



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-06	BOARD MEETING: October 22, 2019	PROJECT NO: 19-035	PROJECT COST:
FACILITY NAME: Fresenius Medical Care Jackson Park	CITY: Jackson Park	Original: \$7,436,967	
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The Applicants (Fresenius Medical Care Holdings, Inc. and WSKC Dialysis Services, Inc d/b/a Fresenius Medical Care Jackson Park) propose to discontinue an existing 24-station End Stage Renal Dialysis (ESRD) facility at 7531 S. Stony Island, Chicago and establish a 24-station ESRD facility at 1441 E. 75th Street, Chicago at a cost of \$7,436,967. The estimated completion date is December 31, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Fresenius Medical Care Holdings, Inc. and WSKC Dialysis Services, Inc d/b/a Fresenius Medical Care Jackson Park) propose to discontinue an existing 24-station End Stage Renal Dialysis (ESRD) facility at 7531 S. Stony Island, Chicago and establish a 24-station ESRD facility at 1441 E. 75th Street, Chicago at a cost of \$7,436,967. The estimated completion date is December 31, 2021.
- In 1977 the State Board approved the establishment of an ESRD facility in Jackson Park Hospital (Permit #77-009). In 1995 the State Board approved a change of ownership of the 26-station ESRD facility to West Suburban Kidney Center, S.C., as Exemption #E-076-95 at a cost of \$3.8 million. In 2000 the State Board approved a change of ownership of an 26-station ESRD facility to Fresenius Medical Care A.G at a cost of \$4.1 million (#E-066-00).

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The proposed project is before the State Board because it discontinues and re-establishes a health care facility as defined at 20/ILCS 3960/3.

PURPOSE OF THE PROJECT:

- The Applicants stated *the Jackson Park facility has been at its current location for 41 years. Patients have a long walk to access the clinic via a steep ramp to the entrance. This walk becomes more difficult in inclement weather or when pushing a wheelchair. The facility, inside Jackson Park Hospital, is aging and requires ongoing costly maintenance. Additionally, the leased space needs renovating and a new water treatment room. It would cost Fresenius approximately \$600,000 for these renovations that do not address the ongoing physical plant issues.*

PUBLIC HEARING/COMMENT:

- No public hearing was requested; and no letters of support of opposition were received by the State Board.

SUMMARY:

- There is currently a need for 80 stations in the HSA VI Planning Area. No additional stations are being proposed as the project seeks to relocate an existing 24-station facility to a modernized facility within the service area less than ½ mile and approximately 1 minute from the current location. All 90 current and 61 pre-ESRD patients reside in the City of Chicago-i.e. the planning area.
- Currently there is a surplus of stations in the 5-mile GSA. The State Board has determined there is a need for 447 stations in this 5-mile GSA as evidenced by the 22 approved ESRD facilities in this area (Table Seven below). Based upon the historic annual growth rate in the number of patients of 3.1% no new stations or facilities would be needed until 2028 in this 5-mile GSA (Table Eight below).
- The existing 24-station facility has average 62.5% utilization over the past 12-months, which is not sufficient to justify the relocation of an ESRD facility. Given the age of the existing location (41 years), the difficulty in accessing the current site, the number of current and pre-ESRD patients that live within the planning area it appears that service accessibility will be maintain with the relocation of this facility.
- The Applicants have met all the requirements of the State Board.

