



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET NO: H-06	BOARD MEETING: November 14, 2017	PROJECT NO: 17-034	PROJECT COST: Original: \$231,375
FACILITY NAME: Fresenius Medical Care Naperbrook		CITY: Naperbrook	
TYPE OF PROJECT: Substantive			HSA: IX

PROJECT DESCRIPTION: The Applicants (Fresenius Medical Care Naperbrook, LLC d/b/a Fresenius Medical Care Naperbrook and Fresenius Medical Care Holdings, Inc.) are proposing to add six (6) ESRD stations to an existing eighteen (18) station facility. The cost of the project is \$231,375 and the completion date is December 31, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Fresenius Medical Care Naperbrook, LLC d/b/a Fresenius Medical Care Naperbrook and Fresenius Medical Care Holdings, Inc.) are proposing to add six (6) ESRD stations to an existing eighteen (18) station facility. The cost of the project is \$231,375 and the completion date is December 31, 2018.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Applicants are proposing to substantially change the scope or functional operation of a health care facility by increasing the number of ESRD stations in excess of three (3) stations or 10% by proposing to add six (6) stations.

PURPOSE OF PROJECT:

- The purpose of the proposed project is to add six stations to address the high utilization of the eighteen (18) station facility.

PUBLIC HEARING/COMMENT:

- A public hearing was offered in regard to the proposed project, but none was requested. No letters of support or opposition were received by the State Board Staff.

SUMMARY:

- The State Board Staff notes the utilization of existing ESRD facilities within thirty (30) minutes is not taken into consideration when the expansion of an existing dialysis facility is being proposed.
- Currently there is a calculated need for twenty-five (25) stations in the HSA IX ESRD Planning Area. The existing eighteen (18) station facility is currently dialyzing ninety-four (94) patients and is operating at eighty-seven percent (87%), which is above the State Board's target occupancy of eighty percent (80%). There is sufficient demand for the proposed expansion as the Applicants have identified an additional sixty-one (61) patients that will need dialysis within the next 12 to 24 months after project completion. Adding the six (6) stations to the existing eighteen (18) station facility appears to be the most cost effective alternative to address the current high utilization at the facility.
- At the conclusion of this report is a picture of a FMC ESRD treatment floor.
- The Applicants have addressed a total of twenty-one (21) criteria and have met them all.

STATE BOARD STAFF REPORT
Project #17-034
Fresenius Medical Care Naperbrook

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants(s)	Fresenius Medical Care Naperbrook, LLC d/b/a Fresenius Medical Care Naperbrook and Fresenius Medical Care Holdings, Inc.
Facility Name	Fresenius Medical Care Naperbrook
Location	2451 S. Washington Street, Naperbrook, Illinois
Permit Holder	Fresenius Medical Care Naperbrook , LLC d/b/a Fresenius Medical Care Naperbrook
Operating Entity	Fresenius Medical Care Naperbrook , LLC d/b/a Fresenius Medical Care Naperbrook
Owner of Site	Brushy Creek, LLC
Description	Add six dialysis stations
Total GSF	8,000 GSF leased space
Application Received	August 8, 2017
Application Deemed Complete	August 16, 2017
Review Period Ends	December 18, 2017
Financial Commitment Date	November 18, 2019
Project Completion Date	December 31, 2018
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	Yes

I. Project Description

The Applicants (Fresenius Medical Care Naperbrook, LLC d/b/a Fresenius Medical Care Naperbrook and Fresenius Medical Care Holdings, Inc.) are proposing to add six (6) ESRD stations to an existing eighteen (18) station facility. The cost of the project is \$231,375 and the completion date is December 31, 2018.

II. Summary of Findings

- A.** State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B.** State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The Applicants are Fresenius Medical Care Naperbrook, LLC d/b/a Fresenius Medical Care Naperbrook and Fresenius Medical Care Holdings, Inc. Fresenius Medical Care Holdings Inc. operates as a holding company¹. The Company, through its subsidiaries, provides hemodialysis, dialysis machines, dialyzers, peritoneal dialysis products, and renal pharmaceuticals. Fresenius Medical Care Ventures, LLC has a fifty-one percent (51 %) membership interest in Fresenius Medical Care Naperbrook, LLC. Cronos Partners, LLC has a forty-nine percent (49%) membership interest in Fresenius Medical Care Naperbrook, LLC.

