



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-11	BOARD MEETING: September 26, 2017	PROJECT NO: 17-024	PROJECT COST: Original: \$2,214,231
FACILITY NAME: Fresenius Kidney Care Springfield East		CITY: Springfield	
TYPE OF PROJECT: Substantive			HSA: III

PROJECT DESCRIPTION: The applicants (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care Springfield East, LLC) are proposing the establishment of a nine (9) station ESRD facility in 7,081 GSF of leased space in Springfield, Illinois. The cost of the project is \$2,788,837, and the scheduled completion date as stated in the application for permit is March 31, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care Springfield East, LLC) are proposing the establishment of a nine (9) station ESRD facility in 7,081 GSF of leased space in Springfield, Illinois. The cost of the project is \$2,788,837, and the scheduled completion date as stated in the application for permit is March 31, 2019.

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 provide access to dialysis services in a Federally Designated Medically Underserved Area in Springfield, Sangamon County, in HSA-03. The proposed Fresenius Kidney Care (FKC) Springfield East facility will offer patients a continued choice of a dialysis provider, access closer to the neediest ESRD patients while providing access to treatment times that meet each patient's need. The proposed Springfield East facility will bring access to dialysis services to a medically underserved area where residents experience low income and high rates of Medicaid eligibility as well as lack of any insurance coverage. Fresenius Kidney Care treats all patients regardless of ability to pay and assists all patients in securing some type of insurance coverage that not only covers their dialysis treatment but other healthcare services as well. The goal of Fresenius Kidney Care is to establish dialysis services to meet the needs of the underserved, maintain access to preferred treatment schedules, and maintain access to an FKC facility, securing patient choice."

PUBLIC HEARING/COMMENT:

- No public hearing was requested. No support letters were received by State Board staff. Davita, Inc. stated in opposition:

"there is no need for a new 9-station dialysis facility in Springfield, and approval of the proposed facility will result in unnecessary duplication and maldistribution of dialysis services within HSA 3. Furthermore, none of the existing dialysis facilities within 30 minutes of the proposed Fresenius Kidney Care Springfield East ("FMC Springfield East") are operating above the Illinois Health Facilities and Services Review Board ("State Board") utilization standard nor trending to exceed target utilization in the near future. Based on that fact, when DaVita sought approval to relocate its facility it did not expand its capacity as it might have if there was increasing demand. Accordingly, approval of a new dialysis facility in Springfield is unwarranted. For these reasons, DaVita respectfully requests the State Board deny Fresenius Kidney Care's application for a 9 station dialysis facility."

SUMMARY:

- There is a calculated excess of thirty nine (39) stations in the HSA-03 ESRD Planning Area, per the May 2017 Inventory Update. There appears to be sufficient demand for the eight (8) stations as the applicants have identified their patient base as one originating from a Federally Designated Medically Underserved Area. There are four (4) facilities within thirty (30) minutes of the proposed facility, and a fifth facility that operates as a hospital-based operation serving patients who otherwise cannot receive dialysis in an outpatient setting. 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 did not meet the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.1430 (c) (1) – Planning Area Need	There is a calculated excess of thirty-nine (39) stations in the HSA III ESRD Planning Area.
Criterion 1110.1430(d)(1), (2), (3) – Unnecessary Duplication/Maldistribution of Service/Impact on Other Providers	Of the five (5) facilities identified within the service area, none are operating above 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 Springfield East
PROJECT #17-024

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Fresenius Medical Care Holdings, Inc. Fresenius Medical Care Springfield East, LLC d/b/a Fresenius Kidney Care Springfield East
Facility Name	Fresenius Kidney Care Springfield East
Location	1800 East Washington, Springfield, Illinois
Application Received	May 12, 2017
Application Deemed Complete	May 12, 2017
Review Period Ends	September 9, 2017
Permit Holder	Fresenius Medical Care Springfield East, LLC d/b/a Fresenius Kidney Care Springfield East
Operating Entity	Fresenius Medical Care Springfield East, LLC d/b/a Fresenius Kidney Care Springfield East
Owner of the Site	BB Properties, LLC
Project Financial Commitment Date	September 30, 2018
Gross Square Footage	7,081 GSF
Project Completion Date	March 31, 2019
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 Springfield East, LLC d/b/a Fresenius Kidney Care Springfield East) are proposing the establishment of a nine (9) station ESRD facility in 7,081 GSF of leased space in Springfield, Illinois. The cost of the project is \$2,788,837, and the completion date is March 31, 2019.