STATE BOARD STAFF REPORT
Project #19-035
Fresenius Medical Care Jackson Park

APPLICATION/ CHRONOLOGY/SUMMARY	
Applicants(s)	Fresenius Medical Care Holdings, Inc. and WSKC Dialysis Services, Inc d/b/a Fresenius Medical Care Jackson Park
Facility Name	Fresenius Medical Care Jackson Park (current) Fresenius Kidney Care Jackson Park (new)
Location	1441 E. 75 th Street, Chicago
Permit Holder	Fresenius Medical Care Holdings, Inc. and WSKC Dialysis Services, Inc d/b/a Fresenius Medical Care Jackson Park
Operating Entity/Licensee	WSKC Dialysis Services, Inc d/b/a Fresenius Medical Care Jackson Park
Owner of Site	Heath Property Services, Inc.
Proposed Gross Square Feet	9,137 GSF
Application Received	July 25, 2019
Application Deemed Complete	July 30, 2019
Financial Commitment Date	December 31, 2021
Anticipated Completion Date	December 31, 2021
Review Period Ends	November 27, 2021
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicants (Fresenius Medical Care Holdings, Inc. and WSKC Dialysis Services, Inc d/b/a Fresenius Medical Care Jackson Park) propose to discontinue an existing 24-station End Stage Renal Dialysis (ESRD) facility at 7531 S. Stony Island, Chicago and establish a 24-station ESRD facility at 1441 E. 75th Street, Chicago at a cost of \$7,436,967. The estimated completion date is December 31, 2021.

II. Summary of Findings

- A. State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1110.
- B. State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1120.

III. General Information

The Applicants are Fresenius Medical Care Holdings, Inc. and WSKC Dialysis Services, Inc d/b/a Fresenius Medical Care Jackson Park. Fresenius Medical Care Holdings, operating as Fresenius Medical Care North America or FMCNA, operates a network of

some 2,100 dialysis clinics located throughout the continent. One of the largest providers of kidney dialysis services, FMCNA offers outpatient and in-home hemodialysis treatments for chronic kidney disease. The company's operating units also market and sell dialysis machines and related equipment and provide renal research, laboratory, and patient support services. FMCNA oversees the North American operations of dialysis giant Fresenius Medical Care AG & Co.

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

IV. **Health Service Area**

The proposed facility will be in the HSA VI Health Service Area. This planning area includes the City of Chicago. As of September 2019, the State Board is estimating a need for 80 ESRD stations by 2022. Growth in the number of ESRD patients in this Planning Area since 2008 has averaged 3.10% annually. The Illinois Department of Public Health is estimating little or no growth in the population in this planning by 2022.

Average Growth HSA VI	
Number of Patients 2017	5,149
Number of Patients 2008	4,127
Difference	1,022
Average Annual Growth	3.10%

TABLE ONE	
Need Methodology HSA VI ESRD Planning Area	
Planning Area Population – 2017	2,716,500
In Station ESRD patients -2017	5,149
Area Use Rate 2017 ⁽¹⁾	1895.454
Planning Area Population – 2022 (Est.)	2,721,500
Projected Patients – 2022 ⁽²⁾	5,185.5
Adjustment	1.33
Patients Adjusted	6,891
Projected Treatments – 2022 ⁽³⁾	1,070,281
Calculated Station Needed ⁽⁴⁾	1,429
Existing Stations	1,349
Stations Needed-2022	80
- Usage rate determined by dividing the number of in-station ESRD patients in the planning area by the 2017 – planning area population per thousand. - Projected patients calculated by taking the 2022 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients. - Projected treatments are the number of patients adjusted x 156 treatments per year per patient	

TABLE ONE	
Need Methodology HSA VI ESRD Planning Area	
4.	$1,070,281/747 = 1,429$
5.	$936 \times 80\% = 749$ [Number of treatments per station operating at 80%]

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of \$2,742,222 and a lease of \$4,694,745. Estimated start-up costs and operating deficit cost is \$342,690.

TABLE TWO
Project Uses and Sources of Funds

Project Uses	Reviewable	Non-Reviewable	Total	% of Total Cost
Modernization Contracts	\$1,277,836	\$439,920	\$1,717,756	23.10%
Contingencies	\$122,346	\$42,120	\$164,466	2.21%
Architectural/Engineering Fees	\$133,200	\$46,800	\$180,000	2.42%
Movable or Other Equipment	\$450,000	\$230,000	\$680,000	9.14%
Fair Market Value of Leased Space or Equipment	\$3,561,353	\$1,133,392	\$4,694,745	63.13%
Total Uses of Funds	\$5,544,735	\$1,892,232	\$7,436,967	100.00%
Cash and Securities	\$1,983,382	\$758,840	\$2,742,222	36.87%
Leases (fair market value)	\$3,561,353	\$1,133,392	\$4,694,745	63.13%
Total Sources of Funds	\$5,544,735	\$1,892,232	\$7,436,967	100.00%

VI. **Criterion 1110.290 – Discontinuation**

These criteria pertain to the discontinuation of categories of service and health care facilities.