Financial commitment will occur after permit issuance. This project is a substantive project subject to a Part 1110 and 1120 review.

Substantive Projects means types of projects that are defined in the Act and classified as substantive. Substantive projects shall include no more than the following:

Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.

Projects proposing a new service or a discontinuation of a service; shall be reviewed by the Board within 60 days.

Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]

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

¹ A holding company is a special type of business that doesn't *do* anything itself. Instead, it *owns* investments, such as stocks, bonds, etc. or virtually anything of value. The term holding company comes from the fact that the business has one job: to "hold" their investments.

TABLE ONE Approved Fresenius Projects not yet completed			
Project #	Facility	Type	Date Complete
14-047	Fresenius Kidney Care Humboldt Park	Establishment	12/31/2017
15-028	Fresenius Kidney Care Schaumburg	Establishment	2/28/2017
15-036	Fresenius Kidney Care Zion	Establishment	6/30/2017
15-046	Fresenius Kidney Care Beverly Ridge	Establishment	6/30/2017
15-050	Fresenius Kidney Care Chicago Heights	Establishment	12/31/2017
15-062	Fresenius Kidney Care Belleville	Establishment	12/31/2017
16-024	Fresenius Kidney Care East Aurora	Establishment	9/30/2018
16-035	Fresenius Kidney Care Evergreen Park	Relocation	12/31/2017
16-029	Fresenius Kidney Care Ross-Englewood Dialysis	Relocation	12/31/2018
16-034	Fresenius Kidney Care Woodridge	Establishment	12/31/2017
16-042	Fresenius Kidney Care Paris	Establishment	9/30/2018
16-049	Fresenius Kidney Care Macomb	Relocation	12/31/2018
17-003	Fresenius Kidney Care Gurnee	Expansion	3/31/2018
17-004	Fresenius Kidney Care Mount Prospect	Establishment	12/31/2018

IV. Health Planning Area

The proposed facility will be located in the HSA IX ESRD Planning Area. The HSA IX ESRD Planning Area includes the Illinois Counties of Grundy, Kankakee, Kendall, and Will. As of September 2017 there is a calculated need for twenty-five (25) ESRD stations in this planning area.

TABLE TWO Need Methodology HSA IX ESRD Planning Area	
Planning Area Population – 2015	970,600
In Station ESRD patients -2015	1,086
Area Use Rate 2015 ⁽¹⁾	.977
Planning Area Population – 2020 (Est.)	1,111,300
Projected Patients – 2020 ⁽²⁾	1,086
Adjustment	1.33x
Patients Adjusted	1,444
Projected Treatments – 2020 ⁽³⁾	225,323
Existing Stations	276
Stations Needed-2018	301
Number of Stations Needed	25
<ol style="list-style-type: none"> 1. Usage rate determined by dividing the number of in-station ESRD patients in the planning area by the 2015 – planning area population per thousand. 2. Projected patients calculated by taking the 2020 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients. 3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient 	

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of \$131,000 and the FMV of a lease in the amount of \$100,375.

TABLE THREE			
Project Uses And Sources Of Funds			
Uses of Funds	Reviewable	Total	% of Total Cost
Modernization Contracts	\$18,000	\$18,000	7.8%
Movable or Other Equipment (not in construction	\$113,000	\$113,000	48.8%
Fair Market Value of Leased Space or Equipment	\$100,375	\$100,375	43.4%
Total Uses of Funds	\$231,375	\$231,375	100.00%
Sources of Funds			
Cash and Securities	\$131,000	\$131,000	56.6%
Leases (fair market value)	\$100,375	\$100,375	43.4%
Total Sources of Funds	\$231,375	\$231,375	100.00%

VI. Project Details

The Applicants are proposing to add six (6) stations to an existing eighteen (18) station facility in 8,000 GSF of leased space. The six (6) stations will be added in 900 GSF of modernized space.

