FRESENIUS KIDNEY CARE

17-027

Fresenius Kidney Care
3500 Lacey Road, Downers Grove, IL 60515
T 630-960-6807 F 630-960-6812
Email: lori.wright@fmc-na.com

June 29, 2017

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: Fresenius Medical Care Sandwich

Dear Ms. Avery,

I am submitting the enclosed application for consideration by the Illinois Health Facilities and Services Review Board. Please find the following:

1. An original and 1 copy of an application for permit to expand Fresenius Medical Care Sandwich dialysis facility by 1 station; and

2. A filing fee of $2500.00 payable to the Illinois Department of Public Health.

Upon your staff's initial review of the enclosed application, please notify me of the total fee and the remaining fee due in connection with this application and I will arrange for payment of the remaining balance.

I believe this application conforms with the applicable standards and criteria of Part 1110 and 1120 of the Board's regulations. Please advise me if you require anything further to deem the enclosed application complete.

Sincerely,

Lori Wright

Lori Wright
Senior CON Specialist

Enclosures

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Fresenius Medical Care Sandwich				
Street Address: 1310 N. Main Street, Suite 105				
City and Zip Code: Sandwich, 60548				
County:	DeKalb	Health Service Area:	1	Health Planning Area:

Applicant [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	Fresenius Medical Care Sandwich, LLC d/b/a Fresenius Medical Care Sandwich
Street Address:	920 Winter Street
City and Zip Code:	Waltham, MA 02451
Name of Registered Agent:	CT Corporation Systems
Registered Agent Street Address:	208 S. LaSalle Street, Suite 814
Registered Agent City and Zip Code:	Chicago, IL 60604
Name of Chief Executive Officer:	Bill Valle
CEO Street Address:	920 Winter Street
CEO City and Zip Code:	Waltham, MA 02451
CEO Telephone Number:	800-662-1237

Type of Ownership of Applicant

- ☐ Non-profit Corporation
- ☐ For-profit Corporation
- ☒ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Co-Applicant [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	Fresenius Medical Care Holdings, Inc.
Street Address:	920 Winter Street
City and Zip Code:	Waltham, MA 02451
Name of Registered Agent:	CT Corporation Systems
Registered Agent Street Address:	208 S. LaSalle Street, Suite 814
Registered Agent City and Zip Code:	Chicago, IL 60604
Name of Chief Executive Officer:	Bill Valle
CEO Street Address:	920 Winter Street
CEO City and Zip Code:	Waltham, MA 02451
CEO Telephone Number:	800-662-1237

Type of Ownership of Co-Applicant

☐	Non-profit Corporation	☐	Partnership	
☒	For-profit Corporation	☐	Governmental	
☐	Limited Liability Company	☐	Sole Proprietorship	☐
	Other			

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

Primary Contact [Person to receive ALL correspondence or inquiries]

Name: Lori Wright
Title: Senior CON Specialist
Company Name: Fresenius Kidney Care
Address: 3500 Lacey Road, Suite 900, Downers Grove, IL 60515
Telephone Number: 630-960-6807
E-mail Address: lori.wright@fmc-na.com
Fax Number: 630-960-6812

Additional Contact [Person who is also authorized to discuss the application for permit]

Name: Coleen Muldoon
Title: Regional Vice President
Company Name: Fresenius Kidney Care
Address: 3500 Lacey Road, Suite 900, Downers Grove, IL 60515
Telephone Number: 630-960-6706
E-mail Address: coleen.muldoon@fmc-na.com
Fax Number: 630-960-6812

Additional Contact [Person who is also authorized to discuss the application for permit]

Name: Clare Ranalli
Title: Attorney
Company Name: McDermott, Will & Emory
Address: 444 West Lake Street, Chicago, IL 60606
Telephone Number: 312-984-3365
E-mail Address: cranalli@mwe.com
Fax Number: 312-984-7500

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960]**

Name: Lori Wright
Title: Senior CON Specialist
Company Name: Fresenius Kidney Care
Address: 3500 Lacey Road, Suite 900, Downers Grove, IL 60515
Telephone Number: 630-960-6807
E-mail Address: lori.wright@fmc-na.com
Fax Number: 630-960-6812

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Sandwich Development Partners

Address of Site Owner: 309 Water Street, Suite 500, Milwaukee, WI 53202

Street Address or Legal Description of the Site: 1310 Main Street, Suite 105, Sandwich, IL 60548

Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.

APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name: Fresenius Medical Care Sandwich, LLC d/b/a Fresenius Medical Care Sandwich

Address: 920 Winter Street, Waltham, MA 02451

- ☐ Non-profit Corporation
- ☐ For-profit Corporation
- ☒ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements NOT APPLICABLE - STATION ADDITION ONLY

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** or **www.illinoisfloodmaps.org**. **This map must be in a readable format**. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 **(http://www.hfsrb.illinois.gov)**.

APPEND DOCUMENTATION AS ATTACHMENT 5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements NOT APPLICABLE - STATION ADDITION ONLY

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:

☐ Substantive

☒ Non-substantive

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms, NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

Fresenius Medical Care Sandwich, LLC is currently adding one station, allowed by the 2-year rule, to its 10-station in-center ESRD facility. The facility, located at 1310 N. Main Street, Suite 105, Sandwich, will then be an 11 station facility. To maximize modernization costs, the facility would like to build out and add another station at this time as well, which would result in a two station addition requiring a permit. The applicant is seeking permit to add one additional station resulting in a 12 station facility. Fresenius Sandwich is located in rural DeKalb County and is operating at 67% utilization as of June 15, 2017 with 40 patients.

Fresenius Medical Care Sandwich is located in HSA 1.

This project is "non-substantive" under Planning Board rule as it entails the addition of stations to an existing ESRD facility that is 10% or less of current station capacity.

(Note: these costs are only for the one additional station, which necessitates a CON permit)

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs	N/A	N/A	N/A
Site Survey and Soil Investigation	N/A	N/A	N/A
Site Preparation	N/A	N/A	N/A
Off Site Work	N/A	N/A	N/A
New Construction Contracts	N/A	N/A	N/A
Modernization Contracts (Plumbing)	5,000	0	5,000
Contingencies	N/A	N/A	N/A
Architectural/Engineering Fees	N/A	N/A	N/A
Consulting and Other Fees	N/A	N/A	N/A
Movable or Other Equipment (not in construction contracts)	18,200	0	18,200
Bond Issuance Expense (project related)	N/A	N/A	N/A
Net Interest Expense During Construction (project related)	N/A	N/A	N/A
Fair Market Value of Leased Space or Equipment 15,000	15,000	N/A	15,000
Other Costs To Be Capitalized	N/A	N/A	N/A
Acquisition of Building or Other Property (excluding land)	N/A	N/A	N/A
TOTAL USES OF FUNDS	**$38,200**	**N/A**	**$38,200**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	23,200	N/A	23,200
Pledges	N/A	N/A	N/A
Gifts and Bequests	N/A	N/A	N/A
Bond Issues (project related)	N/A	N/A	N/A
Mortgages	N/A	N/A	N/A
Leases (fair market value)	15,000	N/A	15,000
Governmental Appropriations	N/A	N/A	N/A
Grants	N/A	N/A	N/A
Other Funds and Sources	N/A	N/A	N/A
TOTAL SOURCES OF FUNDS	**$38,200**	**N/A**	**$38,200**

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Related Project Costs
Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project ☐ Yes ☒ No
Purchase Price: $_____
Fair Market Value: $_____

The project involves the establishment of a new facility or a new category of service
☐ Yes ☒ No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ N/A.

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

☒ None or not applicable ☐ Preliminary
☐ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): December 31, 2018

Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
☒ Financial Commitment will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable:

☐ Cancer Registry
☐ APORS
☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☒ All reports regarding outstanding permits
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
REVIEWABLE							
ESRD	$38,200	5,344			150		
Total Clinical	$38,200	5,344			150		
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL	$38,200	5,344			150		

APPENO DOCUMENTATION AS ATTACHMENT 9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of Fresenius Medical Care Sandwich, LLC * **in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.**

Coleen Muldoon
SIGNATURE

Coleen Muldoon
PRINTED NAME

Regional Vice President/Manager
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 12th day of May

Candace M. Turoski
Signature of Notary

Seal

OFFICIAL SEAL
CANDACE M TUROSKI
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:12/09/17

*Insert the EXACT legal name of the applicant

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of Fresenius Medical Care Holdings, Inc.* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.

SIGNATURE

PRINTED NAME Thomas D. Brouillard, Jr. Assistant Treasurer

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 1st day of May 2017

Signature of Notary

Seal

SIGNATURE

PRINTED NAME Bryan Mello

PRINTED TITLE Assistant Treasurer

Notarization:
Subscribed and sworn to before me
this _____ day of _____

Signature of Notary

Seal

ELIZABETH D. SCULLY
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
October 14, 2022

*Insert the EXACT legal name of the applicant

SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

Background

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.230 – Purpose of the Project, and Alternatives

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate**.

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Staff Report.

APPEND DOCUMENTATION AS ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT 13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative and it shall include the basis used for determining the space and the methodology applied.**

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:

   a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.

   b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.

   c. The project involves the conversion of existing space that results in excess square footage.

   d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?

APPEND DOCUMENTATION AS ATTACHMENT 14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MEET STANDARD?
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT 15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE: NOT APPLICABLE

Provide the following information:

1. Total gross square footage (GSF) of the proposed shell space.
2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function.
3. Evidence that the shell space is being constructed due to:
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data is available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES: NOT APPLICABLE

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

F. Criterion 1110.1430 - In-Center Hemodialysis

1. Applicants proposing to establish, expand and/or modernize the In-Center Hemodialysis category of service must submit the following information:

2. Indicate station capacity changes by Service: Indicate # of stations changed by action(s):

Category of Service	# Existing Stations	# Proposed Stations
☒ In-Center Hemodialysis	11*	12

Facility currently has 10 certified stations, however is in the process of adding one station per the 2-year/10% rule. This station is not yet certified. One additional station is being requested from the applicant.

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.1430(c)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.1430(c)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.1430(c)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.1430(c)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.1430(c)(5) - Planning Area Need - Service Accessibility	X		
1110.1430(d)(1) - Unnecessary Duplication of Services	X		
1110.1430(d)(2) - Maldistribution	X		
1110.1430(d)(3) - Impact of Project on Other Area Providers	X		
1110.1430(e)(1), (2), and (3) - Deteriorated Facilities and Documentation			X
1110.1430(f) - Staffing	X	X	
1110.1430(g) - Support Services	X	X	X
1110.1430(h) - Minimum Number of Stations	X		
1110.1430(i) - Continuity of Care	X		
1110.1430(j) - Relocation (if applicable)	X		
1110.1430(k) - Assurances	X	X	

APPEND DOCUMENTATION AS ATTACHMENT 24, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

4. **Projects for relocation** of a facility from one location in a planning area to another in the same planning area must address the requirements listed in subsection (a)(1) for the "Establishment of Services or Facilities", as well as the requirements in Section 1130.525 – "Requirements for Exemptions Involving the Discontinuation of a Health Care Facility or Category of Service" and subsection 1110.1430(j) - Relocation of an in-center hemodialysis facility.

The following Sections DO NOT need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- **Section 1120.120 Availability of Funds – Review Criteria**
- **Section 1120.130 Financial Viability – Review Criteria**
- **Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)**

VII. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable **[Indicate the dollar amount to be provided from the following sources]:**

23,200	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
N/A	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
N/A	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
15,000	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital

	improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
N/A	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
N/A	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
N/A	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
$38,200	**TOTAL FUNDS AVAILABLE**

APPEND DOCUMENTATION AS ATTACHMENT 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 35, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical 3 Years			Projected
Enter Historical and/or Projected Years:				
Current Ratio	***APPLICANT MEETS THE FINANCIAL VIABILITY WAIVER CRITERIA IN THAT ALL OF THE PROJECTS CAPITAL EXPENDITURES ARE COMPLETELY FUNDED THROUGH INTERNAL SOURCES, THEREFORE NO RATIOS ARE PROVIDED.***			
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 36, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

   A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

   B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
		33.33			150			$5,000	$5,000
Contingency									
TOTALS		33.33			150			$5,000	$5,000

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT 37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. SAFETY NET IMPACT STATEMENT

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE STATE-OWNED HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding

"Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 38.

Safety Net Information per PA 96-0031			
CHARITY CARE			
	2013	2014	2015
Charity (# of patients)	499	251	195
Charity (cost In dollars)	$5,346,976	$5,211,664	$2,983,427
MEDICAID			
	2013	2014	2015
Medicaid (# of patients)	1,660	750	396
Medicaid (revenue)	$31,373,534	$22,027,882	$7,310,484

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION XI. CHARITY CARE INFORMATION

Charity Care information MUST be furnished for ALL projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 39.

CHARITY CARE			
	2013	**2014**	**2015**
Net Patient Revenue	$398,570,288	$411,981,839	$438,247,352
Amount of Charity Care (charges)	$5,346,976	$5,211,664	$2,983,427
Cost of Charity Care	$5,346,976	$5,211,664	$2,983,427

APPEND DOCUMENTATION AS ATTACHMENT 39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

After paginating the entire completed application Indicate, in the chart below, the page numbers for the included attachments:

INDEX OF ATTACHMENTS

ATTACHMENT NO.		PAGES
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2	Site Ownership	25
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	26
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Applicant Identification

Applicant

Exact Legal Name:	Fresenius Medical Care Sandwich, LLC d/b/a Fresenius Medical Care Sandwich
Street Address:	920 Winter Street
City and Zip Code:	Waltham, MA 02451
Name of Registered Agent:	CT Corporation Systems
Registered Agent Street Address:	208 S. LaSalle Street, Suite 814
Registered Agent City and Zip Code:	Chicago, IL 60604
Name of Chief Executive Officer:	Bill Valle
CEO Street Address:	920 Winter Street
CEO City and Zip Code:	Waltham, MA 02451
CEO Telephone Number:	800-662-1237

Type of Ownership of Applicant

☐ Non-profit Corporation ☐ Partnership
☐ For-profit Corporation ☐ Governmental
☒ Limited Liability Company ☐ Sole Proprietorship ☐ Other

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

Certificate of Good Standing for Fresenius Medical Care Sandwich, LLC on following page.

Co-Applicant

Exact Legal Name:	Fresenius Medical Care Holdings, Inc.
Street Address:	920 Winter Street
City and Zip Code:	Waltham, MA 02451
Name of Registered Agent:	CT Corporation Systems
Registered Agent Street Address:	208 S. LaSalle Street, Suite 814
Registered Agent City and Zip Code:	Chicago, IL 60604
Name of Chief Executive Officer:	Bill Valle
CEO Street Address:	920 Winter Street
CEO City and Zip Code:	Waltham, MA 02451
CEO Telephone Number:	800-662-1237

Type of Ownership of Co-Applicant

☐ Non-profit Corporation ☐ Partnership
☒ For-profit Corporation ☐ Governmental
☐ Limited Liability Company ☐ Sole Proprietorship ☐ Other

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

File Number 0226978-3

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

FRESENIUS MEDICAL CARE SANDWICH, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON JULY 17, 2007, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 15TH *day of* JUNE *A.D.* 2017 .

Jesse White

SECRETARY OF STATE

Authentication #: 1716602174 verifiable until 06/15/2018
Authenticate at: http://www.cyberdriveillinois.com

24B

Certificate of Good Standing
ATTACHMENT 1

Site Ownership

Exact Legal Name of Site Owner: Sandwich Development Partners
Address of Site Owner: 309 Water Street, Suite 500, Milwaukee, WI 53202
Street Address or Legal Description of the Site: 1310 N Main Street, Suite 105, Sandwich, IL 60548

Operating Identity/Licensee

[Provide this information for each applicable facility, and insert after this page.]

Exact Legal Name: Fresenius Medical Care Sandwich, LLC d/b/a Fresenius Medical Care Sandwich*

Address: 920 Winter Street, Waltham, MA 02451

☐	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
■	Limited Liability Company	☐	Sole Proprietorship	☐	Other

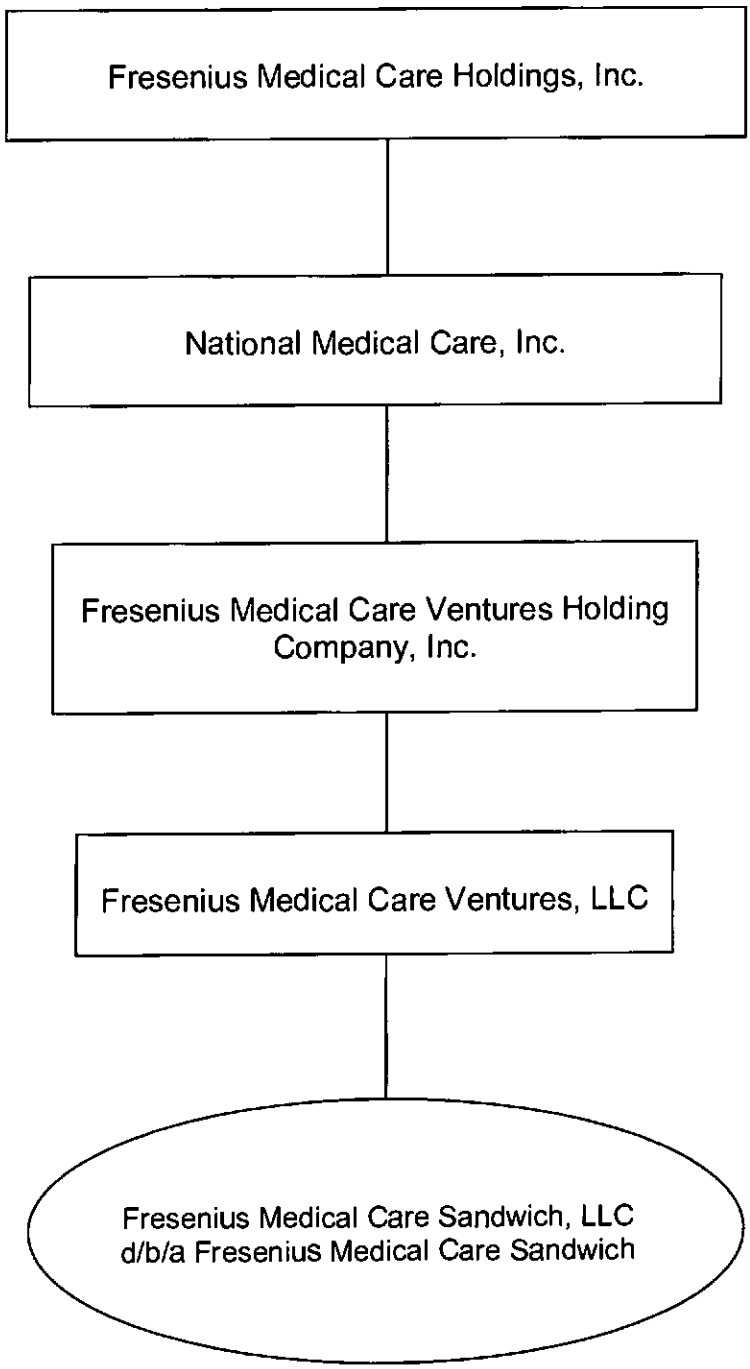
- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

***Certificate of Good Standing at Attachment – 1.**

Ownership

Fresenius Medical Care Ventures, LLC has a 60% membership interest in Fresenius Medical Care Sandwich, LLC.

SS Renal, LLC has a 40% membership interest in Fresenius Medical Care Sandwich, LLC. Its address is 1472 Greenlake Drive, Aurora, IL 60502.



Org Chart
ATTACHMENT - 4

SUMMARY OF PROJECT COSTS

Modernization	
Plumbing	5,000
Total	**5,000**

Contingencies	$0

Architecture/Engineering Fees	$0

Moveable or Other Equipment	
Dialysis Chairs	4,000
Clinical Furniture & Equipment	3,000
Office Equipment & Other Furniture	0
Water Treatment	0
TVs & Accessories	10,000
Telephones	0
Generator	0
Facility Automation	0
Other miscellaneous	1,200
	$18,200

Fair Market Value of Leased Space and Equipment	
FMV Leased Dialysis Machines	15,000
	$15,000

Grand Total	$38,200

Itemized Costs

ATTACHMENT - 7

Current Fresenius CON Permits and Status

Project Number	Project Name	Project Type	Completion Date	Comment
#14-026	Fresenius Kidney Care New City	Establishment	09/30/2017	Open 11/02/2016, awaiting CMS certification letter
#14-047	Fresenius Kidney Care Humboldt Park	Establishment	12/31/2017	Open 3/29/17
#15-028	Fresenius Kidney Care Schaumburg	Establishment	02/28/2017	Obligated/Permitting Phase Construction CED 9/2017
#15-036	Fresenius Kidney Care Zion	Establishment	06/30/2017	Obligated/Construction CED 11/2017
#15-046	Fresenius Kidney Care Beverly Ridge	Establishment	06/30/2017	Obligated/Permitting Phase
#15-050	Fresenius Kidney Care Chicago Heights	Establishment	12/31/2017	Obligated/Construction Underway
#15-062	Fresenius Kidney Care Belleville	Establishment	12/31/2017	Obligated/Construction Underway
#16-024	Fresenius Kidney Care East Aurora	Establishment	09/30/2018	Obligated/Construction CED 10/2017
#16-035	Fresenius Kidney Care Evergreen Park	Relocation	12/31/2017	CED May 15, 2017
#16-029	Fresenius Medical Care Ross Dialysis - Englewood	Relocation/ Expansion	12/31/2018	Permitted January 24, 2017
#16-034	Fresenius Kidney Care Woodridge	Establishment	12/31/2017	Permitted March 14, 2017
#16-042	Fresenius Kidney Care Paris Community	Establishment	09/30/2018	Permitted March 14, 2017
#16-049	Fresenius Medical Care Macomb	Relocation/ Expansion	12/31/2018	Permitted March 14, 2017

Project Status
ATTACHMENT – 8

Cost Space Requirements

Provide in the following format, the department/area GSF and cost. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
REVIEWABLE							
In-Center Hemodialysis	$38,200	5,344			150		
Total Clinical	$38,200	5,344			150		
NON REVIEWABLE							
Non-Clinical (Administrative, Mechanical, Staff, Waiting Room Areas)							
Total Non-clinical	0	0			0		
TOTAL	**$38,200**	**5,344**			**150**		

FRESENIUS KIDNEY CARE

Fresenius Kidney Care, a division of Fresenius Medical Care North America (FMCNA), provides dialysis treatment and services to nearly 200,000 people with kidney disease at more than 2,200 facilities nationwide. Fresenius Kidney Care patients have access to FMCNA's integrated network of kidney care services ranging from cardiology and vascular care to pharmacy and lab services as well as urgent care centers and the country's largest practice of hospitalist and post-acute providers. The scope and sophistication of this vertically integrated network provides us with seamless oversight of our patients' entire care continuum.