General Information Requirements

Reasons for Discontinuation

Impact on Access

The Applicants proposes to discontinue its 24-station ESRD facility located at 7531 S. Stony Island, Chicago and establish a 24-station replacement facility at 1441 E. 75th Street, Chicago. Both locations are in the Jackson Park neighborhood, which is a Federally Designated Medically Underserved Area. All patients are expected to transfer to the new facility and therefore all medical records will also be transferred. The discontinuation is expected to occur simultaneously with the opening of the new facility, on or before March 31, 2021. There will be no break in service to the patients involved. The evacuated leased space will be released back to the landlord.

The Jackson Park facility has been at its current location for 41 years. Patients have a long walk to access the clinic via a steep ramp to the entrance. This walk becomes more difficult in inclement weather or when pushing a wheelchair. The facility, inside Jackson Park Hospital, is aging and requires ongoing costly maintenance. Additionally, the leased space

needs renovating and a new water treatment room. It would cost Fresenius approximately \$600,000 for these renovations that do not address the ongoing physical plant issues.

VII. Background of the Applicants, Purpose of the Project, Safety Net Impact, Alternatives

A) Criterion 1110.110(a) - Background of the Applicant

To address this criterion the applicants must provide a list of all facilities currently owned in the State of Illinois and an attestation documenting that no adverse actions¹ have been taken against any applicant's facility by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities and Services Review Board or a certified listing of adverse action taken against any applicant's facility; and authorization to the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of the application for permit.

1. A listing of Fresenius Medical Care Dialysis Facilities has been provided at pages 47-48 of the Application for Permit. Fresenius has 140 ESRD facilities in the State of Illinois. Average CMS Star Rating² for the Illinois Fresenius facilities that have the necessary data to compile a rating is 3.9. The organizational chart can be found at page 35 of the Application for Permit.
2. The Applicants provided the necessary attestation that no adverse action has been taken against any facility owned or operated by the Applicants and authorization allowing the State Board and IDPH access to all information to verify information in the application for permit. [Application for Permit pages 49-50]
3. Evidence of ownership (Copy of the Letter of Intent to Lease the Property) of the site has been provided as required at pages 28-33 of the Application for Permit.
4. A Certificate of Good Standing has been provided as required for WSKC Dialysis Services, Inc as an incorporated entity with permission to transact business in the State of Illinois. An Illinois Certificate of Good Standing is evidence that an Illinois business franchise (i.e. Illinois Corporation, LLC or LP) is in existence, is authorized to transact business in the state of Illinois and complies with all state of Illinois business requirements and therefore is in "Good Standing" in the State of Illinois. [Application for Permit page 27]

¹ "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 IAC 1130.140)

² CMS Star Rating system is a rating system developed by Medicare that assigns 1 to 5 stars to dialysis facilities by comparing the health of the patients in their clinics to the patients in other dialysis facilities across the country. Each dialysis center is graded on nine separate health statistics. These include: mortality ratios (deaths), hospitalizations, blood transfusions, incidents of hypercalcemia (too much calcium in the blood), percentage of waste removed during hemodialysis in adults and children, percentage of waste removed in adults during peritoneal dialysis, percentage of AV fistulas, percentage of catheters in use over 90 days. Causes of death and reasons for hospitalization may not necessarily be related to the care at a dialysis facility. The statistics merely represent how many patients who attend that facility died or were hospitalized. Based on these nine statistics, each facility is given a summary rating of 1 to 5 stars. In addition, each facility is graded on a curve and ranked against one another nationwide. This results in clinics being rated in a bell-shaped curve where about 30% of facilities receive only one or two stars, 40% receive 3 stars, and 30% receive 4 or 5 stars. In theory, it's possible that every facility in a bell-shaped curve might deliver good or excellent care. [source: National Kidney Foundation]

5. The Applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.* [Application for Permit page 36]
6. The proposed location of the facility is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects consider the preservation and enhancement of both State owned and non-State owned historic resources* (20 ILCS 3420/1). [Application for Permit page 37]

B) Criterion 1110.110 (b) – 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 shall define the planning area or market area, or other area, per the applicant's definition. The Applicants shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project.