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 Springfield East, LLC d/b/a Fresenius Kidney Care Springfield East. **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 Springfield East, LLC is a wholly owned subsidiary of Fresenius Medical Care Holdings, Inc. Fresenius Kidney Care Springfield East will be located at 1800 East Washington Street, Springfield, Illinois in the HSA-03 ESRD planning area. HSA III includes Adams, Brown, Calhoun, Cass, Christian, Greene, Hancock, Jersey, Logan, Macoupin, Mason, Menard, Montgomery, Morgan, Pike, Sangamon, Schuyler, and Scott counties. The State Board has projected an excess of thirty nine (39) 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
#14-047	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
#17-003	FMC Gurnee	Expansion	3/31/2018
#17-004	FKC Mount Prospect	Establishment	12/31/2018

IV. Project Costs

The applicants are funding this project with cash and securities of \$1,782,714 and the fair market value of leased space and equipment of \$1,006,123. The estimated start-up costs and the operating deficit are projected to be \$151,283.

TABLE TWO			
Project Costs and Sources of Funds			
USE OF FUNDS	Reviewable	Non Reviewable	Total
Modernization Contracts	\$940,003	\$313,334	\$1,253,337
Contingencies	\$90,283	\$30,094	\$120,377
Architectural/Engineering Fees	\$97,500	\$32,500	\$130,000
Movable or Other Equipment (not in construction contracts)	\$219,000	\$60,000	\$279,000
Fair Market Value of Leased Space & Equipment*	\$783,675	\$222,448	\$1,006,123
TOTAL USES OF FUNDS	\$2,130,461	\$658,376	\$2,788,837
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total
Cash and Securities	\$1,346,786	\$435,928	\$1,782,714
Leases (fair market value)	\$783,675	\$222,448	\$1,006,123
TOTAL SOURCES	\$2,130,461	\$658,376	\$2,788,837
Source: Page 6 of the Application for Permit.			

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

A) Criterion 1110.230(a) Purpose of the Project

“The purpose of this project is to provide access to dialysis services in a Federally Designated Medically Underserved Area in Springfield, Sangamon County, in HSA-03. The proposed Fresenius Kidney Care (FKC) Springfield East facility will offer patients a continued choice of a dialysis provider, access closer to the neediest ESRD patients while providing access to treatment times that meet each patient’s need. The proposed Springfield East facility will bring access to dialysis services to a medically underserved area where residents experience low income and high rates of Medicaid eligibility as well as lack of any insurance coverage. Fresenius Kidney Care treats all patients regardless of ability to pay and assists all patients in securing some type of insurance coverage that not only covers their dialysis treatment but other healthcare services as well. The goal of Fresenius Kidney Care is to establish dialysis services to meet the needs of the underserved, maintain access to preferred treatment schedules, and maintain access to an FKC facility, securing patient choice.”

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

The applicants stated the following:

“The proposed Fresenius Kidney Care Springfield East dialysis facility will not have any impact on safety net services in the Springfield area of Sangamon County. Fresenius Medical Care is a for-profit, publicly traded company and is not required to provide charity care, nor does it do so according to the Board’s definition”. “However, Fresenius Medical Care provides care to all patients regardless of their ability to pay.” “There are patients treated by Fresenius who either do not qualify for or will not seek any type of coverage for dialysis services.” “These patients are considered self-pay patients.” “These patients are invoiced as all patients are invoiced, however payment is not expected and Fresenius does not initiate any collections activity on these accounts.” “These unpaid invoices are written off as bad debt.” “Fresenius notes that as a for-profit entity, it does pay sales, real estate, and income taxes.” “It also provides community benefit by supporting various medical education activities and associations, such as the Renal,National Kidney Foundation and American Kidney Fund.” (Application, p. 106)

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 106 of the Application for Permit.			

