate goal is to bring about a greater awareness of home therapies and have the patient choose PD at home, which results in better patient outcomes, rather than the patient continuing with in-center hemodialysis.” (Application, p. 64)

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

The applicants stated the following:

“The establishment of Fresenius Kidney Care Mount Prospect dialysis facility will not have any impact on safety net services in the Mount Prospect area of Cook County. Outpatient dialysis services are not typically considered "safety net" services, to the best of our knowledge. However, we do provide care for patients in the community who are economically challenged and/or who are undocumented aliens, who do not qualify for Medicare/Medicaid pursuant to an Indigent Waiver policy. We assist patients who do not have insurance in enrolling when possible in Medicaid and/or Medicaid as applicable, and also our social services department assists patients who have issues regarding transportation and/or who are wheel chair bound or have other disabilities which require assistance with respect to dialysis services and transport to and from the unit. This particular application will not have an impact on any other safety net provider in the area, as no hospital within the area provides dialysis services on an outpatient basis. Fresenius 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 120).

TABLE THREE ⁽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 121 of the Application for Permit.			

Note to Table Three

- 1) Charity (self-pay) patient numbers decreased however, treatments were higher per patient (application, p. 121).
- 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 three (3) alternatives to the proposed project.

1. Do Nothing/Project of Greater or Lesser Scope.
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.

Do Nothing/Project of Greater or Lesser Scope

The applicants state the alternative of doing nothing would limit Dr. Tanna's ability to initiate patient dialysis, using the Urgent Start/IPD method, since neighboring FMC Palatine has limited space and is operating in excess of the State standard. Doing nothing would negatively affect the number of patients choosing the home dialysis method, which is counterproductive to the proposed project. A project of lesser scope would hamper abilities to provide dual modalities and promote home dialysis. A project of greater size/scope would be cost prohibitive. The applicants rejected this alternative, there was no cost identified with this alternative.

Pursue a Joint Venture or Similar Arrangement

The applicants note the facility will be a joint ownership venture between Fresenius and physicians at Nephrology Associates of Northern Illinois (NANI). NANI currently has eighty-five (85) physicians and fourteen (14) nurse practitioners, and many of these clinicians have partnered on many Chicago-area facilities, in an effort to bring quality care to its dialysis patients. The applicants identified a cost similar to the cost of the chosen alternative.

Utilize Other Health Care Resources Available to Serve All or a Portion of the Population

The applicants note NANI physicians currently serve as medical directors at many of the ESRD facilities within a thirty (30) minute radius, and have admitted patients to these facilities in the past. The applicants anticipate the facilities in the service area to surpass the State standard (80%), in the coming two years, and it is expected the proposed Mount Prospect facility will reach this operational benchmark as well. The applicants concluded that not all area clinics have room for IPD services, nor are they certified for them, resulting in access issues for this patient population. There was no costs identified with this alternative.

After considering each of the three above mentioned alternatives, the applicants concluded that the Mount Prospect site would be optimal for an environment for providing IPD. The Mount Prospect facility would also serve as a back-up for the

FMC Palatine facility, which is currently operating at 93% capacity. Cost of the chosen alternative: \$2,214,231.

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 the construction of 5,400 GSF of leased space, 3,000 of it classified as clinical for eight stations or five hundred twenty (375) GSF per station. The State Board standard is 450-650 GSF per station. (See Application for Permit page 78)

B) Criterion 1110.234(b) – Projected Utilization

The referring physician (Dr. Mannish Tanna, M.D.) has identified 149 pre-ESRD patients who live in the Mount Prospect service area who could ultimately require dialysis services. Of these pre-ESRD patients, he has conservatively identified 104 that he expects would require dialysis treatment in the first two years that the new Mount Prospect facility is in operation, and resulting in utilization surpassing the 80th percentile. (See Application for Permit page 79).