The purpose of the project is to relocate, after 41 years., the existing facility at its current site in the Jackson Park Hospital, at 7531 S. Stony Island Avenue, Chicago to 1441 E. 75th Street. The facility currently serves 90 ESRD patients. The physical structure housing the dialysis clinic is old and requires continual maintenance. The Hospital has addressed some of the issues without a permanent resolution. The water treatment equipment is outdated and needs replacement along with major tenant renovations. It is not feasible to spend approximately \$600,000 on tenant improvements while the outdated physical structure will still require ongoing costly maintenance issues. Currently patients are required to walk a long distance to reach the clinic and then must navigate a steep ramp to the entrance. Physical accessibility to the clinic along with the interior maintenance issues provide a less than optimal environment for these patients to dialyze in three days each week. The new site will also house two home dialysis training rooms to encourage more patients to choose home dialysis, which has been shown to provide better quality outcomes. There will be no interruption in service to the current patients of the Jackson Park clinic since the "relocation" of the facility will occur on a Sunday when there are no patient treatments scheduled. This facility participates in the Value Based CMS ESRD Seamless Care Organization (ESCO) which increases patient monitoring resulting in higher quality, fewer hospitalizations/readmissions and significant cost savings to Medicare. It is expected that this facility would continue to have similar quality outcomes after the expansion. The Jackson Park facility patients have the quality values below:

- 91 % of patients had a URR $\geq$ 65%

- 96% of patients had a KW $\geq$ 1.2

C) Criterion 1110.110 (c) Safety Net Impact

All health care facilities, with the exception of skilled and intermediate long term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). *Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation.* [20 ILCS 3960/5.4]

This is a substantive project. The Applicants provided the required safety net information at pages 98-100 of the Application for Permit.

TABLE THREE
Safety Net Information ⁽¹⁾

Year	2016	2017	2018
#Charity Care/Self Pay Patients	233	280	294
Net Patient Revenue	\$450,657,245	\$461,658,707	\$436,811,409
Amount of Charity Care/Self Pay	\$3,269,127	\$4,598,897	\$5,295,686
Cost of Charity Care/Self Pay	\$3,269,127	\$4,598,897	\$5,295,686
# Medicaid Patients	396	320	328
Medicaid Revenue	\$7,310,484	\$4,383,383	\$6,630,014

1. As a for-profit corporation Fresenius does not provide charity care per the Board's definition. Numbers reported are self-pay. Self-pay balances are written off to bad debt. Medicare may reimburse a portion of bad debt as part of cost reporting.

D) Criterion 1110.110 (d) - Alternatives to the Proposed Project

To demonstrate compliance with this criterion the Applicants must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The Applicants considered three alternatives to the proposed project

1. Doing Nothing
2. Renovating the Current Site
3. A joint venture project
4. Utilize other health care resources.

The Applicants rejected all four alternatives based on the following:

1. The alternative of doing nothing is not an option. The lease is expiring March 31, 2021 and due to the difficulty accessing the clinic via a long ramp and an old building that requires continual upkeep, it is not feasible to make significant needed tenant renovations. Doing nothing will simply maintain the status quo which is not optimal for a medical facility treating ESRD patients. There is no cost to this alternative.
2. The alternative of renovating the current site, that is leased from Jackson Park Hospital, was rejected because it would cost approximately \$600,000 and the facility would still have to deal with significant ongoing issues caused by the aging

structure that is part of the Hospital. Interior renovation will not improve the patient's ability to access the entrance to the clinic.