As a leader in renal care technology, innovation and clinical research, FMCNA's more than 67,000 employees are dedicated to the mission of delivering superior care that improves the quality of life for people with kidney disease. Fresenius Kidney Care supports people by helping to address both the physical and emotional aspects of kidney disease through personalized care, education and lifestyle support services so they can lead meaningful and fulfilling lives.

Bringing our Mission to Life

At Fresenius Kidney Care, we understand that helping people with end stage renal disease (ESRD) live fuller, more active and vibrant lives is about much more than providing them with the best dialysis care. It's about caring for the whole person. That's why we use our vast resources to care for their emotional, medical, dietary, financial and well-being needs.

We also provide educational support for people with chronic kidney disease (CKD), including routine classes for people with later stage CKD. Our robust education programs are designed to improve patient outcomes and improve the quality of life for every patient.

- ***KidneyCare:365***. A company-wide program designed to educate pre-ESRD patients about available treatment options when they enter end stage renal disease. These classes are held routinely at local hospitals and physician offices. Treatment options include transplantation, in-center hemodialysis, at-home hemodialysis, peritoneal dialysis and nocturnal dialysis.

- ***Navigating Dialysis Program***. A patient educational program focusing on days 1-90 in the patient journey. During the first three months, in-center patients are introduced to the core topics essential to starting dialysis, beginning with the new Starter Kit and supported by several touchpoints delivered by members of the care team.

- ***Catheter Reduction Program***. A key strategic clinical initiative to support nephrologists and clinical staff with increasing the number of patients dialyzed with a permanent access, preferably a venous fistula (AVF) versus a central venous catheter (CVC). Starting dialysis with or converting patients to an AVF can significantly lower serious complications, hospitalizations and mortality rates.

Value Based Care Model

Health care is moving toward a value-based system focused on caring for the whole patient, improving efficiencies and reducing costs. FMCNA, operating under the name Fresenius Seamless Care, is making an investment in End Stage Renal Disease Seamless Care (ESCO) in a very disciplined and thoughtful way because the company believes value-based care is fundamentally important. ESCOs reflect a partnership between nephrologists and dialysis providers that offers highly coordinated, patient-centered care to assigned Medicare beneficiaries with ESRD. By monitoring and managing the total care of the ESRD patient, the ESCO aims to avoid inappropriate hospitalizations and help patients move from high-risk to lower-risk on the heath care continuum.

The cornerstone of the ESCO program for FMCNA is its Care Navigation Unit (CNU), a team of specially trained nurses and care technicians who provide 24/7 patient support and care management services. By focusing on both the physical and emotional needs of each patient, the Care Navigation Unit can anticipate issues before they arise and help patients respond more quickly when they happen. The CNU has proven that through rigorous patient monitoring and appropriate intervention, they can significantly improve patient health outcomes, reducing hospital admissions by up to 20 percent and readmissions by up to 27 percent in ESRD populations.

This investment demonstrates the value FMCNA places on collaboration with CMS, policymakers and physicians for the benefit of its patients. It also shows the importance we place on patients taking an active role in their own care.

At FMCNA, we strive to be the partner of choice by leading the way with collaborative, entrepreneurial new models of value-based care that take full responsibility for the patients we serve while reducing costs and improving outcomes. This approach allows us to coordinate health care services at pivotal care points for hundreds of thousands of chronically ill people and enhance the lives of those trusted to our care.

Overview of Services

Treatment Settings and Options

- In-center hemodialysis
- At-home hemodialysis
- At-home peritoneal dialysis

Patient Support Services

- Nutritional counseling
- Social work services
- Home training program
- Clinical care
- Patient travel services
- Patient education classes
- Urgent care (acute)

Counseling and Guidance for Non-Dialysis Options

- Kidney transplant
- Supportive care without dialysis

Our Local Commitment

Fresenius Kidney Care is a predominant supporter of the National Kidney Foundation of Illinois (NKFI). The NKFI is an affiliate of the National Kidney Foundation, which funds medical research improving lives of those with kidney disease, prevention screenings and is a leading educator on kidney disease. Our Fresenius Kidney Care employees in Chicago alone raised $22,000 for the NKFI Kidney Walk in downtown Chicago. In addition to the local fundraising efforts, each year, Fresenius Kidney Care donates $25,000 to the NKFI and another $5,000 in downstate Illinois.

Fresenius Kidney Care In-center Clinics in Illinois

Clinic	Provider #	Address	City	Zip
Aledo	14-2658	409 NW 9th Avenue	Aledo	61231
Alsip	14-2630	12250 S. Cicero Ave Ste. #105	Alsip	60803
Antioch	14-2673	311 Depot St., Ste. H	Antioch	60002
Aurora	14-2515	455 Mercy Lane	Aurora	60506
Austin Community	14-2653	4800 W. Chicago Ave., 2nd Fl.	Chicago	60651
Belleville	-	6525 W. Main Street	Belleville	62223
Berwyn	14-2533	2601 S. Harlem Avenue, 1st Fl.	Berwyn	60402
Blue Island	14-2539	12200 S. Western Avenue	Blue Island	60406
Bolingbrook	14-2605	329 Remington	Bolingbrook	60440
Breese	14-2637	160 N. Main Street	Breese	62230
Bridgeport	14-2524	825 W. 35th Street	Chicago	60609
Burbank	14-2641	4811 W. 77th Street	Burbank	60459
Carbondale	14-2514	1425 Main Street	Carbondale	62901
Centre West Springfield	14-2546	1112 Centre West Drive	Springfield	62704
Champaign	14-2588	1405 W. Park Street	Champaign	61801
Chatham	14-2744	333 W. 87th Street	Chicago	60620
Chicago Dialysis	14-2506	1806 W. Hubbard Street	Chicago	60622
Chicago Westside	14-2681	1340 S. Damen	Chicago	60608
Cicero	14-2754	3000 S. Cicero	Chicago	60804
Congress Parkway	14-2631	3410 W. Van Buren Street	Chicago	60624
Crestwood	14-2538	4861W. Cal Sag Road	Crestwood	60445
Decatur East	14-2603	1830 S. 44th St.	Decatur	62521
Deerfield	14-2710	405 Lake Cook Road	Deefield	60015
Des Plaines	14-2774	1625 Oakton Place	Des Plaines	60018
Downers Grove	14-2503	3825 Highland Ave., Ste. 102	Downers Grove	60515
DuPage West	14-2509	450 E. Roosevelt Rd., Ste. 101	West Chicago	60185
DuQuoin	14-2595	825 Sunset Avenue	DuQuoin	62832
East Aurora	-	840 N. Farnsworth Avenue	Aurora	60505
East Peoria	14-2562	3300 North Main Street	East Peoria	61611
Elgin	14-2726	2130 Point Boulevard	Elgin	60123
Elk Grove	14-2507	901 Biesterfield Road, Ste. 400	Elk Grove	60007
Elmhurst	14-2612	133 E. Brush Hill Road, Suite 4	Elmhurst	60126
Evanston	14-2621	2953 Central Street, 1st Floor	Evanston	60201
Evergreen Park	14-2545	9730 S. Western Avenue	Evergreen Park	60805
Galesburg	14-8628	765 N Kellogg St, Ste 101	Galesburg	61401
Garfield	14-2555	5401 S. Wentworth Ave.	Chicago	60609
Geneseo	14-2592	600 North College Ave, Suite 150	Geneseo	61254
Glendale Heights	14-2617	130 E. Army Trail Road	Glendale Heights	60139
Glenview	14-2551	4248 Commercial Way	Glenview	60025
Greenwood	14-2601	1111 East 87th St., Ste. 700	Chicago	60619
Gurnee	14-2549	101 Greenleaf	Gurnee	60031
Hazel Crest	14-2607	17524 E. Carriageway Dr.	Hazel Crest	60429
Highland Park	14-2782	1657 Old Skokie Road	Highland Park	60035
Hoffman Estates	14-2547	3150 W. Higgins, Ste. 190	Hoffman Estates	60195
Humboldt Park	-	3500 W. Grand Avenue	Chicago	60651
Jackson Park	14-2516	7531 South Stony Island Ave.	Chicago	60649
Joliet	14-2739	721 E. Jackson Street	Joliet	60432
Kewanee	14-2578	230 W. South Street	Kewanee	61443
Lake Bluff	14-2669	101 Waukegan Rd., Ste. 700	Lake Bluff	60044
Lakeview	14-2679	4008 N. Broadway, St. 1200	Chicago	60613
Lemont	14-2798	16177 W. 127th Street	Lemont	60439
Logan Square	14-2766	2721 N. Spalding	Chicago	60647
Lombard	14-2722	1940 Springer Drive	Lombard	60148
Macomb	14-2591	523 E. Grant Street	Macomb	61455
Maple City	14-2790	1225 N. Main Street	Monmouth	61462
Marquette Park	14-2566	6515 S. Western	Chicago	60636
McHenry	14-2672	4312 W. Elm St.	McHenry	60050
McLean Co	14-2563	1505 Eastland Medical Plaza	Bloomington	61704
Melrose Park	14-2554	1111 Superior St., Ste. 204	Melrose Park	60160
Merrionette Park	14-2667	11630 S. Kedzie Ave.	Merrionette Park	60803
Metropolis	14-2705	20 Hospital Drive	Metropolis	62960
Midway	14-2713	6201 W. 63rd Street	Chicago	60638
Mokena	14-2689	8910 W. 192nd Street	Mokena	60448
Moline	14-2526	400 John Deere Road	Moline	61265
Mount Prospect		1710-1790 W. Golf Road	Mount Prospect	60056
Mundelein	14-2731	1400 Townline Road	Mundelein	60060
Naperbrook	14-2765	2451 S Washington	Naperville	60565

Facility List
ATTACHMENT - 11

Clinic	Provider #	Address	City	Zip
Naperville North	14-2678	516 W. 5th Ave.	Naperville	60563
New City	-	4622 S. Bishop Street	Chicago	60609
Niles	14-2500	7332 N. Milwaukee Ave	Niles	60714
Normal	14-2778	1531 E. College Avenue	Normal	61761
Norridge	14-2521	4701 N. Cumberland	Norridge	60656
North Avenue	14-2602	911 W. North Avenue	Melrose Park	60160
North Kilpatrick	14-2501	4800 N. Kilpatrick	Chicago	60630
Northcenter	14-2531	2620 W. Addison	Chicago	60618
Northfield	14-2771	480 Central Avenue	Northfield	60093
Northwestern University	14-2597	710 N. Fairbanks Court	Chicago	60611
Oak Forest	14-2764	5340A West 159th Street	Oak Forest	60452
Oak Park	14-2504	773 W. Madison Street	Oak Park	60302
Orland Park	14-2550	9160 W. 159th St.	Orland Park	60462
Oswego	14-2677	1051 Station Drive	Oswego	60543
Ottawa	14-2576	1601 Mercury Circle Drive, Ste. 3	Ottawa	61350
Palatine	14-2723	691 E. Dundee Road	Palatine	60074
Pekin	14-2571	3521 Veteran's Drive	Pekin	61554
Peoria Downtown	14-2574	410 W Romeo B. Garrett Ave.	Peoria	61605
Peoria North	14-2613	10405 N. Juliet Court	Peoria	61615
Plainfield	14-2707	2320 Michas Drive	Plainfield	60544
Plainfield North	14-2596	24024 W. Riverwalk Court	Plainfield	60544
Polk	14-2502	557 W. Polk St.	Chicago	60607
Pontiac	14-2611	804 W. Madison St.	Pontiac	61764
Prairie	14-2569	1717 S. Wabash	Chicago	60616
Randolph County	14-2589	102 Memorial Drive	Chester	62233
Regency Park	14-2558	124 Regency Park Dr., Suite 1	O'Fallon	62269
River Forest	14-2735	103 Forest Avenue	River Forest	60305
Rock Island	14-2703	2623 17th Street	Rock Island	61201
Rock River - Dixon	14-2645	101 W. Second Street	Dixon	61021
Rogers Park	14-2522	2277 W. Howard St.	Chicago	60645
Rolling Meadows	14-2525	4180 Winnetka Avenue	Rolling Meadows	60008
Roseland	14-2690	135 W. 111th Street	Chicago	60628
Ross-Englewood	14-2670	6333 S. Green Street	Chicago	60621
Round Lake	14-2616	401 Nippersink	Round Lake	60073
Saline County	14-2573	275 Small Street, Ste. 200	Harrisburg	62946
Sandwich	14-2700	1310 Main Street	Sandwich	60548
Schaumburg	14-2802	815 Wise Road	Schaumburg	60193
Silvis	14-2658	880 Crosstown Avenue	Silvis	61282
Skokie	14-2618	9801 Wood Dr.	Skokie	60077
South Chicago	14-2519	9200 S. Chicago Ave.	Chicago	60617
South Deering	14-2756	10559 S. Torrence Ave.	Chicago	60617
South Holland	14-2542	17225 S. Paxton	South Holland	60473
South Shore	14-2572	2420 E. 79th Street	Chicago	60649
Southside	14-2508	3134 W. 76th St.	Chicago	60652
South Suburban	14-2517	2609 W. Lincoln Highway	Olympia Fields	60461
Southwestern Illinois	14-2535	7 Professional Drive	Alton	62002
Spoon River	14-2565	340 S. Avenue B	Canton	61520
Spring Valley	14-2564	12 Wolfer Industrial Drive	Spring Valley	61362
Steger	14-2725	219 E. 34th Street	Steger	60475
Streator	14-2695	2356 N. Bloomington Street	Streator	61364
Summit	14-2802	7319-7322 Archer Avenue	Summit	60501
Uptown	14-2692	4720 N. Marine Dr.	Chicago	60640
Waterloo	14-2789	624 Voris-Jost Drive	Waterloo	62298
Waukegan Harbor	14-2727	101 North West Street	Waukegan	60085
West Batavia	14-2729	2580 W. Fabyan Parkway	Batavia	60510
West Belmont	14-2523	4943 W. Belmont	Chicago	60641
West Chicago	14-2702	1859 N. Neltnor	West Chicago	60185
West Metro	14-2536	1044 North Mozart Street	Chicago	60622
West Suburban	14-2530	518 N. Austin Blvd., 5th Floor	Oak Park	60302
West Willow	14-2730	1444 W. Willow	Chicago	60620
Westchester	14-2520	2400 Wolf Road, Ste. 101A	Westchester	60154
Williamson County	14-2627	900 Skyline Drive, Ste. 200	Marion	62959
Willowbrook	14-2632	6300 S. Kingery Hwy, Ste. 408	Willowbrook	60527
Zion	-	1920-1920 N. Sheridan Road	Zion	60099

Certification & Authorization

Fresenius Medical Care Sandwich, LLC

In accordance with Section III, A (2) of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby certify that no adverse actions have been taken against Fresenius Medical Care Sandwich, LLC 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 Planning Board; and

In regards to section III, A (3) of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby authorize the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or information that the State Board or Agency finds pertinent to this subsection.

By: _____

ITS: Regional Vice President | Manager

Notarization:
Subscribed and sworn to before me
this 12th day of May, 2017

Candace M. Turoski
Signature of Notary

Seal

OFFICIAL SEAL
CANDACE M TUROSKI
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:12/09/17

ATTACHMENT – 11

Certification & Authorization

Fresenius Medical Care Holdings, Inc.

In accordance with Section III, A (2) of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby certify that no adverse actions have been taken against Fresenius Medical Care Holdings, Inc. by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities & Services Review Board; and

In regards to section III, A (3) of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby authorize the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or information that the State Board or Agency finds pertinent to this subsection.

By: _____

ITS: Thomas D. Brouillard, Jr. Assistant Treasurer

By: _____

ITS: Bryan Mello Assistant Treasurer

Notarization:
Subscribed and sworn to before me
this 3rd day of May, 2017

Elizabeth D. Scully
Signature of Notary

Seal

ELIZABETH D. SCULLY
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
October 14, 2022

Notarization:
Subscribed and sworn to before me
this _____ day of _____, 2017

_____
Signature of Notary

Seal

ATTACHMENT - 11

Criterion 1110.230 – Purpose of Project

1. The purpose of this project is to maintain access to daytime treatment times for life-sustaining dialysis treatments in Sandwich and to optimize the efficiency of the clinic staffing on the treatment floor. The most cost effective way is to utilize existing space at the current Fresenius Sandwich facility and add 1 station to bring the total to 12 (the facility is currently in the process of going from 10 to 11 stations per the 2-year/10% rule). The Sandwich facility earned 3 stars in the CMS Quality Star Rating for 2016.

2. The Fresenius Sandwich facility is located in far southeast DeKalb County which is part of HSA 1. It borders HSA 2, 8, & 9.

3. The Sandwich dialysis facility has been operating at an average utilization rate of 61.66% for the past 12 months. As of June 15, 2017 the facility is at 67% utilization with 40 patients. While this does not meet Board target utilization based on 6 shifts, the facility is at 88% based on the 4 shifts it operates. Because of the rural nature of the facility location and the advanced age of the majority of patients it is preferred, for safety reasons, to dialyze the patients on the daytime treatment shifts and not operate the 3rd shift of the day that ends after dark. The facility is out of room on the daytime shifts.

4. Not Applicable

5. Increasing the station count at the Fresenius Sandwich facility from 11 to 12 will ensure access to daytime treatment schedules while maintaining current facility operations and patient safety. The facility has added stations per the 2-year/10% rule over the years in order to keep access to the daytime treatment times. It will also allow the facility to operate on a preferred staffing model of 1 clinician to 4 patients. This model is more efficient and functions well with the patient treatment schedules and use of treatment floor space.

6. The goal of Fresenius Medical Care is to keep daytime dialysis access available to this patient population. There is no direct empirical evidence relating to this project other than that when chronic care patients have adequate access to services, it tends to reduce overall healthcare costs and results in less complications. It is expected that this facility would continue to have similar quality outcomes after the expansion. The Sandwich facility has a 3-star CMS Quality rating and the Sandwich patients have the quality values as listed below:

    - 98% of patients had a URR $\geq$ 65%
    - 100% of patients had a Kt/V $\geq$ 1.2

Alternatives

1) **All Alternatives**

A-C.

- The alternative of doing nothing will not address patient access issues to the daytime treatment times. The facility does not operate 6 shifts and is operating at 88% utilization with 4 shifts. There is no cost to this alternative.

- The physician practice supporting this project also admit patients to Fox Valley Dialysis in Aurora, Fresenius Aurora, Oswego, and West Batavia and will refer to Fresenius East Aurora once it is operating. These facilities do not serve the Sandwich area. Additional access is needed in Sandwich to keep patients dialyzing in the daytime hours. There is no cost to referring patients to other area facilities.

- The alternative of adding stations was already acted upon. One station was added in 2014 and another is being added currently per the 2-year/10% rule, which will bring the station count to 11. This will drop the utilization of the 4 operating shifts to 80% demonstrating a need for additional stations to maintain 4 shifts. The cost of installing these two stations was approximately $85,000.

- The facility is currently a joint venture which does not impact access or staffing issues.

- None of the previously mentioned alternatives would address the desire to operate most effectively with a preferred patient to staff ratio of 4/1.

D. The best alternative for addressing the patients' need for additional access to daytime treatment hours in rural Sandwich and also to operate efficiently with a 4/1 patient to staff ratio is to add a 12th station to the Sandwich facility. The cost of this project is minimal at $38,200 as is the effect on the station inventory.