Note to Table Three

- 1) Charity (self-pay) patient numbers decreased however, treatments were higher per patient (application, p. 106).
- 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 not address the lack of access to preferred treatment times or enhance patient choice for dialysis in the Springfield area. The only other Fresenius facility in the area is the most highly utilized (73%), resulting in a lack of access for Dr. Forero's patients that choose a Fresenius facility. There were no costs associated with this alternative, and this alternative was rejected.

Pursue a Joint Venture or Similar Arrangement

The applicants note the ownership of this facility is structured to allow for a joint ownership venture in the future, if an interested investor presented him or herself. However, it is noted that Fresenius Kidney Care always maintains control of its facilities.

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

The applicants note the Springfield Clinic Nephrology practice already admits patients to a majority of the clinics in the service area. Dr. Forero and Dr. Downer would like to maintain access to Fresenius facility and ensure their patients access to preferential treatment times. There are no costs associated with this alternative.

After considering each of the three above mentioned alternatives, the applicants concluded that the optimal alternative for providing services to its patient base would be to establish a 9-station facility in the 1800 block of East Washington Street, in Springfield. Cost of the chosen alternative: \$2,788,837.

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 7,081 GSF of leased space, 5,306 of it classified as clinical for nine stations or five hundred ninety (590) GSF per station. The State Board standard is 450-650 GSF per station. (See Application for Permit page 40)

B) Criterion 1110.234(b) – Projected Utilization

The referring physician (Dr. Nicholas Forero, M.D.) has identified 90 pre-ESRD patients who live in the service area who could ultimately require dialysis services. Of these pre-ESRD patients, he has conservatively identified 70 that he expects would require dialysis treatment in the first two years that the new

Springfield facility is in operation, and resulting in utilization surpassing the 80th percentile. (See Application for Permit page 51).

70 patients x 156 treatment per year = 10,920 treatments

9 stations x 936 treatments per stations per year = 8,424 treatments

10,920 treatments/8,424 treatments = 129% 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 92)

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 41-46 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-03 ESRD Planning Area. There is calculated excess of thirty-nine (39) ESRD stations in this planning area, per the State Board's May 2017 ESRD Inventory Update.

- 2) The applicants note the primary purpose of the project is to provide dialysis services to the residents of Springfield, in a designated Federal Medically Underserved area in HSA-03. The applicants note the need for preferential treatment times, closer access for the patient base with the most need, and ensuring patient choice in dialysis facilities, as supporting factors in establishing the 9-station facility. The applicants note that 100% of the patient base resides in zip codes encompassing HSA-03, and the Sangamon County service area.
- 3) Dr. Nicholas Forero, M.D., and Dr. Merry Downer, M.D., the referring physicians, have identified and reports having treated approximately seventy-three (73) patients in various stages of chronic kidney disease (Pre-ESRD) in the Springfield area. Of these seventy-three (73) patients, there are approximately seventy (70) patients expected to begin dialysis at the East Springfield facility in the first two (2) years of operation. Pages 57-60 of the application contains zip code origins of historical patient referrals from the Springfield area. [See Appendix I end of this report]
- 5) The proposed East Springfield facility will be located in HSA-03, where an excess of thirty nine (39) ESRD stations currently exists. The applicants note the location of the proposed facility is in a Federal Medically Underserved Area, where access to dialysis services is limited. The applicants propose to establish the nine-station facility in an effort to afford a choice in service providers, preferential treatment times, and geographical advantage to a population deemed as being underserved in terms of healthcare.

While the facility will be located in a medically underserved area there is an excess of thirty-nine (39) stations in the planning area. It appears that the existing facilities can accommodate the workload of the proposed project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT 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 Springfield East is 1 station per 3,063 residents according to the 2010 census. The State ratio is 1 station per 2,831

residents (based on US Census estimates for 2015 and the State Board Station Inventory).