3. This facility is not currently a joint venture and there is no desire for any parties to form a joint venture. There are no other dialysis facilities in the Jackson Park neighborhood to serve this patient population. The physicians supporting this project admit to other clinics in the area already, many of which are operating at high utilization rates. There is no cost to this alternative.

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

A) Criterion 1110.120 (a) - Size of Project

To demonstrate compliance with this criterion the Applicants must document that the physical space proposed for the project is necessary and appropriate. The proposed square footage cannot deviate from the square footage range indicated in Appendix B or exceed the square footage standard in Appendix B if the standard is a single number, unless square footage can be justified by documenting, as described in subsection (a)(2).

The Applicants are proposing 24 stations in 9,137 GSF of reviewable space or 381 GSF per station. The State Board Standard is 650 GSF per station. The Applicants have met this standard.

B) Criterion 1110.120 (b) - Project Services Utilization

To demonstrate compliance with this criterion the Applicants must document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented. All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except where noted in 77 Ill. Adm. Code 1100. [Part 1110 Appendix B]

As of June 30, 2019, the Fresenius Medical Care Jackson Park facility was providing dialysis to 87 patients.

$$\begin{aligned} 90 \text{ patients} \times 156 \text{ treatments per year} &= 14,040 \text{ treatments} \\ 24 \text{ stations} \times 936 \text{ treatments per year} &= 22,464 \text{ treatments} \\ 14,040 \text{ treatment} \div 22,464 \text{ treatments} &= 62.50\% \end{aligned}$$

The Applicants have noted the census is expected to increase based on Dr. Atassi's identified pre-ESRD patients and the patient preference to receive treatment in a more easily accessible and pleasant environment. Dr. Atassi has identified an additional 61 patients, after accounting for patient attrition, who reside in the immediate Jackson Park area who will be requiring dialysis services in the first two years after the relocation and they are expected to be referred to Fresenius Jackson Park. To reach the target occupancy of 80% the Applicants would need to provide dialysis to additional 26 patients. Based upon the referral letter that appears likely.

$$\begin{aligned} 116 \text{ patients} \times 156 \text{ treatments per year} &= 18,096 \text{ treatments} \\ 24 \text{ stations} \times 936 \text{ treatments per year} &= 22,464 \text{ treatments} \\ 18,096 \text{ treatment} \div 22,464 \text{ treatments} &= 80.55\% \end{aligned}$$

C) Criterion 1110.120 (e) - Assurances

To document compliance with this criterion the Applicants representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after project completion, the Applicants will meet or exceed the utilization standards specified in Appendix B.

The Applicants have provided the necessary attestation at page 65 of the Application for Permit

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT, PROJECTED UTILIZATION, ASSURANCES (77 ILAC 1110.120 (a) (b) (e))

VIII. Establishment of ESRD Facility

A) Criterion 1110.230 (b) (1) (2) (3) (5) – Planning Area Need

There is currently a need for 80 stations in the HSA VI Planning Area. No additional stations are being proposed as the project seeks to relocate an existing 24-station facility to a modernized facility within the service area less than ½ mile and approximately 1 minute from the current location. All 90 current and 61 pre-ESRD patients reside in the City of Chicago-i.e. the planning area. Service accessibility will be maintained with this proposed relocation. The Applicants note both the former and proposed sites are in a Federally Designated Medically Underserved Area.

B) Criterion 1110.230 (c) (1) (2) (3) – Unnecessary Duplication of Service/Maldistribution of Service/Impact on Other Providers

There are approximately 602,708 residents in the 5-mile GSA. The ratio of stations to population is one station per every 1,349 residents. The population in the State of Illinois is 12,802,100 (2017 est.). The State of Illinois ratio of stations to population is one station per every 2,581 residents. Based upon this ratio there is maldistribution of stations in this 5-mile GSA.