2) Comparison of Alternatives

	Total Cost	Patient Access	Quality	Financial
Do Nothing	Rejected – won't address patient access to daytime treatment in Sandwich or the facility staffing ratio.			
Admit patients to other area facilities.	Physicians already admit to Fox Valley Dialysis, Fresenius Aurora, Oswego, West Batavia and will admit to Fresenius East Aurora, none of which are in the rural Sandwich market. There is no cost to this alternative.			
Establish a Joint Venture	The facility is currently a joint venture.			
Expand Fresenius Sandwich by 1 station for a total of 12 stations.	$38,200	Access to daytime dialysis treatment will be maintained in the rural Sandwich area of DeKalb County. The facility can operate most effectively with 12 stations allowing a 4/1 patient staff ratio.	Fresenius Medical Care Sandwich has a 3-star CMS rating for 2016. Quality is above standards and it is expected to remain so. With access to daytime treatment patients will have the highest transportation availability and safety. They also will be less likely to miss treatments keeping quality high.	This cost is to Fresenius only.

3. Empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

There is no direct empirical evidence relating to this project other than that when chronic care patients have adequate access to services, it tends to reduce overall healthcare costs and results in less complications. Fresenius Sandwich has had above standard quality outcomes as demonstrated below and was rated 3-stars by CMS for 2016.

- 98% of patients had a URR $\geq$ 65%
- 100% of patients had a Kt/V $\geq$ 1.2

Criterion 1110.234, Size of Project

SIZE OF PROJECT				
DEPARTMENT/SERVICE	BGSF/DGSF	STATE STANDARD 450-650 BGSF Per Station	DIFFERENCE	MET STANDARD?
ESRD IN-CENTER HEMODIALYSIS	5,344 (12 Stations)	5,400 – 7,800 BGSF	-56 GSF	Yes

The facility's 5,344 BGSF meets the State standard.

Criterion 1110.234, Project Services Utilization

UTILIZATION					
	DEPT/SERVICE	**HISTORICAL UTILIZATION**	**PROJECTED UTILIZATION**	**STATE STANDARD**	**MET STANDARD?**
	IN-CENTER HEMODIALYSIS 10 Stations	10 Stations/40 Pts 06/15/2017 67%		80%/6 shifts	No
YEAR 1	IN-CENTER HEMODIALYSIS 12 Stations	12 Stations	63%	80%/6 shifts	No
YEAR 1	IN-CENTER HEMODIALYSIS	12 Stations	80%	80%/6 shifts	Yes

There are 21 pre-ESRD patients identified to be referred to the facility to reach 80% utilization after accounting for patient attrition. These numbers do not include any additional patients who are not currently being followed for kidney disease who will be referred to the facility after presenting in the emergency room in kidney failure.

2. Planning Area Need – Service To Planning Area Residents:

A. The primary purpose of this project is to provide optimal access to in-center hemodialysis services to the residents of DeKalb County, specifically the Sandwich area, which is in HSA 1. However, Sandwich closely borders three other counties, each in a different HSA so will also serve those bordering residents. 52% of the patients identified to be referred to the Sandwich facility reside in HSA 1, thereby meeting this requirement.

County	HSA	# Pre-ESRD Patients Who Will Be Referred to Fresenius Medical Care Sandwich
DeKalb	1	11 Pts. 52%
Kane	8	2Pts. 10%
Kendall	9	4Pts. 19%
LaSalle	2	4Pts. 19%

Service Demand – Expansion of In-center Hemodialysis Service

A. Historical Service Demand

i) The Sandwich dialysis facility has been operating at an average utilization rate of 61.66% for the past 12 months. As of June 15, 2017 the facility is at 67% utilization with 40 patients.

The facility does not meet the Board's standard utilization of 80% based on a facility operating 6 patient shifts per week (3 shifts M/W/F and 3 shifts T/TH/S), however, because this is a rural facility, it only operates 4 patient shifts per week (2 shifts M/W/F and 2 shifts T/TH/S). Based on 4 weekly patient shifts the facility is operating at 88%. Because of the country roads and the distance between patient's homes and the clinic it is in the patients' best interest to travel in the daytime.

The third patient shift ends after dark making it hazardous for patients to travel. Although limited during the daytime, there are no public transportation options available for the evening shift. It is imperative for patient safety to maintain access to the daytime treatment shifts at the Sandwich facility.

The facility is currently in the process of adding one station per the 2-year/10% rule for a total of 11 total stations and is asking for approval to add one additional station for a 12-station facility. This is a minimal request financially and would be most cost effective to add while we are already in the process of adding the 11th station. It also will have minimal effect on the station inventory. The benefits however will allow additional access to daytime treatment shifts and make the treatment floor operations more efficient by allowing an optimum staffing ratio of 4/1.

See attached physician support/referral letter on following page.

Advocate Medical Group

June 13, 2017

Ms. Courtney Avery
Administrator
Illinois Health Facilities & Services Review Board
525 W. Jefferson St., 2nd Floor
Springfield, IL 62761

Dear Ms. Avery:

I am a nephrologist practicing in Kane, Kendall and DeKalb Counties, along with my partners Dr. Dodhia and Dr. Mizra. I am the Medical Director of the Fresenius Oswego and Sandwich dialysis centers. Dr. Dodhia is the Medical Director of the Fresenius Aurora and West Batavia dialysis centers and Dr. Mizra will be the Medical Director of the East Aurora facility. I am writing to express my support of the 1-station expansion at the Sandwich facility. The facility currently operates 10 stations and I am aware one station is being added without CON that is allowable within the Board rules. Although this additional station will contribute to our desire to accommodate more patients on daytime shifts it will not help our current inefficient treatment floor staffing. The most efficient staffing is a ratio of 4/1. A twelve station facility will allow that operation.

The Sandwich facility is located in a rural area of southeast DeKalb County with nearly half of the current patients aged over 65. For the patients, especially in this age group, it is in their best interest to offer treatment on the two daytime daily treatment shifts. These patients have limited transportation options at best and no options in the evening and for the patients who drive themselves or with family members, it is safer for them to come and go during the daylight hours
.
My practice was treating 209 in-center hemodialysis patients at the end of 2014, 231 patients at the end of 2015, 213 patients at the end of 2016, and 231 patients as of March 2017. In the past twelve months, we referred approximately 44 new ESRD patients for in-center dialysis services to Fresenius Aurora, Oswego, Sandwich and West Batavia and Fox Valley Dialysis. I currently have 67 pre-ESRD patients that reside in the zip codes surrounding the Sandwich facility. Accounting for patient attrition, I expect that 21 of these patients will require dialysis at the Sandwich clinic in the first two years after the 2 stations become operational.

Advocate Medical Group

I respectfully ask the Board to approve the expansion of the Fresenius Sandwich facility to allow the patients in this rural area continued access to dialysis treatment in the daytime as well as staff a more efficient work flow on the treatment floor. Thank you for your consideration.
I attest that to the best of my knowledge, all the information contained in this letter is true and correct and that the projected patient referrals listed in this document have not been used to support any other pending or approved CON application.

Sincerely,

Atif Fakhruddin, M.D.
Notarization:
Subscribed and sworn to before me
this 13th day of June, 2017

Signature of Notary Candace M. Turoski

Seal

OFFICIAL SEAL
CANDACE M TUROSKI
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:12/09/17

CURRENT AND PRE-ESRD PATIENTS OF DR. FAKHRUDDIN'S PRACTICE THAT WILL BE REFERRED TO THE SANDWICH FACILITY

Fresenius Sandwich Patients March 31, 2017	
Zip Codes	Patients
60115	2
60511	1
60518	1
60520	1
60541	2
60545	5
60548	13
60551	4
60552	3
60556	1
60560	2
Total	**35**

Pre-ESRD Patients	
Zip Code	Total
60511	2
60518	1
60520	1
60541	1
60545	3
60548	7
60549	1
60550	2
60551	1
60552	1
61342	1
Total	**21**

New ESRD Referrals for the Past 12 Months

Fresenius Aurora	
Zip Code	Patients
60115	1
60505	2
60506	1
60538	1
60542	1
60560	1
60631	1
Total	**8**

Fresenius Oswego	
Zip Code	Patients
60503	2
60504	1
60505	1
60506	2
60510	1
60512	1
60538	3
60543	2
60544	1
60545	1
60554	1
60560	4
60586	1
Total	**21**

Fresenius Sandwich	
Zip Code	Patients
60545	2
60548	4
60552	1
60560	1
Total	**8**

Fresenius West Batavia	
Zip Code	Patients
60175	1
60506	1
Total	**2**

Fox Valley Dialysis	
Zip Code	Patients
60502	1
60504	2
60505	1
60510	1
Total	**5***

Total Admissions	44

*5 admissions at FVD were between January 2016 and May 2017. Exact dates were unavailable.

In-Center Hemodialysis Patients of Dr. Fakhruddin's Practice

Fresenius Medical Care Aurora				
Zip Code	Dec-14	Dec-15	Dec-16	Mar-17
60115	2	2	1	2
60440	0	1	1	
60502	0	3	2	3
60503	0	1	3	2
60504	3	3	1	3
60505	38	41	37	41
60506	42	41	38	38
60532	0	0	1	1
60538	7	6	5	5
60542	7	6	6	5
60543	2	2	2	1
60554	0	2	5	3
60560	0	0	1	1
60563	1	1	1	1
61604	0	0	0	1
Totals	**102**	**109**	**104**	**107**

Fresenius Medical Care West Batavia				
Zip Code	Dec-14	Dec-15	Dec-16	Mar-17
60115	1	0	0	0
60120	0	1	0	0
60174	2	3	1	1
60175	2	1	1	1
60177	1	1	0	0
60505	1	2	3	3
60506	4	6	3	3
60510	5	6	1	1
60542	4	3	1	1
60554	2	5	1	1
60555	0	0	1	0
60548	0	1	0	0
Total	**22**	**29**	**12**	**11**

Practice Totals	Dec-14	Dec-15	Dec-16	Mar-17
	209	**231**	**213**	**231**

Fresenius Medical Care Oswego				
Zip Code	Dec-14	Dec-15	Dec-16	Mar-17
60502	2	2	2	2
60503	1	2	1	3
60504	3	5	5	6
60505	10	14	10	10
60506	2	4	4	4
60512	1	1	2	2
60538	9	12	12	14
60543	14	10	11	12
60545	1	0	2	2
60554	1	1	1	1
60560	7	7	10	12
60563	1	0	0	1
60585	0	0	1	1
60586	0	0	1	1
Totals	**52**	**58**	**62**	**71**

Fresenius Medical Care Sandwich				
Zip Code	Dec-14	Dec-15	Dec-16	Mar-17
60115	0	1	1	1
60511	0	1	1	4
60518	1	1	1	1
60520	2	2	1	1
60541	3	2	2	2
60545	4	4	6	6
60548	12	13	14	10
60551	3	4	4	4
60552	1	0	3	3
60556	0	1	1	0
60560	2	2	1	1
Total	**28**	**31**	**35**	**33**

Renaissance Fox Valley Dialysis				
Zip Code	Dec-14	Dec-15	Dec-16	Mar-17
60502	0	0	-	1
60504	0	0	-	2
60505	2	2	-	3
60506	0	0	-	0
60510	0	0	-	1
60538	1	0	-	0
60543	1	2	-	2
60585	1	0	-	0
Total	**5**	**4**	Unavailable	**9**

Criterion 1110.1430 (e)(1) – Staffing

2) A. Medical Director

Dr. Atif Fakhruddin is currently the Medical Director for Fresenius Medical Care Sandwich and will continue to be the Medical Director. Attached is his curriculum vitae.

B. All Other Personnel

The Sandwich facility currently employs the following staff:

- Clinic Manager who is a Registered Nurse
- 3 Registered Nurses
- 4 Patient Care Technicians
- Part-time Registered Dietitian
- Part-time Licensed Master level Social Worker
- Part-time Equipment Technician
- Part-time Secretary

One additional Patient Care Technician will be hired for the station addition.

3) All patient care staff and licensed/registered professionals will meet the State of Illinois requirements. Any additional staff hired must also meet these requirements along with completing a 9 week orientation training program through the Fresenius Medical Care staff education department.

Annually all clinical staff must complete OSHA training, Compliance training, CPR Certification, Skills Competency, CVC Competency, Water Quality training and pass the Competency Exam.

4) The above staffing model is required to maintain a 4 to 1 patient-staff ratio at all times on the treatment floor. A RN will be on duty at all times when the facility is in operation.

CURRICULUM VITAE

ATIF FAKHRUDDIN, M.D.

BUSINESS ADDRESS:	Dreyer Medical Clinic 80 Templeton Drive Oswego, Illinois 60543 630-554-3456
MEDICAL SPECIALTY:	Nephrology
BOARD CERTIFICATION:	American Board of Internal Medicine, 2002 American Board of Internal Medicine in Nephrology, 2006
MEDICAL LICENSE:	Illinois #036-116035
EDUCATION:	
Medical	Baqai Medical College – Karachi University Karachi, Pakistan M.D. March 1990 – February 1996
Internship	Defence Health Care Clinic Karachi, Pakistan Internal Medicine February 1996 – December 1997
Residency	Newark Beth Israel Medical Center Newark, New Jersey Internal Medicine October 1998 – September 2001
Fellowship	Louisiana State University Health Science Center Shreveport, Louisiana Nephrology July 2004 – June 2006
PRESENT EMPLOYMENT:	Dreyer Medical Clinic July 2006
EMPLOYMENT HISTORY:	Syed Clinic Karachi, Pakistan Internal Medicine Physician January 1998 – September 1998

EMPLOYMENT HISTORY: **(Continued)**	Baptist Memorial Hospital Columbus, Mississippi M.D. October 2001 – June 2004
HOSPITALS:	Provena Mercy Medical Center Aurora, Illinois
	Rush-Copley Medical Center Aurora, Illinois
	Valley West Community Hospital Sandwich, IL 60548
BIRTHPLACE:	Karachi, Pakistan
DATE OF BIRTH:	May 3, 1972

Criterion 1110.1430 (f) – Support Services

I am the Regional Vice at Fresenius Kidney Care who oversees the Fresenius Sandwich facility. In accordance with 77 Il. Admin Code 1110.1430, I certify to the following:

- Fresenius Kidney Care utilizes a patient data tracking system in all of its facilities.
- These support services are available at Fresenius Medical Care Sandwich during all shifts:
  - Nutritional Counseling
  - Psychiatric/Social Services
  - Home/self training
  - Clinical Laboratory Services – provided by Spectra Laboratories
- The following services are provided via referral to Valley West Community Hospital, Sandwich:
  - Blood Bank Services
  - Rehabilitation Services
  - Psychiatric Services

Signature

Coleen Muldoon/Regional Vice President
Name/Title

Subscribed and sworn to before me
this 12th day of May, 2017

Signature of Notary

Seal

OFFICIAL SEAL
CANDACE M TUROSKI
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:12/09/17

Criterion 1120.310 Financial Viability

Financial Viability Waiver

This project is being funded entirely through cash and securities thereby meeting the criteria for the financial waiver.

Consolidated Financial Statements for Fresenius Medical Care Holdings, Inc. for 2015/2016 attached at Appendix 2.

Criterion 1120.310 (c) Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Clinical		33.33			150			$5,000	$5,000
Contingency									
TOTALS		33.33			150			$5,000	$5,000
* Include the percentage (%) of space for circulation									

Criterion 1120.310 (d) – Projected Operating Costs

Year 2018

Estimated Personnel Expense:	$505,698
Estimated Medical Supplies:	$110,927
Estimated Other Supplies (Exc. Dep/Amort):	$723,945
	$1,340,570
Estimated Annual Treatments:	8,143
Cost Per Treatment:	$164.63

Criterion 1120.310 (e) – Total Effect of the Project on Capital Costs

Year 2018

Depreciation/Amortization:	$129,230
Interest	$0
Capital Costs:	$129,230
Treatments:	8,143
Capital Cost per Treatment	$15.87

Criterion 1120.310(a) Reasonableness of Financing Arrangements

Fresenius Medical Care Sandwich, LLC

The applicant is paying for the project with cash on hand, and not borrowing any funds for the project. However, per the Board's rules the entering of a lease is treated as borrowing. As such, we are attesting that the entering into of a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic. Further, should the applicant be required to pay off the lease in full, its existing investments and capital retained could be converted to cash or used to retire the outstanding lease obligations within a sixty (60) day period.

By: _____

ITS: Regional Vice President/Manager

Notarization:
Subscribed and sworn to before me
this 12th day of May, 2017

Candace M. Turoski
Signature of Notary

Seal

OFFICIAL SEAL
CANDACE M TUROSKI
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:12/09/17

Criterion 1120.310(a) Reasonableness of Financing Arrangements

Fresenius Medical Care Holdings, Inc.

The applicant is paying for the project with cash on hand, and not borrowing any funds for the project. However, per the Board's rules the entering of a lease is treated as borrowing. As such, we are attesting that the entering into of a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic. Further, should the applicant be required to pay off the lease in full, its existing investments and capital retained could be converted to cash or used to retire the outstanding lease obligations within a sixty (60) day period.

By: _____
Thomas D. Brouillard, Jr.
Title: Assistant Treasurer

Notarization:
Subscribed and sworn to before me
this 3rd day of May, 2017

Elizabeth D. Scully
Signature of Notary

Seal

ELIZABETH D. SCULLY
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
October 14, 2022

By: _____
Bryan Mello
Title: Assistant Treasurer

Notarization:
Subscribed and sworn to before me
this_____ day of _____, 2017

_____
Signature of Notary

Seal

Criterion 1120.310(b) Conditions of Debt Financing

Fresenius Medical Care Sandwich, LLC

In accordance with 77 ILL. ADM Code 1120, Subpart D, Section 1120.310, of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby attest to the fact that:

There is no debt financing. The project will be funded with cash and leasing arrangements; and

The expenses incurred with leasing the proposed facility and cost of leasing the equipment is less costly than constructing a new facility or purchasing new equipment.

By: _____

ITS: Regional Vice President/Manager

Notarization:
Subscribed and sworn to before me
this 12th day of May, 2017

Candace M. Turoski
Signature of Notary

Seal

OFFICIAL SEAL
CANDACE M TUROSKI
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:12/09/17

Criterion 1120.310(b) Conditions of Debt Financing

Fresenius Medical Care Holdings, Inc.

In accordance with 77 ILL. ADM Code 1120, Subpart D, Section 1120.310, of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby attest to the fact that:

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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.

By: _____
Thomas D. Brouillard, Jr.
ITS: Assistant Treasurer

By: _____
ITS: Bryan Mello
Assistant Treasurer

Notarization:
Subscribed and sworn to before me
this 3rd day of May, 2017

_____
Signature of Notary

Seal

ELIZABETH D. SCULLY
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
October 14, 2022

Notarization:
Subscribed and sworn to before me
this _____ day of _____, 2017

_____
Signature of Notary

Seal

Safety Net Impact Statement

The expansion of Fresenius Medical Care Sandwich will not have any impact on safety net services in the Sandwich area of DeKalb 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, National Kidney Foundation and American Kidney Fund.

The table below shows the amount of "self-pay" care and Medicaid services provided for the 3 fiscal years prior to submission of the application for all Illinois Fresenius Kidney Care facilities.

Safety Net Information per PA 96-0031			
CHARITY CARE			
	2013	2014	2015
Charity/self-pay (# of patients)	499	251	195
Charity (cost In dollars)	$5,346,976	$5,211,664	$2,983,427
MEDICAID			
	2013	2014	2015
Medicaid (# of patients)	1,660	750	396
Medicaid (revenue)	$31,373,534	$22,027,882	$7,310,484

Note:
1) Charity (self-pay) patient numbers decreased however treatments were higher per patient resulting in similar costs as 2013.
2) Charity (self-pay) patient numbers continue to decrease as Fresenius Financial Coordinators assist patients in signing up for health insurance in the Healthcare Marketplace. Patients who cannot afford the premiums have them paid by the American Kidney Fund.
3) Medicaid number of patients is decreasing as Fresenius Financial Coordinators assist patients in signing up for health insurance in the Healthcare Marketplace. Patients who cannot afford the premiums have them paid by the American Kidney Fund.

Charity Care Information

The applicant(s) do not provide charity care at any of their facilities per the Board's definition of charity care because self-pay patients are billed and their accounts are written off as bad debt. Fresenius takes Medicaid patients without limitations or exception. The applicant(s) are for profit corporations and do not receive the benefits of not for profit entities, such as sales tax and/or real estate exemptions, or charitable donations. The applicants are not required, by any State or Federal law, including the Illinois Healthcare Facilities Planning Act, to provide charity care. The applicant(s) are prohibited by Federal law from advising patients that they will not be invoiced for care, as this type of representation could be an inducement for patients to seek care prior to qualifying for Medicaid, Medicare or other available benefits. Self-pay patients are invoiced and then the accounts written off as bad debt.

Uncompensated care occurs when a patient is not eligible for any type of insurance coverage (whether private or governmental) and receives treatment at our facilities. It is rare in Illinois for patients to have no coverage as patients who are not Medicare eligible are Medicaid eligible or are able to purchase insurance on the Healthcare Marketplace with premiums paid for by The American Kidney Fund. This represents a small number of patients, as Medicare covers all dialysis services as long as an individual is entitled to receive Medicare benefits (i.e. has worked and paid into the social security system as a result) regardless of age. In addition, in Illinois Medicaid covers patients who are undocumented for ESRD only. Also, the American Kidney Fund funds health insurance premiums for patients who meet the AKF's financial parameters and who suffer from end stage renal disease (see uncompensated care attachment). The applicants work with patients to procure coverage for them as possible whether it be Medicaid, Medicare and/or coverage on the Healthcare Marketplace funded by AKF. The applicants donate to the AKF to support its initiatives as do most dialysis providers.