The applicants argue

“there are conditions existing in Springfield and HSA 3 that make this ratio misrepresentative of actual availability of stations. Memorial Hospital Springfield hospital based dialysis unit is a 6-station facility that treats patients whose health/physical condition limits them to dialyzing at the hospital. Area nephrologists do not utilize this facility as a general out-patient facility and as of March 31, 2017 had zero patients. If these six (6) stations are removed from the ratio calculation the ratio of stations to population is 1 station per 3,342. Further conditions misrepresenting these ratios is the fact that of the fourteen (14) ESRD facilities (Appendix II) in HSA 3, nine (9) are largely serving rural areas. Only one (1) of these facilities is operating the 6 patient shifts, (3 daily M/W/F and 3 daily T/TH/S) that the Board bases its utilization calculations on. The shifts in operation are usually the 2 daytime shifts. Many rural clinics will continue to add stations per the 2-year/10% rule in order to keep rural patients dialyzing on these two daytime shifts because there is limited transportation in rural areas and generally any available transportation does not operate in the evening hours. In the rural areas it is preferred for patients and staff to avoid travelling on long dark country roads after dark. If Board utilization calculations took into account how rural clinics generally operate the ratio of stations to population would exhibit a much higher station need in rural HSAs.” [Application for Permit page 71]

Table Four shows that there are underutilized facilities in the service area. There are five (5) facilities within thirty (30) minutes of the proposed facility; with four (4) facilities reporting patient data for the second quarter of 2017 and had an average utilization of approximately sixty-five percent (65%). The unreported facility serves an inpatient population and is not reporting utilization data (See Table Four below). Although the applicants’ referral letter from Dr. Nicholas Forero, M.D. provides sufficient referral patients to minimalist impact on other providers, there are still underutilized facilities in the immediate service area susceptible to negative impact, and 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?
Memorial Medical Ctr. ⁺	Springfield	6	6	N/A	N/A	No
Springfield Central Dialysis [^]	Springfield	8	21	4	65.8%	No
DaVita Springfield South [*]	Springfield	10	12	5	58.3%	No
RAI West Centre	Springfield	12	16	3	73.9%	No
DaVita Montvale	Springfield	14	17	3	64.7%	No
Total Stations/Average Utilization			72		65.6%	
[*] Recently approved, in 2-year ramp-up [^] Relocation pending, per #16-036. Utilization expected to surpass State Standard (85%) upon opening ⁺ ESRD facility dedicated to serving inpatient ESRD patients at Memorial Medical Center Information from ^{2nd} Quarter ESRD patient information for 2017						

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 Memorial Medical Center, Springfield: blood bank services, rehabilitation services and psychiatric services. The applicants are proposing nine (9) stations and the minimum number of stations in an MSA is eight (8) stations. Continuity of care will be provided at Memorial Medical Center, Springfield 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 74-92)

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 \$1,782,714 and the fair market value of leased space and equipment of \$1,006,123. A review of the 2014/2015/2016 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 000) December 31st			
	2014	2015	2016
Cash & Investments	\$195,280	\$249,300	\$357,899
Current Assets	\$4,027,091	\$4,823,714	\$5,208,339
Total Assets	\$18,489,619	\$19,332,539	\$20,135,661
Current Liabilities	\$2,058,123	\$2,586,607	\$2,799,192
Long Term Debt	\$2,669,500	\$2,170,018	\$2,085,331
Total Liabilities	\$9,029,351	\$9,188,251	\$9,602,364
Total Revenues	\$10,373,232	\$11,691,408	\$12,806,949
Expenses	\$9,186,489	\$10,419,012	\$11,185,474
Income Before Tax	\$1,186,743	\$1,272,396	\$1,621,175
Income Tax	\$399,108	\$389,050	\$490,932
<i>Net Income</i>	\$787,635	\$883,346	\$1,130,243
Source: 2014/2015/2016 Audited Financial Statements			

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 7,081 GSF rentable contiguous square feet with an initial lease term of ten (10) years with three (3) five (5) year renewal options. The annual base rental rate shall be \$5.00 per SF, which shall escalate on an annual basis by three percent (3%) per year, beginning at the beginning of year two. In addition to the base rent, the Tenant shall also pay thirty-three percent (33%) of the property, casualty and liability insurance costs, thirty-three percent (33%) of the real estate taxes, and thirty-three percent (33%) of the Common Area Maintenance (CAM) expenses for the property. CAM expenses shall include but are not necessarily limited to the following: parking lot repair and maintenance, lawn care, snow removal, pest control, and exterior lighting expenses, if separately metered. CAM expenses shall also include a 3% management fee.