TABLE SIX
Station to Population Ratio

	5-mile GSA	State of Illinois
Stations	447	4,960
Population	602,708 (est)	12,802,100 (est) ⁽¹⁾
Ratio	1 station per 1,349 residents	1 station per 2,581 residents

1. IDPH population estimate for 2017

The State Board has determined there is a need for 447 stations in this 5-mile GSA as evidenced by the 22 approved ESRD facilities (Table Seven). Based upon the historic annual growth rate in the number of patients of 3.1% in the planning area no new stations or facilities would be needed until 2028 in this 5-mile GSA (Table Eight).

TABLE SEVEN
Facilities within 5-mile GSA

Fresenius Jackson Park	Chicago	0	24	90	62.50%
DaVita Grand Crossings	Chicago	0.8	12	64	88.89%
Fresenius South Shore	Chicago	1.3	16	43	44.79%
Fresenius Greenwood	Chicago	1.55	28	117	69.64%
DaVita Stony Island	Chicago	1.55	32	130	67.71%
Fresenius Chatham	Chicago	2.69	16	90	93.75%
Fresenius South Chicago	Chicago	2.9	36	182	84.26%
Fresenius Garfield	Chicago	3.36	22	85	64.39%
DaVita Woodlawn	Chicago	3.56	32	130	67.71%
Fresenius South Deering	Chicago	4.15	20	60	50.00%
DaVita Kenwood	Chicago	4.15	32	122	63.54%
DaVita Beverly	Chicago	4.9	16	84	87.50%
DaVita Emerald	Chicago	4.9	24	84	58.33%
Fresenius Marquette Park	Chicago	4.98	16	85	88.54%
Fresenius Roseland	Chicago	4.98	12	57	79.17%
Total Stations/Patients/Average Utilization			338	1423	70.2%
<u>Facilities in Ramp-Up</u>					
USRC West Chicago	Chicago	2.45	13	40	51.28%
DaVita Park Manor	Chicago	2.9	16	44	45.83%
Fresenius Ross	Chicago	3.36	24	59	40.97%
Provident Hospital Dialysis	Chicago	3.4	12	0	0.00%
DaVita Auburn Park	Chicago	4.76	12	0	0.00%
Fresenius Beverly Ridge	Chicago	4.8	16	28	29.17%
DaVita Washington Heights	Chicago	4.85	16	40	41.67%
Total Stations/Patients/Average Utilization			447	1,634	60.9%

TABLE EIGHT
Number of Stations Needed at 80% target within 5-mile GSA

Year	2019	2020	2021	2022	2023	2024
#Patients at 3.1% growth annually	1,634	1,685	1,738	1,792	1,848	1,906
Number of Stations	341	352	363	374	386	398
Year	2025	2026	2027	2028	2029	2030

#Patients at 3.1% growth annually	1,966	2,027	2,090	2,155	2,222	2,291
Number of Stations	410	423	436	449	463	478

Criterion 1110.230(e) - Staffing

Dr. Wadah Atassi is currently the Medical Director for Fresenius Medical Care Jackson Park and will continue to be the Medical Director after the relocation. Upon the discontinuation of the Jackson Park facility and the establishment of the replacement Jackson Park facility all staff will transfer to the new location and resume their current position. There will be no break in employment or work schedules as the facility will relocate on a Sunday when there are no patient treatments scheduled. This will include the following staff:

- Clinic Manager who is a Registered Nurse
- 4 Full-time Registered Nurses
- 9 Full-time Patient Care Technicians
- 1 Full-time Registered Dietitian
- 1 Full-time Licensed Master Level Social Worker
- 1 Full-time Equipment Technician
- 1 Full-time Secretary

No additional staff will be hired due to the relocation.