If a patient has no available insurance coverage, 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

Nearly all dialysis patients in Illinois will qualify for some type of coverage and Fresenius works aggressively with the patient to obtain insurance coverage for each patient.

Uncompensated Care For All Fresenius Facilities in Illinois

CHARITY CARE			
	2013	**2014**	**2015**
Net Patient Revenue	**$398,570,288**	**$411,981,839**	**$438,247,352**
Amount of Charity Care (charges)	$5,346,976	$5,211,664	$2,983,427
Cost of Charity Care	$5,346,976	$5,211,664	$2,983,427
Ratio Charity Care Cost to Net Patient Revenue	1.34%	1.27%	0.68%

Charity Care Information
ATTACHMENT –39

Fresenius Medical Care North America - Community Care

Fresenius Medical Care North America (FMCNA) assists all of our patients in securing and maintaining insurance coverage when possible.

American Kidney Fund

FMCNA works with the American Kidney Fund (AKF) to help patients with insurance premiums at no cost to the patient.

Applicants must be dialyzed in the US or its territories and referred to AKF by a renal professional and/or nephrologist The Health Insurance Premium Program is a "last resort" program. It is restricted to patients who have no means of paying health insurance premiums and who would forego coverage without the benefit of HIPP. Alternative programs that pay for primary or secondary health coverage, and for which the patient is eligible, such as Medicaid, state renal programs, etc. must be utilized. Applicants must demonstrate to the AKF that they cannot afford health coverage and related expenses (deductible etc.).

Our team of Financial Coordinators and Social Workers assist patients in purchasing insurance on the Healthcare Marketplace and then connects patients who cannot afford to pay their insurance premiums, with AKF, which provides financial assistance to the patients for this purpose. The benefit of working with the AKF is that the insurance coverage which AKF facilitates applies to all of the patient's insurance needs, not just coverage for dialysis services.

Indigent Waiver Program

FMCNA has established an indigent waiver program to assist patients who are unable to obtain insurance coverage or who lack the financial resources to pay for medical services.
In order to qualify for an indigent waiver, a patient must satisfy eligibility criteria for both annual income and net worth.

Annual Income: A patient (including immediate family members who reside with, or are legally responsible for, the patient) may not have an annual income in excess of two (2) times the Federal Poverty Standard in effect at the time. Patients whose annual income is greater than two (2) times the Federal Poverty Standard may qualify for a partial indigent waiver based upon a sliding scale schedule approved by the Office of Business Practices and Corporate Compliance.

Net Worth: A patient (including immediate family members who reside with, or are legally responsible for, the patient) may not have a net worth in excess of $75,000 (or such other amount as may be established by the Office of Business Practices and Corporate Compliance based on changes in the Consumer Price Index

The Company recognizes the financial burdens associated with ESRD and wishes to ensure that patients are not denied access to medically necessary care for financial reasons. At the same time, the Company also recognizes the limitations imposed by federal law on offering "free" or "discounted" medical items or services to Medicare and other government supported patients for the purpose of inducing such patients to receive ESRD-related items and services from FMCNA. An indigent waiver excuses a patient's obligation to pay for items and services furnished by FMCNA. Patients may have dual coverage of AKF assistance and an Indigent Waiver if their financial status qualifies them for both programs.

IL Medicaid and Undocumented patients

FMCNA has a bi-lingual Regional Insurance Coordinator who works directly with Illinois Medicaid to assist patients with Medicaid applications. An immigrant who is unable to produce proper documentation will not be eligible for Medicaid unless there is a medical emergency. ESRD is considered a medical emergency.

The Regional Insurance Coordinator will petition Medicaid if patients are denied and assist undocumented patients through the application process to get them Illinois Medicaid coverage. This role is actively involved with the Medicaid offices and attends appeals to help patients secure and maintain their Medicaid coverage for all of their healthcare needs, including transportation to their appointments.

FMCNA Collection policy

FMCNA's collection policy is designed to comply with federal law while not penalizing patients who are unable to pay for services.

FMCNA does not use a collection agency for patient collections unless the patient receives direct insurance payment and does not forward the payment to FMCNA.

Medicare and Medicaid Eligibility

Medicare: Patients are eligible for Medicare when they meet the following criteria: age 65 or older, under age 65 with certain disabilities, and people of all ages with End-Stage Renal Disease (permanent kidney failure requiring dialysis or a kidney transplant).

There are three insurance programs offered by Medicare, Part A for hospital coverage, Part B for medical coverage and Part D for pharmacy coverage. Most people don't have to pay a monthly premium, for Part A. This is because they or a spouse paid Medicare taxes while working. If a beneficiary doesn't get premium-free Part A, they may be able to buy it if they (or their spouse) aren't entitled to Social Security, because they didn't work or didn't pay enough Medicare taxes while working, are age 65 or older, or are disabled but no longer get free Part A because they returned to work. Part B and Part D both have monthly premiums. Patients must have Part B coverage for dialysis services.

Medicare does allow members to enroll in Health Plans for supplemental coverage. Supplemental coverage (secondary) is any policy that pays balances after the primary pays reducing any out of pocket expenses incurred by the member.

Medicare will pay 80% of what is allowed by a set fee schedule. The patient would be responsible for the remaining 20% not paid by Medicare. The supplemental (secondary) policy covers the cost of co-pays, deductibles and the remaining 20% of charges.

Medicaid: Low-income Illinois residents who can't afford health insurance may be eligible for Medicaid. In addition to meeting federal guidelines, individuals must also meet the state criteria to qualify for Medicaid coverage in Illinois.

Self-Pay

A self-pay patient would not have any type of insurance coverage (un-insured). They may be un-insured because they do not meet the eligibility requirements for Medicare or Medicaid and can not afford a commercial insurance policy.

In addition, a patient balance becomes self-pay after their primary insurance pays, but the patient does not have a supplemental insurance policy to cover the remaining balance. The AKF assistance referenced earlier may or may not be available to these patients, dependent on whether or not they meet AKF eligibility requirements.

Advocate Medical Group

June 13, 2017

Ms. Courtney Avery
Administrator
Illinois Health Facilities & Services Review Board
525 W. Jefferson St., 2nd Floor
Springfield, IL 62761

Dear Ms. Avery:

I am a nephrologist practicing in Kane, Kendall and DeKalb Counties, along with my partners Dr. Dodhia and Dr. Mizra. I am the Medical Director of the Fresenius Oswego and Sandwich dialysis centers. Dr. Dodhia is the Medical Director of the Fresenius Aurora and West Batavia dialysis centers and Dr. Mizra will be the Medical Director of the East Aurora facility. I am writing to express my support of the 1-station expansion at the Sandwich facility. The facility currently operates 10 stations and I am aware one station is being added without CON that is allowable within the Board rules. Although this additional station will contribute to our desire to accommodate more patients on daytime shifts it will not help our current inefficient treatment floor staffing. The most efficient staffing is a ratio of 4/1. A twelve station facility will allow that operation.

The Sandwich facility is located in a rural area of southeast DeKalb County with nearly half of the current patients aged over 65. For the patients, especially in this age group, it is in their best interest to offer treatment on the two daytime daily treatment shifts. These patients have limited transportation options at best and no options in the evening and for the patients who drive themselves or with family members, it is safer for them to come and go during the daylight hours

My practice was treating 209 in-center hemodialysis patients at the end of 2014, 231 patients at the end of 2015, 213 patients at the end of 2016, and 231 patients as of March 2017. In the past twelve months, we referred approximately 44 new ESRD patients for in-center dialysis services to Fresenius Aurora, Oswego, Sandwich and West Batavia and Fox Valley Dialysis. I currently have 67 pre-ESRD patients that reside in the zip codes surrounding the Sandwich facility. Accounting for patient attrition, I expect that 21 of these patients will require dialysis at the Sandwich clinic in the first two years after the 2 stations become operational.

Advocate Medical Group

I respectfully ask the Board to approve the expansion of the Fresenius Sandwich facility to allow the patients in this rural area continued access to dialysis treatment in the daytime as well as staff a more efficient work flow on the treatment floor. Thank you for your consideration.
I attest that to the best of my knowledge, all the information contained in this letter is true and correct and that the projected patient referrals listed in this document have not been used to support any other pending or approved CON application.

Sincerely,

Atif Fakhruddin, M.D.
Notarization:
Subscribed and sworn to before me
this 13th day of June, 2017

Signature of Notary Candace M. Turoski

Seal

OFFICIAL SEAL
CANDACE M TUROSKI
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:12/09/17

CURRENT AND PRE-ESRD PATIENTS OF DR. FAKHRUDDIN'S PRACTICE THAT WILL BE REFERRED TO THE SANDWICH FACILITY

Fresenius Sandwich Patients March 31, 2017	
Zip Codes	Patients
60115	2
60511	1
60518	1
60520	1
60541	2
60545	5
60548	13
60551	4
60552	3
60556	1
60560	2
Total	**35**

Pre-ESRD Patients	
Zip Code	Total
60511	2
60518	1
60520	1
60541	1
60545	3
60548	7
60549	1
60550	2
60551	1
60552	1
61342	1
Total	**21**

New ESRD Referrals for the Past 12 Months

Fresenius Aurora	
Zip Code	Patients
60115	1
60505	2
60506	1
60538	1
60542	1
60560	1
60631	1
Total	**8**

Fresenius Oswego	
Zip Code	Patients
60503	2
60504	1
60505	1
60506	2
60510	1
60512	1
60538	3
60543	2
60544	1
60545	1
60554	1
60560	4
60586	1
Total	**21**

Fresenius Sandwich	
Zip Code	Patients
60545	2
60548	4
60552	1
60560	1
Total	**8**

Fresenius West Batavia	
Zip Code	Patients
60175	1
60506	1
Total	**2**

Fox Valley Dialysis	
Zip Code	Patients
60502	1
60504	2
60505	1
60510	1
Total	**5***

Total Admissions	44

*5 admissions at FVD were between January 2016 and May 2017. Exact dates were unavailable.

In-Center Hemodialysis Patients of Dr. Fakhruddin's Practice

Fresenius Medical Care Aurora				
Zip Code	Dec-14	Dec-15	Dec-16	Mar-17
60115	2	2	1	2
60440	0	1	1	
60502	0	3	2	3
60503	0	1	3	2
60504	3	3	1	3
60505	38	41	37	41
60506	42	41	38	38
60532	0	0	1	1
60538	7	6	5	5
60542	7	6	6	5
60543	2	2	2	1
60554	0	2	5	3
60560	0	0	1	1
60563	1	1	1	1
61604	0	0	0	1
Totals	**102**	**109**	**104**	**107**

Fresenius Medical Care West Batavia				
Zip Code	Dec-14	Dec-15	Dec-16	Mar-17
60115	1	0	0	0
60120	0	1	0	0
60174	2	3	1	1
60175	2	1	1	1
60177	1	1	0	0
60505	1	2	3	3
60506	4	6	3	3
60510	5	6	1	1
60542	4	3	1	1
60554	2	5	1	1
60555	0	0	1	0
60548	0	1	0	0
Total	**22**	**29**	**12**	**11**

Practice	Dec-14	Dec-15	Dec-16	Mar-17
Totals	**209**	**231**	**213**	**231**

Fresenius Medical Care Oswego				
Zip Code	Dec-14	Dec-15	Dec-16	Mar-17
60502	2	2	2	2
60503	1	2	1	3
60504	3	5	5	6
60505	10	14	10	10
60506	2	4	4	4
60512	1	1	2	2
60538	9	12	12	14
60543	14	10	11	12
60545	1	0	2	2
60554	1	1	1	1
60560	7	7	10	12
60563	1	0	0	1
60585	0	0	1	1
60586	0	0	1	1
Totals	**52**	**58**	**62**	**71**

Fresenius Medical Care Sandwich				
Zip Code	Dec-14	Dec-15	Dec-16	Mar-17
60115	0	1	1	1
60511	0	1	1	4
60518	1	1	1	1
60520	2	2	1	1
60541	3	2	2	2
60545	4	4	6	6
60548	12	13	14	10
60551	3	4	4	4
60552	1	0	3	3
60556	0	1	1	0
60560	2	2	1	1
Total	**28**	**31**	**35**	**33**

Renaissance Fox Valley Dialysis				
Zip Code	Dec-14	Dec-15	Dec-16	Mar-17
60502	0	0	-	1
60504	0	0	-	2
60505	2	2	-	3
60506	0	0	-	0
60510	0	0	-	1
60538	1	0	-	0
60543	1	2	-	2
60585	1	0	-	0
Total	**5**	**4**	Unavailable	**9**

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Table of Contents

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Shareholders
Fresenius Medical Care Holdings, Inc.:

We have audited the accompanying consolidated financial statements of Fresenius Medical Care Holdings, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Fresenius Medical Care Holdings, Inc. and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Boston, Massachusetts
May 4, 2017

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31,

(Dollars in thousands, except share data)

Assets		2016	2015
Current assets:			
Cash and cash equivalents	$	357,899	249,300
Trade accounts receivable, less allowances of $405,670 in 2016 and $385,028 in 2015		1,964,101	1,756,532
Receivables from affiliates		1,295,523	1,036,650
Inventories		736,367	725,048
Other current assets		854,449	877,826
Total current assets		5,208,339	4,645,354
Property, plant and equipment, net		2,226,481	1,993,751
Other assets:			
Goodwill		11,882,801	11,587,473
Other intangible assets, net		599,254	660,932
Investment in equity method investees		79,232	81,023
Other assets and deferred charges		139,554	185,646
Total other assets		12,700,841	12,515,074
Total assets	$	20,135,661	19,154,179
Liabilities, Noncontrolling Interests, and Equity			
Current liabilities:			
Accounts payable	$	384,128	396,354
Accounts payable to related parties		158,042	54,332
Accrued liabilities		1,846,301	1,753,914
Short-term borrowings		10,058	57,612
Current portion of long-term debt and capital lease obligations		208,315	208,210
Accrued income taxes		192,348	116,185
Total current liabilities		2,799,192	2,586,607
Long-term debt and capital lease obligations		2,085,331	2,179,389
Noncurrent borrowings from affiliates		3,303,022	2,723,036
Other liabilities		809,401	957,092
Deferred income taxes		605,418	563,767
Total liabilities		9,602,364	9,009,891
Noncontrolling interests subject to put provisions and other temporary equity		1,260,447	993,425
Series C redeemable preferred stock		—	235,141
Equity:			
Preferred stock, $1 par value –			
Authorized – 9,753,560			
Outstanding – 5,694,123 in 2016 and 4,753,560 in 2015		1,423,531	1,188,390
Common stock, $1 par value –			
Authorized – 90,000,000			
Outstanding – 87,360,000 in 2016 and 90,000,000 in 2015		87,360	90,000
Additional paid-in capital		1,375,784	1,553,887
Retained earnings		5,885,109	5,654,146
Accumulated other comprehensive loss		(107,260)	(140,979)
Total Fresenius Medical Care Holdings Inc. equity		8,664,524	8,345,444
Noncontrolling interests not subject to put provisions		608,326	570,278
Total equity		9,272,850	8,915,722
Total liabilities, noncontrolling interests, and equity	$	20,135,661	19,154,179

See accompanying notes to consolidated financial statements

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 31,

(Dollars in thousands)

	2016	2015
Net revenues:		
Health care services	$ 12,366,983	11,272,141
Less patient service bad debt provision	430,230	409,583
Net health care services	11,936,753	10,862,558
Medical supplies	869,896	828,850
	12,806,649	11,691,408
Expenses:		
Cost of health care services	7,871,747	7,200,543
Cost of medical supplies	642,702	615,461
General and administrative expenses	1,884,453	1,896,717
Depreciation and amortization	489,117	454,947
Research and development	69,398	60,493
Equity investment income	(5,986)	(7,419)
Interest expense, net, and related financing costs (including $177,892 and $171,369 of interest with affiliates, respectively).	234,043	198,270
	11,185,474	10,419,012
Income before income taxes	1,621,175	1,272,396
Provision for income taxes	490,932	389,050
Net income	1,130,243	883,346
Less net income attributable to noncontrolling interests	294,720	273,488
Net income attributable to Fresenius Medical Care Holdings, Inc.	$ 835,523	609,858

See accompanying notes to consolidated financial statements

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended December 31,

(Dollars in thousands)

	2016	2015
Net income	$ 1,130,243	883,346
Gain (loss) related to foreign currency translation	724	(5,480)
Gain (loss) on investments, (net of deferred tax of $4,874 and $(2,739), respectively)	7,031	(4,174)
Actuarial gains on defined benefit plans, (net of deferred tax of $17,942 and $8,589, respectively)	27,538	13,179
Gain (loss) related to derivative instruments, (net of deferred tax of $(1,025) and $2,138, respectively)	(1,574)	3,282
Other comprehensive income, net of tax	33,719	6,807
Total comprehensive income	1,163,962	890,153
Comprehensive income attributable to noncontrolling interests	294,720	273,488
Comprehensive income attributable to Fresenius Medical Care Holdings, Inc.	$ 869,242	616,665

See accompanying notes to consolidated financial statements

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

Years ended December 31,

(Dollars in thousands, except share data)

	Preferred stock		Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total FMCH, Inc. shareholders' equity	Noncontrolling interests not subject to put provisions	Total equity
	Shares	Amount	Shares	Amount						
Balance, December 31, 2014	4,753,560	$ 1,188,390	90,000,000	$ 90,000	1,705,128	5,044,288	(147,786)	7,880,020	546,380	8,426,400
Net income	—	—	—	—	—	609,656	—	609,958	114,361	724,219
Other comprehensive income	—	—	—	—	—	—	6,807	6,807	—	6,807
Exercise of stock options and related tax effects	—	—	—	—	13,360	—	—	13,360	—	13,360
Compensation expense related to stock options	—	—	—	—	10,461	—	—	10,461	—	10,461
Vested subsidiary stock incentive plans	—	—	—	—	(4,613)	—	—	(4,613)	—	(4,613)
Cash contributions noncontrolling interests	—	—	—	—	—	—	—	—	12,559	12,559
Dividends paid noncontrolling interests	—	—	—	—	—	—	—	—	(107,172)	(107,172)
Sale of noncontrolling interests	—	—	—	—	7,532	—	—	7,532	2,150	9,682
Changes in fair value of noncontrolling interests subject to put provisions	—	—	—	—	(178,003)	—	—	(178,003)	—	(176,003)
Other reclassifications	—	—	—	—	22	—	—	22	—	22
Balance, December 31, 2015	4,753,560	$ 1,188,390	90,000,000	$ 90,000	1,553,867	5,654,146	(140,979)	8,345,444	570,276	9,915,722
Net income	—	—	—	—	—	835,523	—	835,523	112,618	948,141
Other comprehensive income	—	—	—	—	—	—	33,719	33,719	—	33,719
Exercise of stock options and related tax effects	—	—	—	—	6,365	—	—	6,365	—	6,365
Compensation expense related to stock options	—	—	—	—	25,442	—	—	25,442	—	25,442
Vested subsidiary stock incentive plans	—	—	—	—	(2,967)	—	—	(2,967)	—	(2,967)
Cash contributions noncontrolling interests	—	—	—	—	—	—	—	—	15,337	15,337
Dividends paid noncontrolling interests	—	—	—	—	—	—	—	—	(112,944)	(112,944)
Purchase/Sale of noncontrolling interests	—	—	—	—	1,287	—	—	1,287	23,037	24,324
Changes in fair value of noncontrolling interests subject to put provisions	—	—	—	—	(206,292)	—	—	(206,292)	—	(206,292)
Redeemable preferred stock reclassification to preferred stock	940,563	235,141	—	—	—	—	—	235,141	—	235,141
Repurchase of common stock	—	—	(2,640,000)	(2,640)	—	(604,560)	—	(607,200)	—	(607,200)
Other reclassifications	—	—	—	—	62	—	—	62	—	62
Balance, December 31, 2016	5,694,123	$ 1,423,531	87,360,000	$ 87,360	1,375,784	5,885,109	(107,260)	8,664,524	608,326	9,272,650

See accompanying notes to consolidated financial statements

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31,

(Dollars in thousands)

	2016	2016
Cash flows from operating activities:		
Net income	$ 1,130,243	883,346
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	489,117	454,947
Gain on sale in investments and divested clinics	(12,560)	(9,184)
Provision for doubtful accounts	438,327	413,452
Deferred income taxes	26,606	(14,395)
Amortization of discount on Senior Note	2,485	1,673
Equity investment income	(5,987)	(7,419)
Loss on disposal of properties and equipment	5,271	5,802
Gain on disposal of marketable securities, net	(3,367)	—
Amortization of discount on notes receivable	200	1,455
Amortization of deferred financing cost	7,565	5,068
Compensation (benefit) expense related to stock options	25,442	10,461
Unrealized currency transaction (gain) loss	(31,447)	(129,087)
Loss (gain) on forward sale and currency exchange agreements	54,955	319,742
Excess tax benefits from stock-based compensation	(6,365)	(13,360)
Changes in operating assets and liabilities, net of effects of purchase acquisitions:		
Increase in trade accounts receivable	(639,115)	(647,404)
Increase in inventories	(10,732)	(239,541)
Increase in other current assets	(361)	(73,635)
Decrease (increase) in other assets and deferred charges	48,727	(54,030)
(Decrease) increase in accounts payable	(13,987)	61,005
Increase in accrued income taxes	61,753	91,553
Increase in accrued liabilities	94,890	323,290
(Decrease) increase in other long-term liabilities	(162,594)	29,757
Net changes due to/from affiliates	103,710	(22,115)
Distributions received on equity investments	6,014	7,967
Other, net	3,912	5,687
Net cash provided by operating activities	1,612,702	1,425,035
Cash flows from investing activities:		
Capital expenditures, net of proceeds	(664,658)	(589,817)
Acquisitions and investments, net of cash acquired	(203,719)	(64,005)
Proceeds from sale of interests and divestitures	131	3,152
Issuance of note receivable	(4,624)	(1,545)
Settlement of note receivable	3,554	186,178
Purchases of available for sale securities	(110,946)	(110,467)
Proceeds from sales of available for sale securities	129,421	—
Equity investment contribution	(9,626)	(7,878)
Net increase in loans to affiliates	(238,291)	—
Net cash used in investing activities	(1,098,958)	(584,382)
Cash flows from financing activities:		
Net increase (decrease) in borrowings from affiliate	590,851	(96,656)
Net increase from receivable financing facility	124,000	290,750
Net decrease in debt and capital leases	(262,123)	(779,646)
Debt issuance costs	(640)	(917)
Repurchase of common stock	(607,200)	—
Distributions to noncontrolling interests	(300,298)	(272,002)
Contributions from noncontrolling interests	47,727	29,162
Proceeds from sale of noncontrolling interests	31,661	38,040
Purchases of noncontrolling interests	(15,121)	(5,923)
Excess tax benefits from stock-based compensation	6,365	13,360
Net cash used in financing activities	(404,578)	(783,812)
Effects of changes in foreign exchange rates	(567)	(2,821)
Change in cash and cash equivalents	108,599	54,020
Cash and cash equivalents at beginning of year	249,300	195,280
Cash and cash equivalents at end of year	$ 357,899	249,300

See accompanying notes to consolidated financial statements

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31,

(Dollars in thousands)

	2016	2015
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 272,780	268,206
Cash paid for income taxes, net of tax refund	421,794	334,340
Details for acquisitions:		
Assets acquired	(308,938)	(74,053)
Liabilities assumed	39,743	11,448
Noncontrolling interests	63,122	(1,376)
Cash paid	(206,073)	(63,981)
Less cash acquired	2,354	(24)
Net cash paid for acquisitions	$ (203,719)	(64,005)

See accompanying notes to consolidated financial statements

(1) The Company

Fresenius Medical Care Holdings, Inc., a New York corporation (the Company or FMCH) is a subsidiary of Fresenius Medical Care AG & Co. KGaA, a German partnership limited by shares (FMCAG & KGaA or the Parent Company). The Company conducts its operations through eight principal subsidiaries, National Medical Care, Inc. (NMC), Fresenius USA Marketing, Inc., Fresenius USA Manufacturing, Inc., Sound Inpatient Physicians Holding, LLC, National Cardiovascular Partners, LP, Colorado River Group, LLC and SRC Holding Company, Inc., all Delaware corporations and Fresenius USA, Inc., a Massachusetts corporation.