104 patients x 156 treatment per year = 16,224 treatments
8 stations x 936 treatments per stations per year = 7,488 treatments
16,224 treatments / 7,488 treatments = 216.6% utilization

C) Criterion 1110.234(e) – Assurances

The applicants provided the necessary assurance that they will be at target occupancy within two years after project completion. (See Application for Permit page 107)

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

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

A) Criterion 1110.1430(b)(1) to (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 provided sufficient background information, to include a list of facilities and the necessary attestations as required by the State Board at *pages 38-*

63 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) to (3))

**B) Criterion 1110.1430(c) - Planning Area Need
The applicant must 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/Service Restrictions
-
- 1) The proposed facility will be located in the HSA-07 ESRD Planning Area. There is calculated need for eight (8) ESRD stations in this planning area by CY 2018, per the State Board's ESRD Inventory Update.
 - 2) The applicants note the primary purpose of the project is to provide dialysis services to the residents of Mount Prospect and the surrounding areas of HSA-07, utilizing the Urgent Start IPD method of treatment initiation, resulting in improved patient outcomes. The applicants note that 100% of Dr. Tanna's referral patients reside in HSA-07. The patients reside in zip codes encompassing HSA-07, and the DuPage County service area.
 - 3) Dr. Manish Tanna, M.D., the referring physician, has identified and reports having treated approximately one hundred forty nine (149) patients in various stages of chronic kidney disease (Pre-ESRD) in the Mount Prospect area. Of these one hundred forty nine (149) patients, there are approximately fifty-nine (104) patients expected to begin dialysis at the Mount Prospect facility in the first two (2) years of operation. Pages 84-87 of the application contains zip code origins of historical patient referrals from the Mount Prospect area.
 - 5) The proposed Mount Prospect facility will be located in HSA-07, where a need for eight (8) additional ESRD stations currently exists. The applicants also note the utilization of the Urgent Start IPD Method of treatment initiation, which reduces the use of central venous catheters, introduce patients to home-based therapy options, and improves overall patient outcomes. There is limited access to Urgent Start IPD services in the Mount Prospect area. Dr. Tanna and the applicants would like to introduce this method of dialysis to his patient base in the area. Dr. Tanna notes utilizing Urgent Start IPD in the FMC Palatine facility, and although conditions in Palatine limit the extent of utilization, he is confident that the Urgent Start IPD process, combined with the additional 8 ESRD stations, will enhance the provision of services in Mount Prospect, and increase accessibility to dialysis services in the planning area.

Based on the above findings the applicants are in compliance with these criteria.

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/Maldistribution/ 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 ratio of ESRD stations to population in the zip codes within a thirty (30) minute radius of Fresenius Kidney Care Mount Prospect is 1 station per 4,176 residents according to the 2010 census. The State ratio is 1 station per 2,883 residents (based on US Census estimates for 2015 and the State Board Station Inventory). There is no surplus of stations in this area and there is a need for eight (8) additional stations in HSA-07.

Table Four shows that there are underutilized facilities in the service area. There are twenty-five (25) facilities within thirty (30) minutes of the proposed facility; twenty four (24) facilities reported patient data for the fourth quarter of 2016 and had an average utilization of approximately sixty-eight percent (68%). The unreported facility is in ramp up and is not yet operational (See Table Four below). Although the applicants' referral letter from Dr. Manish Tanna, M.D. provides sufficient referral patients to minimize impact on other providers, there are still underutilized facilities in the immediate service area susceptible to negative impact, and a negative finding results for this criterion.

TABLE FOUR						
Facilities within thirty (30) minutes of the proposed facility and utilization						
Facility	City	Time	Stations	Medicare Star Rating	Utilization	Met Standard?
DaVita Arlington Heights	Arlington Heights	2	18	5	62%	No
FMC Des Plaines	Des Plaines	15	12	3	56.9%	No
FMC Rolling Meadows	Rolling Meadows	15	24	5	61.8%	No
FMC Elk Grove	Elk Grove Village	16	28	4	81.5%	Yes
FMC Glenview	Glenview	16	20	5	60%	No
FMC Hoffman Estates	Hoffman Estates	17	20	4	91.6%	Yes
ARA South Barrington	South Barrington	20	14	3	61.9%	No
FMC Niles	Niles	21	32	4	56.2%	No
Resurrection	Chicago	21	14	2	53.5%	No