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 always required to maintain a 4 to 1 patient-staff ratio on the treatment floor. A RN will always be on duty when the facility is in operation. Fresenius Medical Care Jackson Park will be an "open" unit with regards to medical staff. Any Board Licensed nephrologist may apply for privileges at the Jackson Park facility, just as they currently are able to at all Fresenius Kidney Care facilities

C) Criterion 1110.230 (f) - Support Services

Fresenius Medical Care utilizes a patient data tracking system in all of its facilities. These support services are/will be available at Fresenius Kidney Care Jackson Park:

- Nutritional Counseling
- Psychiatric/Social Services
- Home/self-training
- Clinical Laboratory Services - provided by Spectra Laboratories

The following services will be provided via referral to Jackson Park Hospital

:

- Blood Bank Services
- Rehabilitation Services

- Psychiatric Services

D) Criterion 1110.230 (g) - Minimum Number of Stations

Fresenius Medical Care Jackson Park is in the Chicago-Naperville-Joliet-Gary, IL-IN-WI Metropolitan Statistical Area (MSA). A minimum of eight dialysis stations is required to establish an in-center hemodialysis center in an MSA. Fresenius Medical Care Jackson Park has 24 dialysis stations thereby meeting this requirement.

E) Criterion 1110.230 (h) - Continuity of Care

The facility currently has a patient transfer agreement in place with Jackson Park Hospital and that will continue should this project be approved.

F) Criterion 1110.230 (i) - Relocation of Facilities

- a. *This criterion may only be used to justify the relocation of a facility from one location in the planning area to another in the same planning area and may not be used to justify any additional stations. A request for relocation of a facility requires the discontinuation of the current category of service at the existing site and the establishment of a new category of service at the proposed location. The applicant shall document the following:*
 - 1) *That the existing facility has met the utilization targets detailed in 77 Ill. Adm. Code 1100.630 for the latest 12-month period for which data is available; and*
 - 2) *That the proposed facility will improve access for care to the existing patient population.*

Over the past 12 months the Jackson Park facility has averaged 90 patients or 62.5% utilization. The proposed facility is less than a ½ mile and approximately 1 minute from the existing site. The Applicants have stated that approximately 61 patients may need dialysis within 12-24 months after project completion. Access for care to the existing patient population will be maintained with the relocation of this 24-stations ESRD facility.

G) Criterion 1110.230 (j) - Assurances

Given historical utilization and expected future referrals to Fresenius Medical Care Jackson Park in the first two years of operation after the relocation, the facility is expected to achieve and maintain the utilization standard, specified in 77 Ill. Adm. Code 1100, of 80% and; Fresenius Medical Care Jackson Park hemodialysis patients have achieved adequacy outcomes of:

- 91 % of patients had a URR $\geq$ 65%
- 96% of patients had a KW $\geq$ 1.2

and similar outcomes are expected after the relocation

STATE BOARD STAFF FINDS THE PROPOSE PROJECT IN CONFORMANCE WITH THE FOLLOWING CRITERIA PLANNING AREA NEED, UNNECESSARY DUPLICATION OF SERVICE/MALDISTRIBUTION, STAFFING, SUPPORT SERVICES, MINIMUM NUMBER OF STATIONS, CONTINUITY OF CARE, RELOCATION OF FACILITIES ASSURANCES (77 1110.230 (b) (1) (3) (5) (c) (1) (2) (3) (e) (f) (g) & (h))

IX. FINANCIAL VIABILITY

- A) **Criterion 1120.120 – Availability of Funds**
- B) **Criterion 1120.130 – Financial Viability**

The Applicants are funding this project with cash in the amount of \$2,742,222 and a lease of \$4,694,745. A review of the audited financial statements indicates there is sufficient cash to fund the project. Because the project will be funded with cash no viability ratios need to be provided.³

TABLE SIX
FMC Holdings Inc. Audited Financial Statements
(Dollars in Thousands 000)
December 31st