The Company provides dialysis treatment and related dialysis care services to persons who suffer from end-stage renal disease (ESRD), as well as other health care services. The Company provides dialysis products for the treatment of ESRD, including products manufactured and distributed by the Company such as hemodialysis machines, peritoneal cyclers, dialyzers, peritoneal solutions, hemodialysis concentrates, solutions and granulates, bloodlines, renal pharmaceuticals and systems for water treatment. The Company supplies dialysis clinics it owns, operates or manages with a broad range of products and also sells dialysis products to other dialysis service providers. The Company describes its other health care services as "Care Coordination." Care Coordination currently includes the coordinated delivery of pharmacy services, vascular, cardiovascular and endovascular specialty services, nondialysis laboratory testing services, physician services, hospitalist and intensivist services, health plan services, ambulatory surgery center services and urgent care services, which, together with dialysis care services represent the Company's health care services.

(a) Basis of Presentation

The consolidated financial statements in this report as of December 31, 2016 and 2015 and for the years then ended have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). These consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary for the fair presentation of the consolidated results for all periods presented.

The Company has evaluated subsequent events through May 4, 2017, which is the date these consolidated financial statements were issued. (see note 18)

(b) Principles of Consolidation

The consolidated financial statements include the earnings of all companies in which the Company has legal or effective control. This includes variable interest entities (VIEs) for which the Company is deemed the primary beneficiary. The Company also consolidates certain clinics that it manages and financially controls. Noncontrolling interests represent the proportionate equity interests in the Company's consolidated entities that are not wholly owned by the Company. Noncontrolling interests of acquired entities are valued at fair value. The equity method of accounting is used for investments in associated companies over which the Company has significant exercisable influence, even when the Company holds 50% or less of the common stock of the entity. All significant intercompany transactions and balances have been eliminated.

(Dollars in thousands, except share data)

The Company has entered into various arrangements with certain legal entities whereby the entities' equity holders lack the power to direct the activities that most significantly impact the entities' performance, and the obligation to absorb expected losses and receive expected residual returns of the legal entities. In these arrangements, the entities are VIEs in which the Company has been determined to be the primary beneficiary and which therefore have been fully consolidated. During 2016, as a result of the changes arising from the Financial Accounting Standards Board's (FASB) Accounting Standards Update 2015-02 (ASU 2015-02), the Company has reassessed all of its arrangements with joint ventures and other partners. With the adoption of ASU 2015-02, the Company has presented the VIE data below on a retrospective basis which is applied using the VIE entities in place as of December 31, 2016 for 2015 utilizing a pro forma presentation to ensure comparability. For further information on the Company's adoption of ASU 2015-02, see 1t) below.

In FMCH, 111 formerly consolidated VIEs do not follow the variable interest entity guidance any longer, but are consolidated through contractual management agreements. In 2016, 26 VIEs are now consolidated because of newly entered arrangements as well as one entity that ceased to be a VIE because the arrangement was dissolved. Consolidated VIEs generated $216,159 and $199,267 of revenue in 2016 and 2015, respectively. The Company provided funding to VIEs through loans and accounts receivable of $108,849 in 2016 and $95,483 in 2015, respectively. The table below shows the carrying amounts of the assets and liabilities of VIEs at December 31, 2016 and 2015:

		2016	2015
Trade accounts receivable, net	$	27,113	30,154
Other current assets		49,406	38,302
Property, plant and equipment, intangible assets and other noncurrent assets		53,748	54,989
Goodwill		29,981	29,981
Accounts payable, accrued expenses and other liabilities		(147,124)	(125,751)
Equity		(13,124)	(27,675)

(2) Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash funds and all short-term, liquid investments with original maturities of up to three months.

(b) Inventories

Inventories are stated at the lower of cost (determined by using the average or first-in, first-out method) or net realizable value (see note 4).

(c) Property, Plant and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation (see note 10). Significant improvements are capitalized; repairs and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Property, plant and equipment under capital leases are stated at the present value of future minimum lease payments at the inception of the lease, less accumulated depreciation. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts, and any gain or loss is included in income when the assets are disposed.

The cost of property, plant and equipment is depreciated over estimated useful lives on a straight-line basis as follows: buildings – 20 to 40 years, equipment and furniture – 3 to 10 years, equipment under capital leases and leasehold improvements – the shorter of the lease term or the estimated useful life of the asset.

The Company capitalizes interest on borrowed funds during construction periods. Interest capitalized during 2016 and 2015 was $2,207 and $2,952, respectively.

(d) Intangible Assets and Goodwill

The growth of the Company's business through acquisitions has created a significant amount of intangible assets, including goodwill and other nonamortizable intangible assets such as tradenames and management contracts.

Intangible assets such as noncompete agreements, lease agreements, tradenames, certain qualified management contracts, technology, patents, distribution rights, software, acute care agreements and licenses, customer relationships acquired in a purchase method business combination are recognized and reported apart from goodwill.

Goodwill and identifiable intangibles with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment. The Company identified tradenames and certain qualified management contracts as intangible assets with indefinite useful lives because, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the Company. Intangible assets with finite useful lives are amortized over their respective useful lives. The Company amortizes noncompete agreements over their average useful life of 8 years. Technology is amortized over its useful life of 15 years. The iron products distribution and manufacturing agreement is amortized over its ten-year contractual license period based upon the annual estimated units of sale of the licensed product. All other intangible assets are amortized over their individual estimated useful lives between 3 and 25 years. Intangible assets with finite useful lives are evaluated for impairment when events have occurred that may give rise to an impairment.

To perform the annual impairment test of goodwill, the Company identifies its reporting units and determines their carrying value by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. The Company is comprised of one reporting unit.

In the case that the fair value of the reporting unit is less than its carrying value, a second step would be performed which compares the implied fair value of the reporting unit's goodwill to the carrying value of its goodwill. If the fair value of the goodwill is less than the carrying value, the difference is recorded as an impairment.

To evaluate the recoverability of intangible assets with indefinite useful lives, the Company compares the fair values of intangible assets with their carrying values. An intangible asset's fair value is determined using a discounted cash flow approach or other methods, if appropriate.

In connection with its annual impairment tests, the Company determined that there was no impairment of goodwill or other indefinite lived intangible assets. Accordingly the Company did not record any impairment charges during 2016 and 2015.

(e) Derivative Instruments and Hedging Activities

The Company accounts for derivatives and hedging activities by recognizing all derivative instruments as either assets or liabilities in the consolidated balance sheets at their respective fair values (see note 15). For derivatives designated as hedges, changes in the fair value are either offset against the change in fair value of the assets and liabilities through earnings, or recognized in accumulated other comprehensive income (loss) until the hedged item is recognized in earnings.

For all hedging relationships the Company formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in accumulated other comprehensive income (loss) to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash-flow hedge is reported in current net earnings.

The Company discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, the derivative is de-designated as a hedging instrument, because it is unlikely that a forecasted transaction will occur, or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

In all situations in which hedge accounting is discontinued and the derivative is retained, the Company continues to carry the derivative at its fair value on the consolidated balance sheets and recognizes any subsequent changes in its fair value in earnings. When it is probable that a hedged forecasted transaction will not occur, the Company discontinues hedge accounting and recognizes immediately in earnings gains and losses that were accumulated in other comprehensive income (loss).

(f) Foreign Currency Translation

For purposes of these consolidated financial statements, the U.S. dollar is the reporting currency. Substantially all assets and liabilities of the Company's non-U.S. subsidiaries are translated at year-end exchange rates, while revenue and expenses are translated at exchange rates prevailing during the year. Adjustments for foreign currency translation fluctuations are excluded from net income and are reported in accumulated other comprehensive income (loss). In addition, the translation of certain intercompany borrowings denominated in foreign currencies, which are considered foreign equity investments, are reported in accumulated other comprehensive income (loss).

Gains and losses resulting from the translation of revenues and expenses and intercompany borrowings, which are not considered equity investments, are included in the consolidated statements of income within general and administrative expenses. Foreign exchange gains amounted to $920 and $89 for the years ended December 31, 2016 and 2015, respectively.

(g) Revenue Recognition

Dialysis care revenues are recognized on the date the patient receives treatment and includes amounts related to certain services, products and supplies utilized in providing such treatment. The patient is obligated to pay for dialysis care services at amounts estimated to be receivable based upon the Company's standard rates or at rates determined under reimbursement arrangements. These arrangements are generally with third party payors, like Medicare, Medicaid or commercial insurers.

Hospitalist revenues are reported at the estimated net realizable amount from third-party payors, client hospitals, and others at the time services are provided. Third-party payors include federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, and commercial insurance companies. Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries are paid according to a fee-for-service schedule. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient acute services generated through payment arrangements with managed care health plans and commercial insurance companies are recorded on an accrual basis in the period in which services are provided at established rates. Contractual adjustments and bad debts are recorded as deductions from gross revenue to determine net revenue. In addition, the Company receives payments from hospitals to provide hospitalist services.

For services performed for patients where the collection of the billed amount or a portion of the billed amount cannot be determined at the time services are performed, health care entities must record the difference between the receivable recorded and the amount estimated to be collectible as a provision with the expense presented as a reduction of health care revenue. The provision includes such items as amounts due from patients without adequate insurance coverage, and patient co-payment and deductible amounts due from patients with health care coverage. The Company bases the provision mainly on past collection history and reports it as "Patient service bad debt provision" in the consolidated statements of income.

Dialysis product revenues are recognized upon transfer of title to the customer, either at the time of shipment, upon receipt or upon any other terms that clearly define passage of title. Product revenues are normally based upon pre-determined rates that are established by contractual arrangement. As product returns are not typical, no return allowances are established. In the event a return is required, the appropriate reductions to sales, accounts receivables and cost of sales and addition to inventory are made.

For both dialysis care and dialysis products, patients, third party payors and customers are billed at our standard rates net of contractual allowances, discounts or rebates to reflect the estimated amounts to be received from these payors.

Net revenues from machines sales for 2016 and 2015 include $143,424 and $115,577, respectively, of net revenues for machines sold to a third-party leasing company which are utilized by the Fresenius Kidney Care division to provide services to customers. The sales and profits on these sales are deferred and amortized to earnings over the lease terms.

Any tax assessed by a governmental authority that is incurred as a result of a revenue transaction (e.g., sales tax) is excluded from revenues and reported on a net basis.

(h) Allowance for Doubtful Accounts

Estimates for allowances for accounts receivable are based on an analysis of collection experience and recognizing the differences between payors. The Company also performs an aging of accounts receivable which enables the review of each customer and their payment pattern. From time to time, accounts receivable are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances.

The allowance for doubtful accounts for the products business are estimates comprised of customer specific evaluations regarding their payment history, current financial stability, and applicable country specific risks for receivables that are overdue more than one year. The changes in the allowance for products receivables are recorded in general and administrative as an expense.

(i) Research and Development

Research and development costs are expensed as incurred.

(j) Income Taxes

Current taxes are calculated based on the profit (loss) of the fiscal year and in accordance with local tax rules of the respective tax jurisdictions. Expected and executed additional tax payments and tax refunds for prior years are also taken into account. Benefits from income tax positions have been recognized only when it was more likely than not that the Company would be entitled to the economic benefits of the tax positions. The more-likely than-not threshold has been determined based on the technical merits that the position will be sustained upon examination. If a tax position meets the more-likely than-not recognition threshold, management estimates the largest amount of tax benefit that is more than fifty percent likely to be realized upon settlement with a taxing authority, which becomes the amount of benefit recognized. If a tax position is not considered more likely than not to be sustained based solely on its technical merits, no benefits are recognized.

The Company recognizes deferred tax assets and liabilities for future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis as well as on consolidation procedures affecting net income and tax loss carryforwards which are more likely than not to be utilized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded to reduce the carrying amount of the deferred tax assets unless it is more likely than not that such assets will be realized (see note 9).

It is the Company's policy to recognize interest and penalties related to its tax positions as income tax expense.

(k) Impairment

The Company reviews the carrying value of its long-lived assets or asset groups with definite useful lives to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying value of an asset to the future net undiscounted cash flows directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value exceeds the fair value of the asset. The Company uses a discounted cash flow approach or other methods, if appropriate, to assess fair value.

Long-lived assets to be disposed of by sale are reported at the lower of carrying value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal. No impairment charges were recorded for the years ended December 31, 2016 and 2015.

(l) Debt Issuance Costs

Debt issuance costs related to a recognized debt liability are presented on the consolidated balance sheets as a direct deduction from the carrying amount of that debt liability. These costs are amortized over the term of the related obligation (see note 7).

(m) Self-insurance Programs

The Company is partially self-insured for professional, product and general liability, auto liability and worker's compensation claims under which the Company assumes responsibility for incurred claims up to predetermined amounts above which third-party insurance applies. Reported balances for the year include estimates of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts.

(n) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Concentration of Credit Risk

The Company is engaged in providing kidney dialysis services, clinical laboratory testing, and other medical ancillary services, and in the manufacture and sale of products for all forms of kidney dialysis, principally to healthcare providers. The Company performs ongoing evaluations of its customers' financial condition and, generally, requires no collateral.

No single debtor other than U.S. Medicare and Medicaid accounted for more than 10% of total trade accounts receivable in any of these years. Trade accounts receivable outside the North America Segment are, for a large part, due from government or government-sponsored organizations that are established in the various countries within which we operate. Amounts pending approval from third party payors represent less than 3% and 5% at December 31, 2016 and 2015, respectively.

Approximately 45% and 46% of the Company's revenues in each of the years ended December 31, 2016 and 2015 were earned and subject to regulations under governmental healthcare programs, Medicare and Medicaid, administered by various states and the United States govemment.

(p) Employee Benefit Plans

For the Company's funded benefit plans, the defined benefit obligation is offset against the fair value of plan assets (funded status). A pension liability is recognized in the consolidated balance sheets if the defined benefit obligation exceeds the fair value of plan assets. A pension asset is recognized (and reported under "other assets and notes receivables" in the consolidated balance sheets) if the fair value of plan assets exceeds the defined benefit obligation and if the Company has a right of reimbursement against the fund or a right to reduce future payments to the fund. Changes in the funded status of a plan resulting from actuarial gains or losses and prior service costs or credits that are not recognized as components of the net periodic benefit cost are recognized through accumulated other comprehensive income (loss), net of tax, in the year in which they occur. Actuarial gains or losses and

prior service costs are subsequently recognized as components of net periodic benefit cost when realized. The Company uses December 31 as the measurement date when measuring the funded status of all plans.

(q) Stock Option Plans

The Company recognizes all employee stock based compensation as a cost in the consolidated financial statements. Equity classified awards are measured at the grant date fair value of the award. The Company estimates grant date fair value using the Black-Scholes-Merton option pricing model.

(r) Legal Contingencies

From time to time, during the ordinary course of the Company's operations, the Company is party to litigation and arbitration and is subject to investigations relating to various aspects of its business (see note 17). The Company regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses in connection with these matters, as appropriate. The Company utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a loss accrual, the Company considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not necessarily indicate that accrual of a loss is appropriate.

(s) Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(t) Recent Implemented Accounting Pronouncements

On February 18, 2015, FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, which focuses on clarifying guidance related to the evaluation of various types of legal entities such as limited partnerships, limited liability corporations and certain security transactions for consolidation. The update is effective for fiscal years beginning after December 15, 2015, and for interim periods within fiscal years beginning after December 15, 2015. The Company has implemented ASU 2015-02 on a retrospective basis which is applied using the VIE entities in place as of December 31, 2016 for 2015 utilizing a pro forma presentation to ensure comparability. These types of legal entities are predominantly utilized in the U.S. The consolidation disclosures in "a) Principles of Consolidation" above were amended in relation to this ASU.

On November 20, 2015, FASB issued Accounting Standards Update 2015-17 (ASU 2015-17) *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which focuses on reducing the complexity of classifying deferred taxes on the balance sheet. ASU 2015-17 eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet and requires the classification of all deferred tax assets and liabilities as noncurrent. The update is effective for fiscal years .and interim periods within those years beginning after December 15, 2016. The Company adopted this ASU as of March 31, 2016. In accordance with ASU 2015-17, deferred taxes in current assets as of December 31, 2015 have been reclassified to noncurrent liabilities in the amount of $178,360.

(u) Reclassification of prior Year Presentation

The presentation of certain prior year amounts reported in cash provided by operating activities in the Consolidated Statement of Cash Flows have been reclassified to conform with the current year presentation. This change in classification does not affect previously reported cash provided by operating activities in the Consolidated Statement of Cash Flows

(3) Acquisitions and Investments

The Company's acquisition spending was driven primarily by the purchase of clinics in the normal course of its operations in 2016.

At December 31, 2016 and 2015, the aggregate purchase price of all collectively and individually nonmaterial acquisitions during the year was $203,719 and $63,981 respectively, net of cash acquired. Based on preliminary purchase price allocations, the Company recorded $292,153 and $50,506 of goodwill, $9,870 and $14,822 of intangible assets, at December 31, 2016 and 2015 which represent the share of both controlling and noncontrolling interests. Goodwill arose principally due to the fair value of the acquired established streams of future cash flows for these acquisitions versus building similar franchises.

(Dollars in thousands, except share data)

(4) Other Balance Sheet Items

(a) Inventories

As of December 31, 2016 and 2015, inventories consisted of the following:

		2016	2015
Inventories:			
Raw materials	$	142,578	137,853
Manufactured goods in process		19,853	15,015
Manufactured and purchased inventory available for sale		236,258	214,984
		398,689	367,852
Health care supplies		337,678	357,194
Total inventories	$	736,367	725,046

Under the terms of certain unconditional purchase agreements, including the Venofer® license, distribution, manufacturing and supply agreement (the Venofer® Agreement) with Luitpold Pharmaceuticals, Inc. and American Regent, Inc., the Company is obligated to purchase approximately $411,179 of materials, of which $204,394 is committed for 2017. The terms of these agreements run one to seven years.

Healthcare supplies inventories as of December 31, 2016 and 2015 include $167,749 and $144,281, respectively, of Mircera®. The Company's exclusive supply agreement for Mircera® continues through December 31, 2018.

(b) Related Party Services

Related-party transactions pertaining to services performed and products purchased/sold between affiliates are recorded as net accounts payable to affiliates on the consolidated balance sheets.