VII. Background of the Applicants

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

An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. To demonstrate compliance with this criterion the applicants must provide

- A) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification and accreditation identification numbers, as applicable;
- B) A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility;
- C) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH 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 the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.

D) An attestation that the applicants have has been no *adverse action*² taken against the any facility owned or operated by applicants.

1. The Applicants have attested that there has been no adverse action taken against any of the facilities owned or operated by Fresenius Kidney Care during the three (3) years prior to filing the application.
2. The Applicants have authorized the Illinois Health Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connections the applicants' certificate of need to establish a twelve station ESRD facility. The authorization includes, but is not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.
3. The proposed project is for an additional six (6) stations at existing ESRD facility therefore proof of site ownership is not required. The site is owned by Brushy Creek, LLC. Additionally, flood plain documentation is not required or documentation of compliance with the Illinois Historic Resources Preservation Act because the proposed project is an expansion of an existing dialysis facility.

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

These three (3) criteria below are informational only and no conclusion is reached by the State Board Staff.

VIII. Purpose of the Project, Safety Net Impact Statement, Alternatives to the Project

A) Criterion 1110.1430 (a) Purpose of the Project

To demonstrate compliance with this criterion the applicants must document that the project will provide health services that improve the health care or well-being of the market area population to be served.

The Applicants stated the following:

"The purpose of this project is to maintain life-sustaining dialysis services the quickest and most cost effective way in Naperville by adding six (6) ESRD stations to existing space at the Fresenius Naperbrook facility which is operating at 87% utilization with 94 patients and 18 stations. The addition will raise the total station count at the facility to 24. This facility is located in Naperville in far north Will County in HSA 9. There is a need for twenty-five (25) stations in this HSA as of the September 2017 inventory. The Naperbrook facility has operated above 80% for many years resulting in the addition of two (2) stations in January 2017. The facility continues to operate above 80%. Increasing the station count at the Fresenius Naperbrook facility will maintain access to dialysis services in an area of Will County that has historically experienced high utilization rates. The additional stations will also provide patients with a choice of treatment shift times that would better coordinate with their home life, employment and transportation options. The goal of Fresenius Kidney Care is to keep 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

² Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations." (77 ILAC 1130.140)

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 addition of stations. The Naperbrook facility has a 5-star rating from CMS and patients have the quality outcomes below:

- 97% of patients had a URR. >65%³
- 97% of patients had a KtV >1.2⁴

B) Criterion 1110.1430 (b) – Safety Net Impact Statement

To document compliance with this criterion the applicants must document

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.

The proposed project is a substantive project and the necessary safety net impact statement has been provided as required. [See Appendix I]

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

To demonstrate compliance with this criterion the applicants must document all alternatives to the proposed project that were considered.

1. Doing nothing does not address the high utilization at the Naperbrook facility and was not considered.
2. Referring to Other Facilities
The physician's supporting this project currently admits to several area facilities in both HSA IX & VII. The closest facilities, Fresenius Bolingbrook and US Renal Care Bolingbrook are both operating at 87% utilization. There is no capital cost to referring to other facilities.

³ **Urea:** A nitrogen-containing substance normally cleared from the blood by the kidney into the urine. **URR** stands for urea reduction ratio, meaning the reduction in urea as a result of dialysis. The URR is one measure of how effectively a dialysis treatment removed waste products from the body and is commonly expressed as a percentage. If the initial, or pre-dialysis, urea level was 50 milligrams per deciliter (mg/dL) and the post-dialysis urea level was 15 mg/dL, the amount of urea removed was 35 mg/dL. The amount of urea removed (35 mg/dL) is expressed as a percentage of the pre-dialysis urea level (50 mg/dL). Although no fixed percentage can be said to represent an adequate dialysis, patients generally live longer and have fewer hospitalizations if the URR is at least 60 percent. As a result, some experts recommend a minimum URR of 65 percent. The URR is usually measured only once every 12 to 14 treatments, which is once a month. The URR may vary considerably from treatment to treatment. Therefore, a single value below 65 percent should not be of great concern, but a patient's average URR should exceed 65 percent.