	2014	2015	2016	2017	2018
Cash & Investments	\$195,280	\$249,300	\$357,899	\$569,818	\$1,842,592
Current Assets	\$4,027,091	\$4,823,714	\$5,208,339	\$4,519,571	\$2,553,285
Total Assets	\$18,489,619	\$19,332,539	\$20,135,661	\$19,822,127	\$20,666,711
Current Liabilities	\$2,058,123	\$2,586,607	\$2,799,192	\$2,900,783	\$3,280,491
Long Term Debt	\$2,669,500	\$2,170,018	\$2,085,331	\$1,755,960	\$1,243,728
Total Liabilities	\$9,029,351	\$9,188,251	\$9,602,364	\$9,279,633	\$8,492,116
Total Revenues	\$10,373,232	\$11,691,408	\$12,806,949	\$13,919,204	\$13,587,028
Expenses	\$9,186,489	\$10,419,012	\$11,185,474	\$12,003,776	\$11,268,979
Income Before Tax	\$1,186,743	\$1,272,396	\$1,621,175	\$1,915,428	\$2,318,049
Income Tax	\$399,108	\$389,050	\$490,932	\$407,606	\$451,500
<i>Net Income</i>	\$787,635	\$883,346	\$1,130,243	\$1,507,822	\$1,866,549

Source: 2014/2015/2016/2017/2018 Audited Financial Statements

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA AVAILABILITY OF FUNDS AND FINANCIAL VIABILITY (77 ILAC 1120.120 & 77 ILAC 1120.130)

³ 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.

X. ECONOMIC FEASIBILITY

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

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

The Applicants provided a copy of a letter of intent to lease 9,793 GSF rentable contiguous square feet with an initial lease term of fifteen (15) years with three (3) five (5) year renewal options.⁴ The annual base rental rate shall be \$25.50 per SF, which shall escalate on an annual basis by 1.7% per year, beginning at the beginning of year two. The Applicants attested that entering into a lease (borrowing) is less costly than liquidating existing investments which would be required for the Applicants to buy the property and build a structure itself to house a dialysis clinic. (See Application for Permit pages 91-92)

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

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

Only Reviewable Costs are reviewed in this criterion. Modernization includes the build out of leased space and shall include the cost of all capital improvements contained in the terms of the lease.

Modernization and Contingency costs are \$1,400,482 or \$206.00 per GSF. This appears reasonable when compared to the State Board Standard of \$206.74 per GSF (2020 construction mid-point).

Year	2015 ⁽¹⁾	2016	2017	2018	2019	2020
Standard	\$178.33	\$183.65	\$189.16	\$194.83	\$200.68	\$206.74

1. Based year 2015 inflated by 3% per year to the midpoint of construction.

Contingencies Costs are \$122,346 or 9.57% of modernization costs. This appears reasonable when compared to the State Board Standard of 10%-15%.

Architectural and Engineering Costs are \$133,200 and are 9.51% of the modernization and contingency costs. This appears reasonable when compared to the State Board Standard of the 6.76% - 10.16%.

Movable and Other Equipment are \$450,000 which equates to \$18,750 per station (24 stations). The State Board standard for these costs is \$58,661 per unit (2020).

⁴ The lease is an operating lease and is expensed over the term of the lease.

2015 ⁽¹⁾	2016	2017	2018	2019	2020
\$50,601	\$52,119	\$53,683	\$55,293	\$56,952	\$58,661

1.Base year 2008 (\$39,945) and inflated by 3% per year to the midpoint of construction

Fair Market Value of the Lease or Equipment These costs total \$3,561,353. The State Board does not have a standard for these costs.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION REASONABLENESS OR PROJECT COSTS (77 ILAC 1125.800)

D) Criterion 1120.140(d) - Direct Operating Costs

The Applicants 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 costs means the fully allocated costs of salaries, benefits and supplies for the service.

The Applicants are estimating \$251.87 per treatment in direct operating costs. The State Board does not have a standard for this cost.

Estimated Personnel Expense:	\$1,946,921
Estimated Medical Supplies:	\$358,334
Estimated Other Supplies (Exc. Dep/Amort):	\$1,872,921
Total	\$4,178,921
Annual Treatments:	16,589
Direct Cost Per Treatment:	\$251.87

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

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

The Applicants 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.

The Applicants are estimating \$7.48 in capital costs. The State Board does not have a standard for this cost.

Depreciation/Amortization:	\$124,109
Interest	\$0
Capital Costs:	\$124,109
Treatments:	16,589
Capital Cost per Treatment:	\$7.48

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

19-035 Fresenius Medical Care Jackson Park - Chicago