(5) Sale of Accounts Receivable

Under the Accounts Receivable Facility (A/R Facility), certain receivables are sold to NMC Funding Corporation (NMC Funding), a wholly owned subsidiary. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the A/R Facility, NMC Funding retains the right, at any time, to recall all the then outstanding transferred interests in the accounts receivable. Consequently, the receivables remain on the Company's consolidated balance sheet and the proceeds from the transfer of percentage ownership interests are recorded as long-term debt.

(Dollars in thousands, except share data)

NMC Funding pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected. The average interest rate, during 2016 and 2015 was 1.00% and 0.89% respectively. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

The Company refinanced the A/R Facility on December 6, 2016 for a term expiring on December 6, 2019 with the available borrowings of $800,000. At December 31, 2016 and 2015, there are outstanding borrowings under the A/R Facility of $173,965 and $50,185.

(6) Short Term Borrowings

At December 31, 2016 and 2015, short-term borrowings consisted of the following:

	December 31	
	2016	2015
Commercial paper	$ 9,964	8,556
Bank Mendes Gans	—	48,500
Other	94	556
Total short-term borrowings	$ 10,058	57,612

(7) Long-Term Debt and Capital Lease Obligations

At December 31, 2016 and 2015, long-term debt and capital lease obligations consisted of the following:

	December 31	
	2016	2015
Revolving credit facility	$ 10,187	25,110
Amended 2012 Credit Agreement term loan	2,091,451	2,288,434
AR facility	173,965	50,185
Other[1]	18,043	23,870
	2,293,646	2,387,599
Less amounts classified as current	208,315	208,210
Total long-term debt and capital lease obligations	$ 2,085,331	2,179,389

[1] Other includes capital lease obligations

The weighted average interest rate for long-term debt outstanding as of December 31, 2016 and 2015 was approximately 2.13% and 1.70%, respectively.

In addition, at December 31, 2016 and December 31, 2015, the Company had letters of credit outstanding in the amount of $37,559 and $20,342, respectively, which are not included above as part of the balance outstanding at those dates, but which reduce available borrowings under the revolving credit facilities.

The Company had $14,799 and $12,381 of unamortized deferred charges at December 31, 2016 and 2015, recorded in long-term debt and capital lease obligations.

Amended 2012 Credit Agreement

The Parent Company and FMCH originally entered into a syndicated credit facility of $3,850,000 for a five year period (the 2012 Credit Agreement) with a large group of banks and institutional investors (collectively, the Lenders) on October 30, 2012. On November 26, 2014, the 2012 Credit Agreement was amended to increase the total credit facility to approximately $4,400,000 (approximately $3,800,000 as of December 31, 2016 due to quarterly repayments and currency effects) and extend the term for an additional two years until October 30, 2019.

As of December 31, 2016, the Amended 2012 Credit Agreement consists of:

(a) A revolving credit facility of approximately $1,400,000 comprising a $1,000,000 revolving facility and a €400,000 revolving facility, which will be due and payable on October 30, 2019.

(b) A term loan facility of $2,100,000, also scheduled to mature on October 30, 2019. Quarterly repayments of $50,000 began in January 2015 with the remaining balance outstanding due October 30, 2019.

Interest on the credit facilities is, at the Company's option, at a rate equal to either (i) LIBOR or EURIBOR (as applicable) plus an applicable margin or (ii) the Base Rate as defined in the Amended 2012 Credit Agreement plus an applicable margin. At December 31, 2016 and 2015, the dollar-denominated tranches outstanding under the Amended 2012 Credit Agreement had a weighted average interest rate of 2.15% and 1.72%, respectively.

The applicable margin is variable and depends on the Parent Company's Consolidated Leverage Ratio, which is a ratio of its Consolidated Funded Debt less cash and cash equivalents held by the Parent Consolidated Group to Consolidated Earnings before interest, taxes, depreciation and amortization (EBITDA) (as these terms are defined in the Amended 2012 Credit Agreement).

In addition to scheduled principal payments, indebtedness outstanding under the Amended 2012 Credit Agreement would be reduced by portions of the net cash proceeds received from certain sales of assets and the issuance of certain additional debt.

Obligations under the Amended 2012 Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the Lenders.

(Dollars in thousands, except share data)

The Amended 2012 Credit Agreement contains affirmative and negative covenants with respect to the Parent Company and its subsidiaries. Under certain circumstances these covenants limit indebtedness, investments, and restrict the creation of liens. Under the Amended 2012 Credit Agreement, the Parent Company is required to comply with a maximum consolidated leverage ratio (ratio of consolidated funded debt less cash and cash equivalents held by the Consolidated Group to consolidated EBITDA).

Additionally, the Amended 2012 Credit Agreement provides for a limitation on dividends, share buy-backs and similar payments. Dividends to be paid are subject to an annual basket, which is €440,000 ($463,804 at December 31, 2016) for 2017, and will increase in subsequent years. Additional dividends and other restricted payments may be made subject to the maintenance of a maximum leverage ratio.

In default, the outstanding balance under the Amended 2012 Credit Agreement becomes immediately due and payable at the option of the Lenders.

The following table shows the available and outstanding amounts under the Amended 2012 Credit Agreement at December 31, 2016 and 2015:

Amended 2012 Credit Agreement	Maximum amount available December 31, 2016		Balance outstanding December 31, 2016	
Revolving credit USD	$ 1,000,000	$ 1,000,000	$ 10,187	$ 10,187
Revolving credit EUR	€ 400,000	421,640	€ —	€ —
Term loan A	$ 2,100,000	2,100,000	$ 2,100,000	$ 2,100,000
		$ 3,521,640		$ 2,110,187

Amended 2012 Credit Agreement	Maximum amount available December 31, 2015		Balance outstanding December 31, 2015	
Revolving credit USD	$ 1,000,000	$ 1,000,000	$ 25,110	$ 25,110
Revolving credit EUR	€ 400,000	435,480	€ —	€ —
Term loan A	$ 2,300,000	2,300,000	$ 2,300,000	$ 2,300,000
		$ 3,735,480		$ 2,325,110

(Receivables) Borrowings from Affiliates

The Company has various outstanding borrowings with KGaA and affiliates. The funds were used for general corporate purposes and acquisitions. The loans are due at various maturities.

(Dollars in thousands, except share data)

At December 31, 2016 and 2015, (receivables) borrowings from affiliates consisted of the following:

	December 31	
	2016	2015
(Receivables) borrowings from affiliates consists of:		
Fresenius Medical Care AG & Co. KGaA receivables primarily at interest rates approximating 1.26% and 1.04%, respectively	$ (1,070,646)	(1,049,987)
RTC Holdings International, Inc. borrowings at interest rates of 1.54% and 0.85%, respectively	13,414	13,337
FMC B LLC borrowings, net of discounts at fixed rates of interest between 5.25% and 5.45%.	1,287,052	1,329,299
NMC/FMC B LLC receivables, net of discounts at a rate of LIBOR plus 1.125%.	(2,655)	(2,096)
FMC US Finance borrowings, net of discounts at a rate of LIBOR plus 1.125%	24,015	19,339
FMC Finance II borrowings, net of discounts at a fixed rate of 7.00%	408,942	408,942
FMC Finance II borrowings, net of discounts at a rate of LIBOR plus 1.125%	35,147	25,052
FMC Finance II borrowings, net of discounts at fixed rates of interest between 4.625% and 5.25%.	950,000	942,500
FMC Malta borrowings at fixed rates of interest between 5.80% and 6.26%	600,521	—
Receivables from Bank Mendes Gans cash pooling arrangement	(238,291)	—
	2,007,499	1,686,386
Less receivables from affiliates classified as current	(1,295,523)	(1,036,650)
Total net long-term borrowings from affiliates	$ 3,303,022	2,723,036

(Dollars in thousands, except share data)

Scheduled maturities of long-term debt and (receivables) borrowings are as follows:

2017	$	(848,917)
2018		648,884
2019		2,602,885
2020		521,250
2021		417
2022 and thereafter		1,614,917
Total	$	4,539,436

(8) Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of goodwill for the years ended December 31, 2016 and 2015 are as follows:

		December 31	
		2016	2015
Carrying value as of beginning period	$	11,587,473	11,544,352
Goodwill acquired		292,153	50,506
Divested clinics		(16)	(7,320)
Other reclassifications		3,191	(65)
Carrying value as of ending period	$	11,882,801	11,587,473

(Dollars in thousands, except share data)

Other Intangible Assets

At December 31, 2016 and 2015, the carrying value and accumulated amortization of other intangible assets consisted of the following:

	December 31, 2016			December 31, 2015		
	Gross carrying value	Accumulated amortization	Carrying value	Gross carrying value	Accumulated amortization	Carrying value
Amortizable intangible assets:						
Noncompete agreements	$ 326,459	(279,675)	46,784	320,626	(264,444)	56,182
Acute care agreements	152,543	(147,572)	4,971	151,712	(144,230)	7,482
License and distribution agreements	80,264	(42,853)	37,411	76,899	(36,987)	39,912
Customer relationship	239,120	(59,643)	179,477	242,600	(13,182)	229,418
Technology	109,680	(43,560)	66,120	109,680	(39,240)	70,440
Other intangibles	143,043	(122,645)	20,398	123,658	(121,875)	1,783
Tradename	21,880	(7,035)	14,845	21,880	(7,035)	14,845
Construction in progress	23,516	—	23,516	28,973	—	28,973
	1,096,505	(702,983)	393,522	1,076,028	(626,993)	449,035
Nonamortizable intangible assets:						
Tradename	205,732	—	205,732	208,734	—	208,734
Management contracts	—	—	—	3,163	—	3,163
	205,732	—	205,732	211,897	—	211,897
Net intangibles	$ 1,302,237	(702,983)	599,254	1,287,925	(626,993)	660,932

Amortization expense for amortizable intangible assets for the years ended December 31, 2016 and 2015 was $81,978 and $78,433, respectively. The following table shows the estimated amortization expense of these assets for the next five years.

2017	$ 79,350
2018	79,350
2019	79,350
2020	79,350
2021	79,350

(Dollars in thousands, except share data)

(9) Income Taxes

Income before income taxes is as follows:

	Year ended December 31	
	2016	2015
Domestic	$ 1,609,963	1,261,705
Foreign	11,212	10,691
Total income before income taxes	$ 1,621,175	1,272,396

The provisions for income taxes are as follows:

	Year ended December 31	
	2016	2015
Current tax expense:		
Federal	$ 384,366	321,079
State	89,468	70,137
Foreign	11,967	12,229
Total current	485,801	403,445
Deferred tax expense:		
Federal	9,452	(20,062)
State	(4,186)	5,667
Foreign	(135)	—
Total deferred tax expense	5,131	(14,395)
Total provision	$ 490,932	389,050

(Dollars in thousands, except share data)

The provision for income taxes for the years ended December 31, 2016 and 2015 differed from the amount of income taxes determined by applying the applicable statutory federal income tax rate to pre-tax earnings as a result of the following differences:

	Year ended December 31	
	2016	2015
Statutory federal tax rate	35.0 %	35.0 %
State income taxes, net of federal tax benefit	3.4	3.9
Provision for tax audit liability	(0.7)	(1.0)
Noncontrolling partnership interests	(6.4)	(8.3)
Foreign losses and taxes	0.3	0.5
Manufacturing deduction	(0.3)	(0.1)
Other	(1.0)	0.6
Effective tax rate	30.3 %	30.6 %

Deferred tax liabilities (assets) are comprised of the following:

	December 31	
	2016	2015
Reserves and other accrued liabilities	$ (140,123)	(34,667)
Depreciation and amortization	787,905	685,520
Derivatives	—	(427)
Pension valuation	(23,051)	(73,773)
Stock based compensation expense	(19,313)	(12,886)
Net deferred tax liabilities	$ 605,418	563,767

At December 31, 2016 and 2015, the item "Reserves and other accrued liabilities" includes the deferred tax liability in the amount of $86,790 related to the recognized insurance recoveries in relation to the NaturaLyte® and GranuFlo® agreement in principle. For further information, see note 17 "Legal Proceedings".

The Company has established valuation allowances for deferred tax assets of $4,791 and $3,180 at December 31, 2016 and 2015, respectively.

The net increase in the valuation allowance for deferred tax assets was $1,611 and $18,311 for the years ended December 31, 2016 and 2015, respectively. The aforementioned changes relate to activities incurred in state and foreign jurisdictions.

(Dollars in thousands, except share data)

It is the Company's expectation that it is more likely than not to generate future taxable income to utilize its remaining deferred tax assets.

At December 31, 2016, there are federal net operating loss carryovers of $105,231 some of which will begin to expire in 2030 through 2036. In addition, there is a Federal Tax Credit of $1,270, which will expire in 2020. State net operating loss carryovers are $440,837 with varying expiration dates. Foreign net operating losses are $2 and will expire in 2018. The Net Operating Loss (NOL) utilization is contingent upon the Company's ability to generate future income.

Provision has not been made for additional Federal, state, or foreign taxes on $15,225 of undistributed earnings of foreign subsidiaries. Prior to a decision on the evaluation discussed below, those earnings have been and will continue to be reinvested. The earnings could be subject to additional tax if they were remitted as dividends, if foreign earnings were loaned to the Company or a U.S. affiliate or if the Company should sell its stock in these subsidiaries. The Company estimates that the distribution of these earnings would result in $4,975 of additional foreign withholding tax and U.S. Federal income taxes.

The tax years 2013, 2014, and 2015 are open to audit by the federal government. The Company is also subject to audit in various state jurisdictions. All expected results for both federal and state income tax audits have been recognized in the consolidated financial statements.

The following table shows the reconciliation of the beginning and ending amounts of unrecognized tax benefits:

		2016	2015
Unrecognized tax benefits (net of interest):			
Balance at January 1	$	28,373	41,838
Increases in unrecognized tax benefits prior periods		11,386	5,844
Decreases in unrecognized tax benefits prior periods		(5,582)	(12,410)
Changes related to settlements with tax authorities		(13,858)	(5,599)
Reductions as a result of the statute of limitations		—	(1,300)
Balance at December 31	$	20,319	28,373

Included in the balance are $23,644 and $27,756 of unrecognized tax benefits at December 31, 2016 and 2015, respectively, which would affect the effective tax rate if recognized. The Company is currently not in a position to forecast the timing and magnitude of changes in the unrecognized tax benefits within the next twelve months.

During the year ended December 31, 2016, the Company recognized $878 of interest expense and $579 of penalties. The Company received $1,394 in interest and paid $890 penalties in December 31, 2015.

(Dollars in thousands, except share data)

(10) Property, Plant and Equipment

As of December 31, 2016 and 2015, property, plant and equipment consisted of the following:

	December 31	
	2016	2015
Land and improvements	$ 12,207	12,427
Buildings	253,874	250,042
Capital lease property	14,007	14,036
Leasehold improvements	2,152,419	1,838,239
Equipment and furniture	2,228,417	2,031,534
Construction in progress	290,106	289,905
	4,951,030	4,436,183
Accumulated depreciation and amortization	(2,724,549)	(2,442,432)
Property, plant and equipment, net	$ 2,226,481	1,993,751

Depreciation expense relating to property, plant and equipment (including capital lease property) amounted to $407,139 and $376,514 for the years ended December 31, 2016 and 2015, respectively.

Included in property, plant and equipment as of December 31, 2016 and 2015 were $133,277 and $123,184, respectively, of peritoneal dialysis cycler machines which the Company leases to customers with end-stage renal disease on a month-to-month basis.

Leases

The Company leases buildings and machinery and equipment under various lease agreements expiring on dates through 2047. Rental expense for operating leases was $631,076 and $567,925 for the years ended December 31, 2016 and 2015, respectively. Amortization of properties under capital leases amounted to $640 and $718 for the years ended December 31, 2016 and 2015, respectively.

(Dollars in thousands, except share data)

Future minimum payments under noncancelable leases (principally for clinics, offices and equipment) for the five years succeeding December 31, 2016 and thereafter are as follows:

	Operating leases	Capital leases	Total
2017	$ 589,178	382	$ 589,560
2018	539,344	349	539,693
2019	468,562	298	468,860
2020	398,117	288	398,405
2021	323,033	309	323,342
2022 and beyond	1,125,341	7,748	1,133,089
Total minimum payments	$ 3,443,575	9,374	$ 3,452,949
Less interest and operating costs		7,099	
Present value of minimum lease payments ($372 payable in 2017)		$ 2,275	

Lease agreements frequently include renewal options and require that the Company pay for utilities, taxes, insurance and maintenance expenses. Options to purchase are also included in some lease agreements, particularly capital leases. For further information on purchase commitment, see note 4 (a) "Inventories".

(11) Pension and Other Post Retirement Benefits

(a) National Medical Care, Inc. Defined Benefit Pension Plan

The Company has a noncontributory, defined benefit pension plan (NMC plan). Each year the Company contributes at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended. Plan assets consist primarily of publicly traded common stock, fixed income securities and cash equivalents.

In 2002, the Company curtailed its defined benefit and supplemental executive retirement plans. Under the curtailment amendment for substantially all employees eligible to participate in the NMC plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. The Company has retained all employee benefit obligations as of the curtailment date. The Company contributed $109,600 and $19,340 for the years ended December 31, 2016 and 2015 respectively. In 2016, FMCH's minimum funding requirement was $9,600. In addition to the compulsory contributions, the Company made a voluntary contribution of $100,000 to the defined benefit plan in 2016. Currently, the Company does not expect to make any additional fundings for 2017.

(Dollars in thousands, except share data)

The following table shows the changes in benefit obligations, the changes in plan assets, and the funded status of the NMC plan:

	Year ended December 31	
	2016	2015
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 461,173	477,349
Service cost	4,973	6,439
Interest cost	19,415	18,861
Amendments	—	(879)
Actuarial gain	(27,899)	(26,349)
Settlements	(9,005)	—
Benefits paid	(26,556)	(14,248)
Benefit obligation at end of year	422,101	461,173
Change in plan assets:		
Fair value of plan assets at beginning of year	260,157	270,859
Actual return on plan assets	10,037	(15,794)
Employer contribution	109,600	19,340
Settlements	(9,005)	—
Benefits paid	(26,556)	(14,248)
Fair value of plan assets at end of year	344,233	260,157
Funded status at year-end	$ (77,868)	(201,016)

The pension liability recognized as of December 31, 2016 and 2015, is equal to the amount shown as 2016 and 2015 funded status at end of year in the preceding table and is recorded as a component of "other liabilities" in the consolidated balance sheets.

The accumulated benefit obligation for the NMC plan was $416,282 and $455,375 at December 31, 2016 and 2015, respectively.

(Dollars in thousands, except share data)

The pre-tax changes in the table below for 2016 and 2015 reflect actuarial (gains) losses in other comprehensive income relating to pension liabilities.

	Actuarial (gains) losses
Adjustments related to pensions at December 31, 2014	$ 238,266
Actuarial loss for year	5,847
Amendment	(879)
Amortization of unrealized losses	(25,251)
Adjustments related to pensions at December 31, 2015	217,983
Actuarial gain for year	(22,456)
Amendment	—
Amortization of unrealized losses	(22,105)
Amortization of prior service credit	118
Adjustments related to pensions at December 31, 2016	$ 173,540

The actuarial loss expected to be amortized from other comprehensive income into net periodic pension cost over the next year is $17,778.

The following weighted average assumptions were utilized in determining benefit obligations as of December 31:

	2016	2015
Discount rate	4.47 %	4.36 %
Rate of compensation increase	3.50	3.50

(Dollars in thousands, except share data)

The NMC plan net periodic benefit costs are comprised of the following components:

		2016	2015
Components of net periodic benefit cost:			
Service cost	$	4,973	6,439
Interest cost		19,415	18,861
Expected return on plan assets		(15,480)	(16,403)
Amortization of unrealized losses		22,105	25,251
Amortization of prior service credit		(118)	—
Net periodic benefit cost	$	30,895	34,148

The discount rates for the NMC plan are derived from an analysis and comparison of yields of portfolios of equity and highly rated debt instruments with maturities that mirror the NMC plan's benefit obligation. The Company's discount rate is the weighted average of these plans based upon their benefit obligations at December 31, 2016. The following weighted average assumptions were used in determining net periodic benefit cost for the years ended December 31:

	2016	2015
Discount rate	4.36 %	3.99 %
Expected return on plan assets	6.00	6.00
Rate of compensation increase	3.50	3.50

Expected benefit payments for the NMC plan for the next five years and in the aggregate for the five years thereafter are as follows:

2017	$	18,393
2018		19,264
2019		20,274
2020		21,561
2021		22,730
2022 through 2026		126,797

(Dollars in thousands, except share data)

(i) Plan Assets

The following table presents the fair values of the Company's pension plan assets at December 31, 2016 and 2015:

	Fair value measurements at December 31, 2016			Fair value measurements a December 31, 2015		
	Total	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2	Total	Quoted prices in active markets for identical assets Level 1	Significant observable Inputs Level 2
Asset category:						
Equity investments:						
Index funds [1]	$ 85,448	(2,102)	87,550	64,828	98	64,730
Fixed income investments:						
Government securities [2]	2,502	1,902	600	4,815	4,269	546
Corporate bonds [3]	220,318	—	220,318	169,717	—	169,717
Other bonds [4]	5,628	—	5,628	7,794	—	7,794
U.S. Treasury money market funds [5]	30,337	30,337	—	13,003	13,003	—
Total	$ 344,233	30,137	314,096	260,157	17,370	242,787

1 This category comprises low-cost equity index funds not actively managed that track the S&P 500, S&P 400, Mid-Cap Index, Russell 2000 Index, MSCI EAFE Index, MSCI Emerging Markets Index and Barclays Capital Long-Corporate Bond Index and index futures.