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 93-99)

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

Modernization and Contingencies Costs are \$1,030,286 or \$194.17 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 \$90,283, and are 9.6% of the modernization costs identified for this project. This is in compliance with the State standard of 10%-15%.

Architectural Fees are \$97,500 and are 9.4% 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 \$219,000 or \$24,333 per station (9 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 \$783,675. The State Board does not have a standard for these costs.

D) Criterion 1120.140(d) - Direct Operating Costs

The applicants are estimating \$288.61 per treatment in direct operating costs. This appears reasonable when compared to previously approved projects of this type.

Estimated Personnel Expense:	\$802,483
Estimated Medical Supplies:	\$121,990
Estimated Other Supplies (Exc. Dep/Amort):	\$870,912
Total	\$1,795,385
Estimated Annual Treatments:	6,221
Cost Per Treatment:	\$288.61

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

The applicants are estimating \$23.31 in capital costs. This appears reasonable when compared to previously approved projects of this type.

Depreciation/Amortization:	\$145,000
Interest	\$0
Capital Costs:	\$145,000
Treatments:	6,221
Capital Cost per Treatment	\$23.31

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))

Appendix I Zip Code of Patient Residence							
Pre- ESRD Patients				New Patients			
Zip Code	#	City	County	Zip Code	#	City	County
62684	2	Sherman	Sangamon	60446	1	Romeoville	Will
62520	1	Dawson	Sangamon	62522	1	Decatur	Macon
62561	2	Riverton	Sangamon	62530	2	Divernon	Sangamon
62707	3	Springfield	Sangamon	62548	1	Mt Pulaski	Logan
62563	2	Rochester	Sangamon	62558	2	Pawnee	Sangamon
62701	1	Springfield	Sangamon	62560	2	Raymond	Sangamon
62625	1	Cantral	Sangamon	62561	5	Riverton	Sangamon
62702	16	Springfield	Sangamon	62568	1	Taylorville	Christian
62703	11	Springfield	Sangamon	62615	3	Auburn	Sangamon
62704	15	Springfield	Sangamon	62618	1	Beardstown	Cass
62711	8	Springfield	Sangamon	62627	1	Chandlerville	Cass
62712	3	Springfield	Sangamon	62629	2	Chatham	Sangamon
62536	1	Glenarm	Sangamon	62642	1	Greenview	Sangamon
62629	3	Chatham	Sangamon	62670	3	New Berlin	Sangamon
Total	70			62675	1	Petersburg	Menard
				62702	2	Springfield	Sangamon
				62703	2	Springfield	Sangamon
				62704	5	Springfield	Sangamon
				62707	1	Springfield	Sangamon
				62711	3	Springfield	Sangamon
				62712	1	Springfield	Sangamon
				Total	34		

Appendix II Facilities in the HSA III ESRD Planning Area					
Facility	Ownership	City	Stations	Utilization	Star Rating
GAMBRO Healthcare - Jacksonville	Davita	Jacksonville	14	59.52%	4
GAMBRO Healthcare - Lincoln	Davita	Lincoln	14	36.90%	4
GAMBRO Healthcare - Litchfield	Davita	Litchfield	12	61.11%	4
GAMBRO Healthcare - Springfield	Davita	Springfield	21	65.87%	4
GAMBRO Healthcare - Taylorville	Davita	Taylorville	12	61.11%	5
GAMBRO Healthcare - Montvale	Davita	Springfield	17	64.71%	3
GAMBRO Healthcare - Rushville	Davita	Rushville	8	39.58%	5
DaVita Jerseyville Dialysis	Davita	Jerseyville	17	39.22%	4
Davita Pittsfield Dialysis	Davita	Pittsfield	5	36.67%	3
Davita Adams County	Davita	Quincy	17	58.82%	3
Springfield South	Davita	Springfield	12	58.33%	5
Montgomery County	Davita	Hillsboro	8	41.67%	NA
Fresenius Medical Care Lincolnland	Fresenius	Springfield	16	73.96%	3
Memorial Medical Center		Springfield	6	0.00%	NA
NA – No data available					
Star Rating taken from the ESRD Compare Website					

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