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-10**	BOARD MEETING: October 22, 2019	PROJECT NO: 19-041	PROJECT COST: Original: $7,378,424
FACILITY NAME: Fresenius Medical Care Melrose Park		CITY: Melrose Park	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Chicagoland. LLC d/b/a Fresenius Medical Care Melrose Park) propose to discontinue an existing 18-station End Stage Renal Dialysis (ESRD) facility at 1111 Superior Street, Suite 204, Melrose Park and establish an 18-station ESRD facility at 6 N. 9th Avenue, Melrose Park, at a cost of $7,378,424. The anticipated project completion date is April 30, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Chicagoland. LLC d/b/a Fresenius Medical Care Melrose Park) propose to discontinue an existing 18-station End Stage Renal Dialysis (ESRD) facility at 1111 Superior Street, Suite 204, Melrose Park and establish an 18-station ESRD facility at 6 N. 9th Avenue, Melrose Park, at a cost of $7,378,424. The site of the relocation is approximately a ½ mile and 7 minutes from the current location. The anticipated project completion date is April 30, 2021.
- This facility was approved by the State Board as Permit #89-133 and was certified on December 17, 1992 for 12-stations at its current location on the campus of Westlake Hospital. In 1997 the facility was approved to add 4 stations to its existing 12-station facility for a total of 16 stations (#97-115). Two additional stations were added under the lesser of 10% or 3-station rule which the Board considers a substantial change in scope.[1]
- On August 6, 2019, Westlake Hospital including the Medical Office Building housing the current Fresenius Melrose Park facility filed for bankruptcy protection. Westlake Hospital filed Chapter 7 Bankruptcy which is complete liquidation. The Medical Office Building is adjacent to Westlake Hospital and tenants of the Medical Office Building relied on the Hospital for utilities, repair, maintenance and security services.
- On August 26, 2019 the Applicants requested emergency classification for the relocation of the Fresenius Medical Care Melrose Park facility. The Applicants filed an Emergency Application on September 10, 2019. An emergency application[2] is deemed complete upon receipt and no opportunity to request for a public hearing is provided.

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 "*Fresenius Melrose Park has been at its current location, on the campus of Westlake Hospital (Westlake), for almost 30 years. Westlake was sold in January 2019 and in May the Health Facilities and Services Review Board approved the new owner's request to close. The lease is due to expire April 30, 2020 and there is no certainty about the future of the leased space to warrant a lease extension"*

PUBLIC HEARING/COMMENT:

- No public hearing was requested; and no letters of opposition were received by the State Board.
- A letter of support was received from Ronald M. Serpico, Mayor of Melrose Village that stated: *"As the longtime Mayor of the Village of Melrose Park, I am writing to support the expansion of life sustaining kidney dialysis services for the citizens in my community, and in doing so, I encourage you to approve the Certificate of Need for the Fresenius Medical Care Melrose Park. Hispanic Americans are at a greater risk for kidney disease and kidney failure, in fact, they are one and half times more likely to have kidney failure*

[1] Substantial Change in Scope - an increase of more than three dialysis stations or more than 10% of the facility's total number of dialysis stations, whichever is less, over a two-year period. (77 ILAC 1130.140)

[2] "Emergency Projects" means projects that are *emergent in nature and must be undertaken immediately to prevent or correct structural deficiencies or hazardous conditions that may harm or injure persons using the facility, as defined at 77 Ill. Adm. Code 1110.40(a).* [20 ILCS 3960/12(9)]

compared to other Americans, so an adequate number of stations in Melrose Park is especially vital because our village is over 70% Hispanic. Melrose Park is disproportionately poor compared to access statewide and therefore dialysis services are more difficult for our community members to access. I urge you to vote yes on Fresenius Medical Care Melrose Park."

SUMMARY:

- There is currently an excess of 127 stations in the HSA VII Planning Area. There are 9 facilities within the 5-mile GSA with 214 stations. The State Board has determined (Prior Board Approvals) there is a need for these stations (facilities) within this 5-mile GSA. No additional stations are being added to the 5-mile GSA or the HSA VII ESRD Planning Area as the project seeks to relocate an existing 18-station facility to a modernized 18-station facility within the service area approximately ½ mile and approximately 7 minutes from the current location. Both the former and proposed sites are in a Federally Designated Medically Underserved Area. Over the past 12 months the existing facility has average 80.55% utilization. The proposed relocation is warranted.
- The Applicants have met all the requirements of the State Board.