2 This category comprises fixed income investments by the U.S. government and government sponsored entities.

3 This category represents investment grade bonds of U.S. issuers from diverse industries.

4 This category comprises private placement bonds as well as collateralized mortgage obligations.

5 This category represents funds that invest in treasury obligations directly or in treasury-backed obligations.

The methods and inputs used to measure the fair value of plan assets are as follows:

Common stocks are valued at their market prices at the balance sheet date.

Index funds are valued based on market quotes.

Government bonds are valued based on both market prices and market quotes.

Corporate bonds and other bonds are valued based on market quotes at the balance sheet date.

Cash is stated at nominal value which equals the fair value.

U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market price.

(ii) Plan Investment Policy and Strategy

The Company periodically reviews the assumption for long-term expected return on NMC plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the Company's expected rate of return on pension plan assets was 6.00% for 2016 and 2015, respectively.

The Company's overall investment strategy is to achieve a mix of approximately 98% of investments for long-term growth and income and 2% in cash or cash equivalents. Investment income and cash or cash equivalents are used for near-term benefit payments. Investments are governed by the investment policy and include well diversified index funds or funds targeting index performance.

The investment policy, utilizing a target investment allocation in a range around 30% equity and 70% long-term U.S. corporate bonds, considers that there will be a time horizon for invested funds of more than five years. The total portfolio will be measured against a custom index that reflects the asset class benchmarks and the target asset allocation. The NMC plan policy does not allow investments in securities of the Company or other related party securities. The performance benchmarks for the separate asset classes include: S&P 500 Index, S&P 400 Mid-Cap Index, Russell 2000 Index, MSCI EAFE Index, MSCI Emerging Markets Index and Barclays Capital Long Corporate Bond Index.

(b) Supplemental Executive Retirement Plan

The Company's supplemental executive retirement plan provides certain key executives with benefits in excess of normal pension benefits. This plan was curtailed prior to 2010. The projected benefit obligation was $16,134 and $16,493 at December 31, 2016 and 2015, respectively. Pension expense for this plan, for the years ended December 31, 2016 and 2015 was $1,642 and $1,814, respectively. The Company has recorded $4,179 and $5,216 to accumulated other comprehensive loss to recognize the additional liability for this plan at December 31, 2016 and 2015, respectively. The Company contributed $965 and $759 to this plan during 2016 and 2015, respectively. Expected funding for 2017 is $1,176.

The pension liability recognized as of December 31, 2016 and 2015 of $16,134 and $16,493, respectively, includes a current portion of $1,151 and $1,083, respectively which is recognized as a current liability in the line item "accrued liabilities" within the consolidated balance sheets. The noncurrent portion of $14,983 and $15,410 as of December 31, 2016 and 2015, respectively, is recorded as noncurrent pension liability in "other liabilities" within the consolidated balance sheets.

The Company does not provide any post-retirement benefits to its employees other than those provided under its NMC plan and supplemental executive retirement plan.

(c) Defined Contribution Plans

Most FMCH employees are eligible to join a 401(k) savings plan. Employees can deposit up to 75% of their pay up to a maximum of $18 if under 50 years old ($24 if 50 or over) under this savings plan. The Company will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. The Company's total expense under this defined contribution plan for the years ended December 31, 2016 and 2015 was $48,458 and $46,267, respectively.

(12) Noncontrolling Interests Subject to Put Provisions

The Company has potential obligations to purchase the noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Company would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value at the time of exercise. The methodology the Company uses to estimate the fair values of the noncontrolling interest subject to put provisions assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate and the implicit multiple of earnings at which these noncontrolling interest obligations may ultimately be settled could vary significantly from our current estimates depending upon market conditions.

At December 31, 2016 and 2015, the Company's potential obligations under these put options are $1,260,447 and $993,425, respectively, of which, at December 31, 2016 and 2015, $506,209 and $364,982 were exercisable. In the last two fiscal years ending December 31, 2016, seven puts have been exercised for a total consideration of $2,117.

(Dollars in thousands, except share data)

The following is a rollforward of noncontrolling interests subject to put provisions for the years ended December 31, 2016 and 2015:

		2016	2015
Beginning balance	$	993,425	796,727
Dividends paid		(187,354)	(164,830)
Sale of noncontrolling interests		30,136	3,165
Contributions from noncontrolling interests		32,259	16,623
Changes in fair value of noncontrolling interests		209,879	182,613
Net income attributable to NCI interests subject to put options		182,102	159,127
Ending balance	$	1,260,447	993,425

(13) Series C Redeemable Preferred Stock

During 2006, the Company issued to Fresenius Medical Care North America Holdings Limited Partnership (DLP), 5,000,000 shares at $1.00 par value of Series C Redeemable Preferred Stock. The Company received proceeds of $1,250,000. Simultaneously with the issuance of the securities, the Company entered into a conditional forward sale agreement related to the Series C Redeemable Preferred Stock (the Forward Sale Agreement). The conditional aspects of the contract are not certain to occur and are related to the dissolution or reorganization of DLP. However, if the conditions were to occur, the Forward Sale Agreement requires that the Company redeem the securities at the same Euro value that was used to acquire the shares when initially issued plus any accumulated and declared but unpaid dividends at the spot rate in effect on the settlement date and declared but unpaid dividends at the spot rate in effect on the settlement date plus the discounted present value of all accumulated and unpaid dividends that have not been declared by the Board of Directors at the spot rate in effect on the settlement date. At December 31, 2015, the redemption value of the Series C Redeemable Preferred Stock was $392,100.

In accordance with Accounting Standards Codification 480, *Distinguishing Liabilities from Equity* (ASC 480) the Company recorded the proceeds as part of mezzanine equity. There were no redemptions of the Series C Redeemable Preferred Stock during the years ended December 31, 2016 and 2015.

In 2016, the Forward Sale Agreement automatically terminated in accordance with its terms, and as a result, there are no currently effective provisions in the Forward Sale Agreement which could require or trigger the requirement that the Company redeem the remaining Series C Redeemable Preferred Stock. As such, the Series C Redeemable Preferred Stock have been reclassified to permanent equity in the Consolidated Balance Sheet as of December 31, 2016.

(Dollars in thousands, except share data)

(14) Equity

(a) Repurchase and Retirement of Common Stock

During the year ended December 31, 2016, the Company repurchased 2,640,000 shares of its common stock from DLP at a total cost of $607,200. As of December 31, 2016, we had 87,360,000 shares of common stock outstanding. The repurchased shares were subsequently retired and have become authorized but unissued common shares. The retirement of the common shares resulted in a reduction of retained earnings.

(b) Preferred Stock

At December 31, 2016 and 2015, the components of the Company's preferred stocks as presented in the consolidated balance sheets consisted of the following:

	December 31	
	2016	2015
Preferred stock $1.00 par value:		
Class C; 5,000,000 shares authorized, issued and outstanding.	$ 235,141	—
Class E; 2,653,560 shares authorized, issued and outstanding.	663,390	663,390
Class F; 2,100,000 shares authorized, issued and outstanding.	525,000	525,000
Total preferred stock	$ 1,423,531	1,188,390

(c) Stock Options

In connection with its stock option program, the Company incurred compensation expense of $25,442 and $10,461 for the years ended December 31, 2016 and 2015, respectively. There were no capitalized compensation costs in any of the two years presented. The Company also recorded a related deferred income tax of $8,267 and $4,127 for the years ended December 31, 2016 and 2015, respectively.

On May 12, 2011, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 (2011 SOP) was established by resolution of our AGM. The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of the General Partner's Management and Supervisory Boards, forms our Long Term Incentive Program 2011 (LTIP 2011 Incentive Program). Under the 2011 Incentive Program, participants may be granted awards, which will consist of a combination of stock options and phantom stock. Awards under the 2011 Incentive Program were granted over a five year period and were able to be granted on the last Monday in July and/or the first Monday in December each year. Generally and prior to the respective grants, participants were able to choose how much of the granted value is granted in the form of stock options and phantom stock in a

predefined range of 75:25 to 50:50, stock options vs. phantom stock. For grants made in 2016 and 2015 related to the participants who did not belong to the General Partner's Management Board, the grant ratio was predefined at 50:50. The number of phantom shares granted instead of stock options and within the aforementioned proportions was determined on the basis of a fair value assessment pursuant to a binomial model. With respect to grants made in July, this fair value assessment was conducted on the day following our AGM and with respect to the grants made in December, on the first Monday in October. Awards under the 2011 Incentive Program are subject to a four-year vesting period. Vesting of the awards granted was subject to achievement of performance targets. The 2011 Incentive Program was established with a conditional capital increase up to €12 million subject to the issue of up to twelve million nonpar value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share.

The exercise price of stock options granted under the 2011 Incentive Program shall be the average stock exchange price on the Frankfurt Stock Exchange of the Parent Company's ordinary shares during the 30 calendar days immediately prior to each grant date. Stock options granted under the 2011 Incentive Program have an eight-year term and can be exercised only after a four-year vesting period. Stock options granted under the 2011 Incentive Program to US participants are nonqualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2011 Incentive Program are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or disposed of otherwise.

Options granted under the 2006 Amended Plan to U.S. participants are nonqualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2006 Amended Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of. Options granted under this plan are exercisable through December 2017.

The table below provides reconciliations for options outstanding at December 31, 2016, as compared to December 31, 2015.

	Options	Weighted average exercise price
	(In thousands)	
Ordinary shares:		
Balance at December 31, 2014	6,031	$ 59.23
Granted	2,115	83.89
Exercised	(1,104)	43.84
Forfeited	(1,215)	60.69
Balance at December 31, 2015	5,827	64.48
Granted	—	—
Exercised	(569)	46.30
Forfeited	(1,216)	55.19
Balance at December 31, 2016	4,042	66.88

There were no preference shares options issued or outstanding in 2016.

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2016:

	Fully vested outstanding and exercisable options			
	Number of options	Weighted average remaining contractual life in years	Weighted average exercise price	Aggregate intrinsic value
	(In thousands)			
Options for ordinary shares	733	2.11	$ 52.78	23,470

At December 31, 2016, there is $14,181 of total unrecognized compensation costs related to nonvested options granted under all plans. These costs are expected to be recognized over a weighted average period of 1.7 years.

(Dollars in thousands, except share data)

During the years ended December 31, 2016 and 2015, the Parent Company received cash of $27,647 and $49,349, respectively, from the exercise of stock options. The intrinsic value of options exercised for the years ended December 31, 2016 and 2015 were $22,528 and $45,813, respectively. The Company recorded a related tax benefit of $8,887 and $18,073 for the years ended December 31, 2016 and 2015, respectively.

(d) Fair Value Information

The Company used a binomial option-pricing model in determining the fair value of the awards under the 2011 SOP and the 2006 Amended Plan. Option valuation models require the input of subjective assumptions including expected stock price volatility. The Company's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. Expected volatility is based on historical volatility of the Company's shares. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 155% of the exercise price. The Company's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The assumptions used to determine the fair value of the 2015 grants are as follows:

		2015
Expected dividend yield		1.46 %
Risk-free interest rate		0.44
Expected volatility		22.32
Expected life of options		8 years
Weighted average exercise price	$	83.39

(e) Subsidiary Stock Incentive Plans

Subsidiary stock incentive plans were established during 2014 in conjunction with two acquisitions made by the Company. Under these plans, two of the Company's subsidiaries are authorized to issue a total of 116,103,806 Incentive Units. The Incentive Units have two types of vesting conditions – a service condition and a performance condition. Of the total Incentive Units granted, eighty percent vest ratably over a four year period and twenty percent vest upon the achievement of certain of the relevant subsidiary's performance targets over a six year vesting period (the Performance Units).

Fifty percent of the Performance Units will vest upon achievement of performance targets in 2017. The remaining 50%, plus any unvested Performance Units, will vest upon achievement of performance targets in 2019. All of the Performance Units will vest upon achievement of performance targets in 2020, if not previously vested. Additionally, for one of the subsidiaries, all Performance Units not previously vested will vest upon successful completion of an initial public offering.

As of December 31, 2016 and 2015, there was $17,220 and $17,886, respectively, of total unrecognized compensation cost related to unvested Incentive Units under the plans. These costs are expected to be recognized over a weighted average period of 2.2 years.

The Company used the Monte Carlo pricing model in determining the fair value of the awards under this incentive plan. Option valuation models require the input of subjective assumptions including expected stock price volatility. The Company's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries.

(f) Long-term Incentive Plan 2016

As of May 11, 2016, the issuance of stock options and phantom stocks under the FMC AG & Co. KGaA Long-Term Incentive Program 2011 (LTIP 2011) is no longer possible. In order to continue to enable the members of the Management Board, the members of the management boards of affiliated companies and managerial staff members to adequately participate in the long-term, sustained success of the Company, the Management Board and the supervisory board of Management AG have approved and adopted the FMC-AG & Co. KGaA Long-Term Incentive Plan 2016 (LTIP 2016) as a successor program effective January 1, 2016.

The LTIP 2016 is a variable compensation program with long-term incentive effects. Pursuant to the LTIP 2016, the plan participants may be granted so-called "Performance Shares" annually or semiannually during 2016 to 2018. Performance Shares are nonequity, cash-settled virtual compensation instruments which may entitle plan participants to receive a cash payment depending on the achievement of pre-defined performance targets further defined below as well as the Company's share price development.

For members of the Management Board, the Supervisory Board will, in due exercise of its discretion and taking into account the individual responsibility and performance of each Management Board member, determine an initial value for each grant for any awards to Management Board members. For plan participants other than the members of the Management Board, such determination will be made by the Management Board. The initial grant value is determined in the currency in which the respective participant receives their base salary at the time of the grant. In order to determine the number of Performance Shares each plan participant receives, their respective grant value will be divided by the value per Performance Share at the time of the grant, which is mainly determined based on the average price of the Company's shares over a period of thirty calendar days prior to the respective grant date. The number of granted Performance Shares may change over the performance period of three years, depending on the level of achievement of the following: (i) revenue growth, (ii) growth in net income attributable to shareholders of FMC-AG & Co. KGaA (net income growth) and (iii) return on invested capital (ROIC) improvement.

Revenue, net income and ROIC are determined according to IFRS in euro based on full year results. Revenue growth and net income growth, for the purpose of this plan, are determined at constant currency.

An annual target achievement level of 100% will be reached for the revenue growth performance target if revenue growth is 7% in each individual year of the three-year performance period; revenue growth of 0% will lead to a target achievement level of 0% and the maximum target achievement level of 200% will be reached in the case of revenue growth of at least 16%. If revenue growth ranges between these values, the degree of target achievement will be linearly interpolated between these values.

An annual target achievement level of 100% for the net income growth performance target will be reached if net income growth is 7% in each individual year of the three-year performance period. In the case of net income growth of 0%, the target achievement level will also be 0%; the maximum target achievement of 200% will be reached in the case of net income growth of at least 14%. Between these values, the degree of target achievement will be determined by means of linear interpolation.

With regard to ROIC improvement, an annual target achievement level of 100% will be reached if the target ROIC as defined for the respective year is reached. The target ROIC is 7.3% for 2016 and will increase by 0.2 percentage points per year to 7.5% (2017), 7.7% (2018), 7.9% (2019) and 8.1% (2020). A target achievement level of 0% will be reached if the ROIC falls below the target ROIC for the respective year by 0.2 percentage points or more, whereas the maximum target achievement level of 200% will be reached if the target ROIC for the respective year is exceeded by 0.2 percentage points or more. The degree of target achievement will be determined by means of linear interpolation if the ROIC ranges between these values. In case the annual ROIC target achievement level in the third year of a performance period is equal or higher than the ROIC target achievement level in each of the two previous years of such performance period, the ROIC target achievement level of the third year is deemed to be achieved for all years of the respective performance period.

The achievement level for each of the three performance targets will be weighted annually at one-third to determine the yearly target achievement for each year of the three-year performance period. The level of overall target achievement over the three-year performance period will then be determined on the basis of the mean of these three average yearly target achievements. The overall target achievement can be in a range of 0% to 200%.

The number of Performance Shares granted to the plan participants at the beginning of the performance period will each be multiplied by the level of overall target achievement in order to determine the final number of Performance Shares.

The final number of Performance Shares is generally deemed earned four years after the day of a respective grant (the vesting period). The number of such vested Performance Shares is then multiplied by the average Company share price over a period of thirty days prior to the lapse of this four-year vesting period. The respective resulting amount will then be paid to the plan participants as cash compensation.

The first awards under the Long-Term Incentive Plan 2016 were granted on July 25, 2016. During 2016, the Company awarded 409,063 Performance Shares at a measurement date weighted average fair value of $80.31 each and a total fair value of $32,852, which will be revalued if the fair value changes. The total fair value will be amortized over the four-year vesting period.

(Dollars in thousands, except share data)

(15) Financial Instruments

Nonderivative Financial Instruments

The following table presents the carrying amounts and fair values of the Company's nonderivative financial instruments at December 31, 2016 and 2015:

	December 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Nonderivatives:				
Assets:				
Cash and cash equivalents	$ 357,899	357,899	249,300	249,300
Trade accounts receivable	1,964,101	1,964,101	1,756,532	1,756,532
Receivables from affiliates	1,295,523	1,295,523	1,036,650	1,036,650
Available for sale financial assets[1]	269,793	269,793	274,662	274,662
Long term notes receivable[2]	4,622	4,622	4,309	4,309
Liabilities:				
Accounts payable	384,128	384,128	396,354	396,354
Short term borrowings	10,058	10,058	57,612	57,612
Capital lease obligations and other debts, excluding Amended 2012 Senior Credit Agreement	192,008	192,008	74,055	74,055
Amended 2012 Senior Credit Agreement	2,101,638	2,091,945	2,313,544	2,302,781
Borrowings from affiliates	3,303,022	3,303,022	2,723,036	2,723,036
Noncontrolling interests subject to put provisions	1,260,447	1,260,447	993,425	993,425

[1] Amounts included in the consolidated balance sheet under other current assets and other assets and deferred charges captions.

[2] Amounts included in the consolidated balance sheet under other assets and deferred charges caption.

The carrying amounts in the table are included in the consolidated balance sheets under the indicated captions.

The significant methods and assumptions used in estimating the fair values of financial instruments are as follows:

Cash and cash equivalents are stated at nominal value which equals the fair value.

Short-term financial instruments such as accounts receivable, accounts payable and short-term borrowings are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

(Dollars in thousands, except share data)

The fair value of available for sale financial assets quoted in an active market is based on price quotations at the period-end date.

The valuation of the long-term notes receivable is determined using significant unobservable inputs (Level 3). It is valued using a constructed index based upon similar instruments with comparable credit ratings, terms, tenor, interest rates that are within the Company's industry. The Company tracked the prices of the constructed index from the note issuance date to the reporting date to determine fair value.

The fair values of the long-term debt and capital lease obligations are calculated on the basis of market information. Instruments for which market quotes are available are measured using these quotes. The fair values of the other long-term financial liabilities are calculated at the present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Company as of the balance sheet date are used.

The valuation of the noncontrolling interests subject to put provisions is determined using significant unobservable inputs (Level 3). See note 12 for a discussion of the Company's methodology for estimating the fair value of these noncontrolling interests subject to put obligations.

Currently, there is no indication that a decrease in the value of the Company's financing receivables is probable. Therefore, the allowances on credit losses of financing receivables are not considered necessary.

(16) Derivative Financial Instruments

The Company is exposed to risk from changes in foreign exchange rates. In order to manage the risk of currency exchange rate fluctuations, the Company enters into various hedging transactions with highly rated financial institutions as authorized by the Parent Company. On a quarterly basis an assessment of the Company's counterparty credit risk is performed, which the Company considers to be low. The Company does not use financial instruments for trading purposes.

The Company established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

The table below summarizes the derivative financial instruments pre-tax and after-tax effect on accumulated other comprehensive loss in equity for the years ended December 31, 2016 and 2015:

	Year ended December 31	
	2016	2015
Forecasted raw material product purchases and other obligations:		
Pre-tax loss (gain)	$ 2,599	(5,421)
After-tax loss (gain)	1,574	(3,282)

The Company enters into forward rate agreements that are designated and effective as hedges of forecasted raw material purchases and other obligations. After-tax gains and losses are deferred in other comprehensive income and are reclassified into cost of medical supplies in the period during which the hedged transactions affect earnings. All deferred amounts are reclassified into earnings within the next twelve months.

(a) Foreign Currency Contracts

The Company uses foreign exchange contracts as a hedge against foreign exchange risks associated with the settlement of foreign currency denominated payables and firm commitments. At December 31, 2016 and 2015, the Company had outstanding foreign currency contracts for the purchase of Euros (EUR) totaling 49,374 and 49,366, respectively, contracts for the purchase of 405,300 and 341,100 Mexican pesos, respectively, and contracts for the sale of 3,600 and 3,600 Canadian dollars, respectively. The contracts outstanding at December 31, 2016 include forward contracts for purchase of EUR at rates ranging from $1.11 to $1.50 per EUR, forward contracts for the purchase of Mexican pesos at rates ranging from $19.13 to $19.83 per Mexican peso, and outright sale contracts for Canadian dollars at rates ranging from $1.27 to $1.29 per Canadian dollar. All contracts are for periods between January 2017 and February 2018.