⁴ The **Kt/V** is more accurate than the URR in measuring how much urea is removed during dialysis, primarily because the Kt/V also considers the amount of urea removed with excess fluid. Consider two patients with the same URR and the same post-dialysis weight, one with a weight loss of 1 kg—about 2.2 lbs—during the treatment and the other with a weight loss of 3 kg—about 6.6 lbs. The patient who loses 3 kg will have a higher Kt/V, even though both have the same URR. The fact that a patient who loses more weight during dialysis will have a higher Kt/V does not mean it is better to gain more water weight between dialysis sessions so more fluid has to be removed, because the extra fluid puts a strain on the heart and circulation. However, patients who lose more weight during dialysis will have a higher Kt/V for the same level of URR. On average, a Kt/V of 1.2 is roughly equivalent to a URR of about 63 percent. Thus, another standard of adequate dialysis is a minimum Kt/V of 1.2. The Kidney Disease Outcomes Quality Initiative (KDOQI) group has adopted the Kt/V of 1.2 as the standard for dialysis adequacy.¹ Like the URR, the Kt/V may vary considerably from treatment to treatment because of measurement error and other factors. So while a single low value is not always of concern, the average Kt/V should be at least 1.2. In some patients with large fluid losses during dialysis, the Kt/V can be greater than 1.2 with a URR slightly below 65 percent—in the range of 58 to 65 percent. In such cases, the KDOQI guidelines consider the Kt/V to be the primary measure of adequacy. [CMS Center for Clinical Standards and Quality]

3. The alternative of utilizing the 10% rule has been used by the Applicants by the addition of two (2) stations in January 2017 with an approximate cost of \$38,000.
4. The facility is currently a joint venture.
5. The alternative for addressing the patient's need for additional access in northern Will County while maintaining cost containment is to add six (6) stations to existing space at the current site. The cost of this project is \$231,275.

IX. Project Size, Projected Utilization, Assurances

A) Criterion 1110.234 (a) – Project Size

To demonstrate compliance with this criterion the applicants must document that the proposed size of the project is in compliance with the State Board Standard in Part 1110 Appendix B.

The Applicants are proposing 8,000 GSF of clinical space for a twenty-four (24) station ESRD facility. The State Board Standard is 650 GSF per station or 15,600 GSF for a twenty-four station facility. The Applicants have met the requirements of the State Board.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECT SIZE (77 ILAC 1110.234 (a))

B) Criterion 1110.234 (b) – Projected Utilization

To demonstrate compliance with this criterion the applicants must document that the twenty-four station facility will be at target occupancy as specified in Part 1100. 630.

The Fresenius Naperbrook facility is treating ninety-four (94) patients at a utilization rate of 87% as of July 2017 with eighteen (18) stations. The Applicants have identified an additional sixty-one (61) patients, after accounting for patient attrition, who resides in the immediate facility area that will be requiring dialysis services in the first two (2) years if the proposed project is approved.

$$\begin{aligned}
 &126 \text{ patients} \times 156 \text{ treatment per year} = 19,656 \text{ treatments} \\
 &24 \text{ stations} \times 936 \text{ treatments per year} = 22,464 \text{ treatments} \\
 &19,656 \text{ treatments} / 22,464 \text{ treatments} = 87.5\% ^5
 \end{aligned}$$

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

C) Criterion 1110.234 (e) – Assurances

To demonstrate compliance with this criterion the applicants must attest that the proposed facility will be at target occupancy (80%) within two (2) years after project completion.

⁵ Assumes the facility will operate six (6) days a week three (3) shifts per day.

The Applicants have provided the necessary attestation at page 57 of the application for permit.

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

X. In Center Hemo Dialysis

A) Criterion 1110.1430 (c) (2) (4) - Planning Area Need

To demonstrate compliance with this criterion the applicants must document The number of stations to be established for in-center hemodialysis is in conformance with the projected station deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.

2. Service to Area Residents

To demonstrate compliance with this sub-criterion the applicants must document that the proposed ESRD service will serve the residents of the ESRD Planning Area.

A review of the number of patients by zip code indicates that over fifty percent (50%) of the patients will come from the HSA IX ESRD Planning Area.