STATE BOARD STAFF REPORT
Project #19-041
FMC Melrose Park

APPLICATION/ CHRONOLOGY/SUMMARY	
Applicants(s)	Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Melrose Park
Facility Name	Fresenius Medical Care Melrose Park (current) Fresenius Kidney Care Melrose Park (new name)
Location	6 N. 9th Avenue, Melrose Park, Illinois
Permit Holder	Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Melrose Park
Operating Entity/Licensee	Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Melrose Park
Owner of Site	Net 3 Melrose Park, LLC
Proposed Gross Square Feet	9,763 GSF
Application Received	September 10, 2019
Application Deemed Complete	September 10, 2019
Financial Commitment Date	April 30, 2021
Anticipated Completion Date	April 30, 2021
Review Period Ends	January 8, 2020
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 Fresenius Medical Care Chicagoland. LLC d/b/a Fresenius Medical Care Melrose Park) propose to discontinue an existing 18-station End Stage Renal Dialysis (ESRD) facility at 1111 Superior Street, Suite 204, Melrose Park and establish an 18-station ESRD facility at 6 N. 9th Avenue, Melrose Park, at a cost of $7,378,424.

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 Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Melrose Park. Fresenius Medical Care Holdings, Inc. 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 project is in the HSA VII ESRD Planning Area. HSA VII consists of the Illinois counties of DuPage and Suburban Cook. As of September 2019, there is a calculated excess of 127 stations in this planning area. Since 2008 the State Board has seen an average annual growth in the number of ESRD patients of approximately 3.6% in this planning area. The Department is projecting a decrease in the estimated population in this planning area from 2017 to 2022 of approximately 330,600 residents or 9.6% decrease.

TABLE ONE

Need Methodology HSA VII ESRD Planning Area

Planning Area Population – 2017	3,424,900
In Station ESRD patients -2017	5,433
Area Use Rate 2017 (1)	1.586.324
Planning Area Population – 2022 (Est.)	3,094,300
Projected Patients – 2022 (2)	4,908.6
Adjustment	1.33x
Patients Adjusted (3)	6,528
Projected Treatments – 2022	1,018,428
Existing Stations	1,487
Stations Needed-2022	1,360
Number of Stations in Excess	**127**

1. Usage rate determined by dividing the number of in-station ESRD patients in the planning area by the 2017 – planning area population per thousand.
2. 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.
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 $2,660,444 and a lease of $4,717,980. Estimated start-up costs and operating deficit cost is $243,637.

TABLE TWO
Project Costs and Sources of Funds

Project Uses of Funds	Reviewable	% of Total
Modernization Contracts	$1,835,444	24.88%
Contingencies	$180,000	2.44%
Architectural/Engineering Fees	$175,000	2.37%
Movable or Other Equipment	$470,000	6.37%
Fair Market Value of Leased Space or Equipment	$4,717,980	63.94%
Total Uses of Funds	$7,378,424	100.00%
Sources of Funds		
Cash and Securities	$2,660,444	36.06%
Leases (fair market value)	$4,717,980	63.94%
Total Sources of Funds	$7,378,424	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 propose to discontinue the 18-station ESRD facility located at 1111 Superior Street, Melrose Park, operating at 81 % utilization with 87 patients as of June 2019. It will then establish a replacement facility at 6 N. 9th Avenue, Melrose Park, three blocks away. Both locations are in medically underserved areas. All patients are anticipated to transfer to the new facility and therefore all medical records will be transferred to the new site as well. The discontinuation is expected to occur simultaneously with the opening of the new facility, before April 30, 2020. Because the relocation will occur on a Sunday, when there are no patient treatments scheduled, there will be no break in service to the patients involved. The evacuated leased space will be released back to the landlord.

The "relocation" of the Melrose Park facility to an alternate site also in Melrose will not have any impact on any area ESRD providers. The location site is three blocks away from the current facility and is intended to serve the current patient population and identified pre-ESRD patients of Dr. Constantine Delis as well as other physicians, who reside in the Melrose Park area. No patients are being transferred from any other facility.