TABLE FOUR Facilities within thirty (30) minutes of the proposed facility and utilization						
Facility	City	Time	Stations	Medicare Star Rating	Utilization	Met Standard?
FMC Palatine	Palatine	22	14	4	92.8%	Yes
DaVita Buffalo Grove	Buffalo Grove	23	16	5	56.2%	No
USRC Villa Park	Villa Park	23	13	4	85.9%	Yes
FMC Norridge	Norridge	24	16	5	81.2%	Yes
DaVita Schaumburg	Schaumburg	25	20	5	70%	No
FMC North Kilpatrick	Chicago	26	28	5	82.7%	Yes
DaVita Cobblestone	Elgin	28	14	4	104.7%	Yes
DaVita Logan Square	Chicago	28	28	4	83.3%	Yes
FMC Elgin	Elgin	28	20	4	70.8%	No
FMC Schaumburg*	Schaumburg	28	12	N/A	N/A	No
Satellite Glenview	Glenview	28	16	2	56.2%	No
FMC Deerfield	Deerfield	29	12	4	31.9%	No
FMC Logan Square	Chicago	29	12	5	72.2%	No
DaVita Montclare	Chicago	30	16	4	89.5%	Yes
DaVita Lincoln Park	Chicago	30	22	3	70.4%	No
FMC Northcenter	Chicago	30	16	3	65.3%	No
Total Stations/Average Utilization			78		67.9%	
*Recently approved, in 2-year ramp-up Information from 4 th Quarter ESRD patient information for 2016						

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT 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(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 Northwest Community Hospital, Arlington Heights: blood bank services, rehabilitation services and psychiatric services. The applicants are proposing eight (8) stations and the minimum number of stations in an MSA is eight (8) stations. Continuity of care will be provided at Northwest Community Hospital, Arlington Heights 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 92-107)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA STAFFING, SUPPORT SERVICES, MINIMUM NUMBER OF STATIONS, CONTINUITY OF CARE, ASSURANCES (77 IAC 1110.1430(f), (g), (h), (i) and (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 \$1,417,800 and the fair market value of leased space and equipment of \$796,431. 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 Seven below outlines Fresenius Medical Care Credit Rating.

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		

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+
Source: Information provided by the Applicants			

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 5,400 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 \$11.00. 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. (See Application for Permit pages 108-113)

- C) **Criterion 1120.140(c) – Reasonableness of Project Costs**
- C)
- C) Only Clinical Costs are reviewed in this criterion.

Modernization and Contingencies Costs are \$583,500 or \$194.50 per GSF for 3,000 GSF of clinical space. This appears reasonable when compared to the State Board Standard of \$194.87 per GSF, with 2018 listed as mid-point of construction.

Contingencies – These costs total \$52,500, and are 8.9% of the modernization costs identified for this project. This is in compliance with the State standard of 10%-15%.

Architectural Fees are \$57,400 and are 9.8% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 7.5% to 11.26%.

Movable or Other Equipment – These costs are \$200,000 or \$25,000 per station (8 stations). This appears reasonable when compared to the State Board Standard of \$52,119 per station.

Fair Market Value of Leased Space and Equipment – These costs are \$501,751. The State Board does not have a standard for these costs.

D) Criterion 1120.140(d) - Direct Operating Costs

The applicants are estimating \$292.00 per treatment in direct operating costs. This appears reasonable when compared to previously approved projects of this type.

Estimated Personnel Expense:	\$565,056
Estimated Medical Supplies:	\$209,280
Estimated Other Supplies (Exc. Dep/Amort):	\$753,408
Total	\$1,527,744
Estimated Annual Treatments:	5,232
Cost Per Treatment:	\$292.00

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

The applicants are estimating \$38.04 in capital costs. This appears reasonable when compared to previously approved projects of this type.

Depreciation/Amortization:	\$199,000
Interest	\$0
Capital Costs:	\$199,000
Treatments:	5,232
Capital Cost per Treatment	\$38.04

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA 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) and (e))

17-004 Fresenius Kidney Care Mount Prospect - Mount Prospect