4. Service Demand – Expansion of Existing Facility

To demonstrate compliance with this sub-criterion the applicants must document that there is sufficient demand for the number of stations being proposed.

NANI (Nephrology Associates of Northern Illinois) nephrologists in this region were treating 272 in-center hemodialysis patients at the end of 2014, 300 at the end of 2015, 401 at the end of 2016, and 426 as of June 2017. In the most recent 12-month period NANI referred 124 new ESRD patients for dialysis services to Fresenius Bolingbrook, Naperbrook, Naperville North, Lemont, Plainfield, Plainfield North, and U.S. Renal Care Bolingbrook and Oak Brook. We currently are seeing 126 pre-ESRD patients that reside in the zip codes immediately surrounding the Naperbrook facility. Of these Applicants expect approximately sixty-one (61) to be referred to Fresenius Naperbrook facility. The table below identifies the number of patients by zip code of resident currently being provided service at the FMC Northbrook facility and the number of pre-ESRD patients expected to receive care at the facility.

TABLE FOUR Number of Patients by Zip Code					
Zip Code	City	County	HSA	Patients	Pre-ESRD
60074	Palatine	Cook	7	1	
60107	Streamwood	Cook	7	1	
60108	Bloomingtondale	DuPage	7	1	
60133	Hamover Park	Cook	7	1	
60402	Berwyn	Cook	7	1	
60440	Bolingbrook	Will	9	9	7
60446	Romeoville	Will	9	1	
60478	Country Club Hills	Cook	7	1	
60490	Bolingbrook	Will	9	5	15
60503	Aurora	Will	9	1	
60504	Aurora	DuPage	7	4	
60505	Aurora	Kane	9	2	
60515	Downers Grove	DuPage	7	1	
60517	Woodridge	DuPage	7	7	
60520	Hinckley	DeKalb	7	1	
60532	Lisle	DuPage	7	4	
60540	Naperville	DuPage	7	7	18
60544	Plainfield	Will	9	5	
60545	Plano	Kendall	9	1	
60563	Naperville	DuPage	7	2	
60564	Naperville	Will	9	13	21
60565	Naperville	DuPage	7	24	
60568	Aurora	Kane	9	1	
Total				94	61

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC 1110.1430 (c) (2) (4))

3. Criterion 1110.1430 (f) - Staffing

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

The proposed facility will be staffed in accordance with all State and Medicare staffing requirements. David Schlieben, M.D. is currently the Medical Director for Fresenius Medical Care Naperville and will continue to be the Medical Director. Dr.Schlieben curriculum vitae has been provided.

The Naperbrook facility currently employs the following staff:

1. Clinic Manager who is a Registered Nurse
2. 4 Registered Nurses
3. 10 Patient Care Technicians
4. Full-time Registered Dietitian
5. Full-time Licensed Master level Social Worker
6. Part-time Equipment Technician
7. Full-time Secretary

Two additional Registered Nurses will be hired for the 6-station expansion. 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. 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. Fresenius Medical Care Northbrook will remain an "open" unit with regards to medical staff. Any Board Licensed nephrologists may apply for privileges at the Northbrook facility, just as they currently are able to at all Fresenius Kidney Care facilities.

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

4. Criterion 1110.1430 (g) - Support Services

To demonstrate compliance with this criterion the applicants must submit a certification from an authorized representative that attests to each of the following:

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

The Applicants have provided the necessary attestation as required at page 56 of the application for permit.

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

5. Criterion 1110.1430 (k) - Assurances

To demonstrate compliance with this criterion the representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that:

- 1) By the second year of operation after the project completion, the applicant will achieve and maintain the utilization standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal; and
- 2) An applicant proposing to expand or relocate in-center hemodialysis stations will achieve and maintain compliance with the following adequacy of hemodialysis outcome measures for the latest 12-month period for which data are available:
≥ 85% of hemodialysis patient population achieves urea reduction ratio (URR) ≥ 65% and ≥ 85% of hemodialysis patient population achieves Kt/V Daugirdas II 1.2.