The fair value of currency contracts are the estimated amounts that the Company would receive or pay to terminate the agreements at the reporting date, taking into account the current exchange rates and the current creditworthiness of the counterparties in addition to the Company's own nonperformance risk. At December 31, 2016 and 2015, the Company would have paid approximately $3,883 and $1,134, respectively, to terminate these contracts.

(b) Currency Exchange Agreements

Periodically, the Company enters into derivative instruments with related parties to form a natural hedge for currency exchange rate exposures on intercompany obligations. These instruments are reflected in the consolidated balance sheets at fair value with changes in fair value recognized in earnings. Pre-tax losses recorded in the consolidated statements of income for the years ended December 31, 2016 and 2015 were $54,955 and $319,742, respectively. After-tax losses in the consolidated statements of income for the years ended December 31, 2016 and 2015 were $32,973 and $127,897, respectively.

(i) $682,500 Currency Exchange Agreement

On February 3, 2011, the Company entered into a currency exchange agreement with DLP with a notional principal amount of $682,500 and a Euro amount with equal market value applying the market foreign exchange rate at the time the exchange agreement was entered into. The currency exchange agreement requires that at each periodic settlement date, DLP is obligated to pay to FMCH, Euro interest on the Euro equivalent of $682,500. Conversely, at the periodic settlement date, FMCH is obligated to pay DLP, the interest on $682,500 in U.S. dollars.

Upon maturity (February 15, 2021), DLP is obligated to pay to FMCH, the Euro equivalent of $682,500 converted at the spot rate and FMCH will pay to DLP the final settlement amount of $682,500.

This instrument is reflected in other liabilities within the consolidated balance sheets at fair value at the reporting date with changes in fair value recognized in earnings. At December 31, 2016 and 2015, the fair value of the derivative liability was $149,735 and $142,429, respectively.

(ii) $525,000 Currency Exchange Agreement

On June 16, 2011, the Company entered into a currency exchange agreement with DLP with a notional principal amount of $525,000 and a Euro amount with equal market value applying the market foreign exchange rate at the time the exchange agreement was entered into. The currency exchange agreement requires that at each periodic settlement date, DLP is obligated to pay to FMCH, Euro interest on the on the Euro equivalent of $525,000. Conversely, at the periodic settlement date, FMCH is obligated to pay DLP, the interest on $525,000 in U.S. dollars.

Upon maturity (July 15, 2017), DLP is obligated to pay to FMCH, the Euro equivalent of $525,000 converted at the spot rate and FMCH will pay to DLP the final settlement amount of $525,000.

This instrument is reflected in accrued liabilities within the consolidated balance sheets at fair value at the reporting date with changes in fair value recognized in earnings. At December 31, 2016 and 2015, the fair value of the derivative liability was $132,643 and $116,385, respectively.

(iii) FMC Finance II Currency Exchange Agreements

On January 26, 2012, the Company entered into three currency exchange agreements with Fresenius Medical Care US Finance II, Inc. (FMC Finance II) with a notional principal amounts of $800,000, $700,000, and $105,000 U.S. dollars, and an equivalent Euro amount based on the foreign exchange rate at the time the exchange agreements were entered into. The currency exchange agreement requires that at each periodic settlement date, FMC Finance II is obligated to pay to FMCH, Euro interest on the Euro equivalent of notional principal amounts. Conversely, at the periodic settlement date, FMCH is obligated to pay FMC Finance II, the interest on notional principal amounts in U.S. dollars.

Upon maturity (July 2019, January 2022, and July 2019, respectively), FMC Finance II is obligated to pay to FMCH, the Euro equivalent of the notional principal amount converted at the spot rate and FMCH will pay to FMC Finance II the final settlement amount of the notional principal amount.

This instrument is reflected in other liabilities within the consolidated balance sheets at fair value at the reporting date with changes in fair value recognized in earnings. At December 31, 2016 and 2015, the fair value of the derivative liability was $260,719 and $229,328, respectively.

(Dollars in thousands, except share data)

The following table shows the Company's derivatives at December 31, 2016 and 2015:

	2016		2015	
	Assets[1]	Liabilities[1]	Assets[1]	Liabilities[1]
Current:				
Foreign currency contracts	$ —	136,464	941	2,246
Noncurrent:				
Foreign currency contracts	—	410,436	—	487,972
Total	$ —	546,900	941	490,218

(1) At December 31, 2016 and 2015, the valuation of the Company's derivatives was determined using Significant Other Observable inputs (Level 2) in accordance with the fair value hierarchy levels established in U.S. GAAP. Derivative instruments are marked to market each reporting period resulting in carrying amounts being equal to fair values at each reporting date with the changes in fair value recognized in earnings.

The carrying amounts for the current portion of derivatives indicated as assets in the table above are included in other current assets in the consolidated balance sheets while the current portion of those indicated as liabilities are included in other current liabilities. The noncurrent portions indicated as assets or liabilities are included in the consolidated balance sheets in other assets or other liabilities, respectively.

The significant methods and assumptions used in estimating the fair values of derivative financial instruments are as follows:

To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the applicable currency.

The Company includes its own credit risk when measuring the fair value of derivative financial instruments.

(Dollars in thousands, except share data)

(iv) The Effect of Derivatives on the Consolidated Financial Statements

	Amount of loss recognized in OCI on derivatives (effective portion) December 31		Location of loss reclassified from OCI in income (effective portion)	Amount of gain (loss) reclassified from OCI in income (effective portion) for the twelve months ended December 31	
	2016	2015		2016	2015
Foreign currency contracts	$ (5,589)	(6,229)	Cost of medical supplies	$ 2,990	11,649
	$ (5,589)	(6,229)		$ 2,990	11,649

The Company expects to reclassify $2,230 of losses from other comprehensive income into earnings within the next twelve months.

At December 31, 2016, the Company had foreign currency contracts with maturities of up to 14 months.

(17) Legal Proceedings

(a) Legal and Regulatory Matters

The Company is routinely involved in claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing health care services and products. Legal matters that the Company currently deems to be material or noteworthy are described below. For the matters described below in which the Company believes a loss is both reasonably possible and estimable, an estimate of the loss or range of loss exposure is provided. For the other matters described below, the Company believes that the loss probability is remote and/or the loss or range of possible losses cannot be reasonably estimated at this time. The outcome of litigation and other legal matters is always difficult to predict accurately and outcomes that are not consistent with the Company's view of the merits can occur. The Company believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

(b) Commercial Litigation

On April 5, 2013, the U.S. Judicial Panel on Multidistrict Litigation ordered that the numerous lawsuits pending in various federal courts alleging wrongful death and personal injury claims against FMCH and certain of its affiliates relating to FMCH's acid concentrate products NaturaLyte® and GranuFlo® be transferred and consolidated for pretrial management purposes into a consolidated multidistrict litigation in the United States District Court for the District of Massachusetts. See, In Re: Fresenius Granuflo/Naturalyte Dialysate Products Liability Litigation, Case No. 2013-md-02428. The Massachusetts state courts and the St. Louis City (Missouri) court subsequently established similar

consolidated litigation for their cases. See, In Re: Consolidated Fresenius Cases, Case No. MICV 2013-03400-O (Massachusetts Superior Court, Middlesex County). Although similar cases were filed in other state courts, the Massachusetts federal and state courts and the St. Louis court are responsible, together, for more than 95% of all cases. The lawsuits alleged generally that inadequate labeling and warnings for these products caused harm to patients. On February 17, 2016, the Company reached with a committee of plaintiffs' counsel and reported to the courts an agreement in principle for settlement of potentially all cases. The agreement in principle calls for the Company to pay $250,000 into a settlement fund in exchange for releases of substantially all the plaintiffs' claims, subject to the Company's right to void the settlement under certain conditions.

As subsequently agreed and refined between the Company and the plaintiff committee, and ordered by the courts, plaintiffs may enforce the settlement and compel payment by the Company if the total of cases electing to participate in the settlement and dismissed by the courts with prejudice, voluntarily or involuntarily, comes to comprise 97% of all cases as defined under the agreement. The three primary courts entered "*Lone Pine*" orders requiring plaintiffs, on pain of dismissal, who have not elected to participate in the settlement to submit specific justification satisfactory to the courts for their complaints, including attorney verification of certain material factual representations and expert medical opinions relating to causation. The Company may elect to void the settlement if the 97% threshold is not achieved or if plaintiffs' nonparticipation falls into suspect patterns. For cases not participating in the settlement and not dismissed under *Lone Pine* orders, active litigation may resume in the discretion of their respective courts.

The deadline for plaintiffs to elect participation in the settlement has passed, although the plaintiff committee and FMCH continue to entertain late requests for good cause by individual participants. Based on participation elections already received and Lone Pine orders already issued, the plaintiff committee and FMCH expect, and have advised the courts that they expect, the settlement to be consummated. However, because of difficulties and delays in assembling and verifying individual participation elections and in the courts' processing of individual Lone Pine dismissals for the required number of cases, the committee and FMCH have agreed that consummation will occur promptly upon sufficient verification of fulfillment of the participation threshold, providing only that consummation will not be required before June 1, 2017 and must occur by February 28, 2018. Court approval of the schedule revision is expected.

FMCH believes that a significant number of cases, in various jurisdictions, will not participate in the settlement and will require some level of additional litigation activity in their respective trial courts to resolve. Appeals by plaintiffs are pending in the two bellwether cases (Ogburn and Dial) that have been tried, in both of which jury verdicts were entered in FMCH's favor.

The Company's affected insurers have agreed to fund $220,000 of the settlement fund if the settlement is not voided, with a reservation of rights regarding certain coverage issues between and among the Company and its insurers. The Company has accrued a net expense of $60,000 for consummation of the settlement, including legal fees and other anticipated costs.

Following entry of the agreement in principle, the Company's insurers in the AIG group and the Company each initiated litigation against the other, in New York and Massachusetts state courts respectively, relating to the AIG group's coverage obligations under applicable policies. The affected carriers have confirmed that the coverage litigation does not impact their commitment to fund $220,000 of the settlement with plaintiffs. In the coverage litigation, the AIG group seeks to reduce its obligation to less than $220,000 and to be indemnified by the Company for a portion of its $220,000 outlay; the Company seeks to confirm the AIG group's $220,000 funding obligation, to recover defense costs already incurred by the Company, and to compel the AIG group to honor defense and indemnification obligations, if any, required for resolution of cases not participating in the settlement.

Four institutional plaintiffs have filed complaints against FMCH or its affiliates under state deceptive practices statutes resting on certain background allegations common to the GranuFlo®/NaturaLyte® personal injury litigation, but seeking as remedy the repayment of sums paid to FMCH attributable to the Granuflo®/Naturalyte® products. These cases implicate different legal standards, theories of liability and forms of potential recovery from those in the personal injury litigation and their claims will not be extinguished by the personal injury litigation settlement described above. The four plaintiffs are the Attorneys General for the States of Kentucky, Louisiana and Mississippi and the commercial insurance company Blue Cross Blue Shield of Louisiana in its private capacity. *See*, State of Mississippi ex rel. Hood, v. Fresenius Medical Care Holdings, Inc., No. 14-cv-152 (Chancery Court, DeSoto County); State of Louisiana ex re. Caldwell and Louisiana Health Service & Indemnity Company v. Fresenius Medical Care Airline, 2016 Civ. 11035 (U.S.D.C. D. Mass.); Commonwealth of Kentucky ex rel. Beshear v. Fresenius Medical Care Holdings, Inc. et al., No. 16-CI-00946 (Circuit Court, Franklin County).

(c) Other Litigation and Potential Exposures

On February 15, 2011, a whistleblower (relator) action under the False Claims Act against FMCH was unsealed by order of the United States District Court for the District of Massachusetts and served by the relator. *See*, United States ex rel. Chris Drennen v. Fresenius Medical Care Holdings, Inc., 2009 Civ. 10179 (D. Mass.). The relator's complaint, which was first filed under seal in February 2009, alleged that the Company sought and received reimbursement from government payors for serum ferritin and multiple forms of hepatitis B laboratory tests that were medically unnecessary or not properly ordered by a physician. Discovery on the relator's complaint closed in May 2015. Although the United States initially declined to intervene in the case, the government subsequently changed position. On April 3, 2017, the court allowed the government to intervene with respect only to certain Hepatitis B surface antigen tests performed prior to 2011, when Medicare reimbursement rules for such tests changed. The court rejected the government's request to conduct new discovery, but allowed FMCH to take discovery against the government as if the government had been intervened at the outset.

On October 6, 2015, the Office of Inspector General of the United States Department of Health and Human Services (OIG) issued a subpoena to the Company seeking information about utilization and invoicing by Fresenius Vascular Care facilities as a whole for a period beginning after the Company's acquisition of American Access Care LLC in October 2011 (AAC). The Company is cooperating in the government's inquiry, which is being managed by the United States Attorney for the Eastern District of

New York. Allegations against AAC arising in districts in Connecticut, Florida and Rhode Island relating to utilization and invoicing were settled in 2015.

In August 2014, FMCH received a subpoena from the United States Attorney for the District of Maryland inquiring into FMCH's contractual arrangements with hospitals and physicians, including contracts relating to the management of in-patient acute dialysis services. FMCH is cooperating in the investigation.

In July 2015, the Attorney General for Hawaii issued a civil complaint under the Hawaii False Claims Act alleging a conspiracy pursuant to which certain Liberty Dialysis subsidiaries of FMCH overbilled Hawaii Medicaid for Liberty's Epogen® administrations to Hawaii Medicaid patients during the period from 2006 through 2010, prior to the time of FMCH's acquisition of Liberty. *See*, Hawaii v. Liberty Dialysis – Hawaii, LLC et al., Case No. 15-1-1357-07 (Hawaii 1st Circuit). The State alleges that Liberty acted unlawfully by relying on incorrect and unauthorized billing guidance provided to Liberty by Xerox State Healthcare LLC, which acted as Hawaii's contracted administrator for its Medicaid program reimbursement operations during the relevant period. The amount of the overpayment claimed by the State is approximately $8,000, but the State seeks civil remedies, interest, fines, and penalties against Liberty and FMCH under the Hawaii False Claims Act substantially in excess of the overpayment. FMCH filed third-party claims for contribution and indemnification against Xerox. The State's False Claims Act complaint was filed after Liberty initiated an administrative action challenging the State's recoupment of alleged overpayments from sums currently owed to Liberty. The civil litigation and administrative action are proceeding in parallel.

On August 31 and November 25, 2015, respectively, FMCH received subpoenas from the United States Attorneys for the District of Colorado and the Eastern District of New York inquiring into FMCH's participation in and management of dialysis facility joint ventures in which physicians are partners. On March 20, 2017, FMCH received a subpoena in the Western District of Tennessee inquiring into certain of the operations of dialysis facility joint ventures with the University of Tennessee Medical Group, including joint ventures in which FMCH's interests were divested to Satellite Dialysis in connection with FMCH's acquisition of Liberty Dialysis in 2012. FMCH is cooperating in these investigations.

On June 30, 2016, FMCH received a subpoena from the United States Attorney for the Northern District of Texas (Dallas) seeking information about the use and management of pharmaceuticals including Velphoro® as well as FMCH's interactions with DaVita Healthcare Partners, Inc. The Company understands that the subpoena relates to an investigation previously disclosed by DaVita and that the investigation encompasses DaVita, Amgen, and Sanofi. FMCH is cooperating in the investigation.

On November 18, 2016, FMCH received a subpoena from the United States Attorney for the Eastern District of New York seeking documents and information relating to the operations of Shiel Medical Laboratory, Inc., which FMCH acquired in October 2013. In the course of cooperating in the investigation and preparing to respond to the subpoena, FMCH identified falsifications and misrepresentations in documents submitted by a Shiel salesperson that relate to the integrity of certain

invoices submitted by Shiel for laboratory testing for patients in long term care facilities. On February 21, 2017, FMCH terminated the employee and notified the United States Attorney of the termination and its circumstances. The terminated employee's conduct may subject the Company to liability for overpayments and penalties under applicable laws. The Company continues to cooperate in the government's ongoing investigation.

On January 3, 2017, the Company received a subpoena from the United States Attorney for the District of Massachusetts inquiring into the Company's interactions and relationships with the American Kidney Fund (AKF or the Fund), including the Company's charitable contributions to the Fund and the Fund's financial assistance to patients for insurance premiums. FMCH is cooperating in the investigation which the Company understands to be part of a broader investigation into charitable contributions in the medical industry.

On December 14, 2016, CMS published an Interim Final Rule (IFR) titled "Medicare Program; Conditions for Coverage for End-Stage Renal Disease Facilities-Third Party Payment" that would amend the Conditions for Coverage for dialysis providers, like Fresenius Medical Care North America (FMCNA). The IFR would have effectively enabled insurers to reject premium payments made by patients who received grants for individual market coverage from the AKF and therefore, could have resulted in those patients losing their individual market coverage. The loss of individual market coverage for these patients would have had a material and adverse impact on the operating results of the Company.

On January 25, 2017, a federal district court in Texas, responding to litigation initiated by a patient advocacy group and dialysis providers including FMCNA, preliminarily enjoined CMS from implementing the IFR. Dialysis Patient Citizens v. Burwell (E.D. Texas, Sherman Div.). The preliminary injunction is based on CMS' failure to follow appropriate notice-and-comment procedures in adopting the IFR. The preliminary injunction will remain in place in the absence of a contrary ruling by the district or appellate courts.

CMS has requested, and been granted by the court, until June 23, 2017 to determine its position with respect to the subject matter of the litigation. The operation of charitable assistance programs is also receiving increased attention by state regulators, including State Departments of Insurance. The result may be a regulatory framework that differs from state to state. Even in the absence of the IFR or similar administrative actions, insurers are expected to continue to take steps to thwart the premium assistance provided to our patients for individual market plans as well as other insurance coverages. This would have a material adverse impact on the Company's operating results.

From time to time, the Company is a party to or may be threatened with other litigation or arbitration, claims or assessments arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Company, like other healthcare providers, insurance plans and suppliers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or

govern the safety and efficacy of medical products and supplies, the marketing and distribution of such products, the operation of rnanufacturing facilities, laboratories, dialysis clinics and other health care facilities, and environmental and occupational health and safety. With respect to its development, manufacture, marketing and distribution of medical products, if such compliance is not rnaintained, the Company could be subject to significant adverse regulatory actions by the U.S. Food and Drug Administration (FDA) and comparable regulatory authorities outside the U.S. These regulatory actions could include warning letters or other enforcement notices from the FDA, and/or comparable foreign regulatory authority which may require the Company to expend significant tirne and resources in order to irnplement appropriate corrective actions. If the Company does not address matters raised in warning letters or other enforcement notices to the satisfaction of the FDA and/or comparable regulatory authorities outside the U.S., these regulatory authorities could take additional actions, including product recalls, injunctions against the distribution of products or operation of manufacturing plants, civil penalties, seizures of the Company's products and/or criminal prosecution. FMCH is currently engaged in remediation efforts with respect to one pending FDA warning letter. The Company must also comply with the laws of the United States, including the federal Anti-Kickback Statute, the federal False Claims Act, the federal Stark Law, the federal Civil Monetary Penalties Law and the federal Foreign Corrupt Practices Act as well as other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from the Company's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence whistleblower actions. By virtue of this regulatory environment, the Company's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, subpoenas, other inquiries, claims and litigation relating to the Company's compliance with applicable laws and regulations. The Company may not always be aware that an inquiry or action has begun, particularly in the case of whistleblower actions, which are initially filed under court seal.

The Company operates many facilities and handles personal health information of its patients and beneficiaries throughout the United States and other parts of the world. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies. The Company relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of these employees. On occasion, the Company may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene the Company's policies or violate applicable law. The actions of such persons may subject the Company and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law, the False Claims Act, Health Insurance Portability and Accountability Act, the Health Information Technology for Economic and Clinical Health Act and the Foreign Corrupt Practices Act, among other laws and cornparable laws of other countries.

Physicians, hospitals and other participants in the healthcare industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's

compensation or related claims, many of which involve large claims and significant defense costs. The Company has been and is currently subject to these suits due to the nature of its business and expects that those types of lawsuits may continue. Although the Company maintains insurance at a level which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Company or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

The Company has also had claims asserted against it and has had lawsuits filed against it relating to alleged patent infringements or businesses that it has acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The Company has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition, and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

The Company is also subject to ongoing and future tax audits in the U.S. With respect to other potential adjustments and disallowances of tax matters currently under review, the Company does not anticipate that an unfavorable ruling could have a material impact on its results of operations. The Company is not currently able to determine the timing of these potential additional tax payments.

Other than those individual contingent liabilities mentioned above, the current estimated amount of the Company's other known individual contingent liabilities is immaterial.

(18) Subsequent Events

On February 28, 2017, the Company repurchased 3,375,000 shares of common stock from DLP for an aggregate purchase price of $807,435. As consideration for the share repurchase, the Company issued promissory and demand notes, bearing interest between 1.25% to 6.20%, to DLP in an aggregate principal amount equal to the purchase price of the shares. The repurchased shares were held as treasury stock, and thereafter retired and returned to the status of authorized, but unissued common stock of the Company.