The necessary attestation has been provided at page 57 of the application for permit.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.1430 (k)) (5))

Purpose of the Act “This Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.”

XI. Financial Viability

A) Criterion 1120.120 –Availability of Funds

To demonstrate compliance with this criterion the applicants must document that resources are available to fund the project.

The Applicants are funding this project with cash in the amount of \$113,000 and the FMV (Fair Market Value) of a lease in the amount of \$100,375. The lease is an operating lease⁶ and the expense will be paid over the life of the lease and will not result in the immediate outlay of \$100,375 A review of Fresenius Medical Care Holdings, Inc. audited financial statements indicates that the Applicants have sufficient resources to fund this project.

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

⁶ Operating lease is a contract wherein the owner, called the Lessor, permits the user, called the Lessee, to use of an asset for a particular period which is shorter than the economic life of the asset without any transfer of ownership rights. The Lessor gives the right to the Lessee in return for regular payments for an agreed period of time.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA AVAILABILITY OF FUNDS (77 ILAC 1120.120)

B) Criterion 1120.130 – Financial Viability

To demonstrate compliance with this criterion the applicants must document that they have an “A” or better bond rating or have sufficient resources to fund the project internally to qualify for the financial waiver.⁷

The Applicants have qualified for the financial waiver because they have provided documentation that they have sufficient cash to fund this project. [See Table Six above]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITYH (77 ILAC 1120.130)

⁷ Financial Viability Waiver: The applicant is NOT required to submit financial viability ratios if:

1. all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.
2. the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.
3. the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

XII. Economic Feasibility

A) Criterion 1120.140 (a) – Reasonableness of Financing Arrangements

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

To demonstrate compliance with these two criteria the applicants must demonstrate that the financing is reasonable. The State Board considers lease financing as debt financing.

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

The Applicants have made the required attestation at pages 61-62 of the application for permit.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 ILAC 1120.140 (a) and 77 ILAC 1120.140 (b))

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

To demonstrate compliance with this criterion the applicants must document meet the State Board Standards published in Part 1120 Appendix A.

Modernization costs are \$18,000 or \$20.00 per GSF. The State Board Standard is \$189.19 per GSF.

Equipment Costs are \$113,000 or 18,833 per station. The State Board Standard is \$52,119.62 per station.

The Fair Market Value of the Leased Space is \$100,375. The State Board does not have a standard for this cost.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 ILAC 1120.140 (c))

D) Criterion 1120.140 (d) – Projected Operating Costs

To demonstrate compliance with this criterion the applicants must document that the projected direct annual operating costs for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs mean the fully allocated costs of salaries, benefits and supplies for the service.

The Applicants are projecting \$227.00 operating expense per treatment for the first full fiscal year at target utilization.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED OPERATING COSTS (77 ILAC 1120.140 (D))

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

To demonstrate compliance with this criterion the applicants must provide the total projected annual capital costs for the first full fiscal year at target utilization but no more than two years following project completion. Capital costs are defined as depreciation, amortization and interest expense.

The Applicants are projecting capital costs of \$12.22 per treatment for the first full fiscal year at target utilization.

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

APPENDIX I

Safety Net Impact Statement

The addition of 6 ESRD stations to the 18-station Fresenius Medical Care Naperbrook facility will not have any impact on safety net services in Naperville. 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 Fresenius Kidney Care facilities in Illinois.

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.

TABLE SIX ⁸
SAFETY NET INFORMATION
Fresenius Medical Care Facilities in Illinois

	2013	2014	2015	2016
Net Revenue	\$398,570,288	\$411,981,839	\$438,247,352	\$449,611,411
CHARITY				
Charity (# of self-pay patients)	499	251	195	233
Charity (self-pay) Cost	\$5,346,976	\$5,211,664	\$2,983,427	\$3,269,127
% of Charity Care to Net Rev.	1.34%	1.27%	0.68%	.72%
MEDICAID				
Medicaid (Patients)	1,660	750	396	320
Medicaid (Revenue)	\$31,373,534	\$22,027,882	\$7,310,484	\$4,383,383
% of Medicaid to Net Revenue	7.87%	5.35%	1.67%	.97%

⁸

- 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.

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