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 actions[3] 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. Bio-Medical Applications of Illinois, Inc. has a 60% membership interest in Fresenius Medical Care Chicagoland, LLC. AIN Ventures, LLC has a 40% membership interest in Fresenius Medical Care Chicagoland, LLC. Its address is 210 S. Des Plaines Street, Chicago, IL 60661. [Application for Permit page 34-35]

2. A listing of Fresenius Medical Care Dialysis Facilities has been provided at pages 46-47 of the Application for Permit. Fresenius has 140 ESRD facilities in the State of Illinois. Average CMS Star Rating[4] for the Illinois Fresenius facilities that have the necessary data to compile a rating is 3.9.

3. 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 48-49]

4. Evidence of ownership (Copy of the Letter of Intent to Lease the Property) of the site has been provided as required at pages 29-33 of the Application for Permit.

5. A Certificate of Good Standing has been provided as required for Fresenius Medical Care Chicagoland, LLC 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

[3] "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)

[4] 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]

Illinois business requirements and therefore is in "Good Standing" in the State of Illinois. [Application for Permit page 27]

6. 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]

7. 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 this project is to maintain access to dialysis services for the patients of Fresenius Medical Care Melrose Park. This facility is in the medical office building (MOB) on the campus of Westlake Hospital, which closed in August. The MOB receives its utilities, repair, maintenance and security services from Westlake. Since January 2019 these services have declined to a point that we are uncertain how long we will be able to maintain an acceptable level of safety at the clinic. Fresenius Medical Care proposes to relocate the Melrose Park facility from 1111 Superior Street, Melrose Park to 6 N. 9th Street, Melrose Park to maintain dialysis services access in this medically underserved area. The relocation will also allow for a more modern and efficient facility for patients to receive treatment 3 days each week. The facility's current location and the relocation site are both in Melrose Park, HSA 7, and only three blocks apart. The facility serves 87 ESRD patients, as of June 30, 2019. While the facility has experienced ongoing plumbing and HVAC issues, the emergent issue relates to Westlake's closing and the problematic maintenance response that makes the future of the leased space uncertain. To maintain access to this medically underserved area and make necessary modernization improvements, Fresenius Medical Care is willing to invest in the relocation. Relocating the 18-station Melrose Park facility is necessary to maintain access to dialysis services in Melrose Park, not only for the current facility patients but for pre-ESRD patients Dr. Delis and other physicians have residing in the Melrose Park area. There will be no interruption in service to the current patients of the Melrose Park clinic since the "relocation" of the facility will occur on a

Sunday when there are no patient treatments scheduled. The goal of Fresenius Medical Care is to keep dialysis access available to this underserved 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 relocation.

C) Criterion 1110.110 (c) Safety Net Impact

All health care facilities, except for 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 78-80 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. A project of greater or lesser scope
2. A joint venture project
3. Utilize other health care resources.

The Applicants rejected all three alternatives based on the following:

1. The alternative of doing nothing is not an option. The lease for the clinic at Westlake Hospital (Westlake) is expiring April 30, 2020 and the future of that space has become uncertain due to the closure of Westlake in August 2019. The clinic's mechanical systems and building maintenance have been unreliable and are connected to the Hospital that is now closed. Doing nothing would risk an unplanned shutdown and emergency transfer of patients. This is not a reasonable option for the patients the clinic cares for. There is no cost to this alternative.
2. The facility is currently not a joint venture, and there is no desire to form a joint venture from outside parties currently.
3. The Associates in Nephrology (AIN) physician group of which Dr. Delis is a part of, have been serving patients in the Melrose Park area for over 30 years. It is in the best interest of the clinic's patients to maintain services here by relocating. The AIN physicians refer patients to many clinics in the suburbs and in Chicago 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 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 18 stations in 9,763 GSF of reviewable space or 542 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 Melrose Park facility was providing dialysis to 87 patients.

87 patients x 156 treatments per year = 13,572 treatments
18 stations x 936 treatments per year = 16,848 treatments
13,572 treatment ÷ 16,848 treatments = 80.55%

C) Criterion 1110.120 (e) - Assurances

To document compliance with this criterion the Applicant's 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 Applicant's 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 an excess of 127 stations in the HSA VII Planning Area. However, no additional stations are being proposed as the project seeks to relocate an existing 18-station facility to a modernized facility within the service area approximately ½ mile and approximately 7 minutes from the current location. The Applicants note both the former and proposed sites are in a Federally Designated Medically Underserved Area and service accessibility will be maintained with the relocation of this facility. Over the past 12 months the existing facility has averaged 80.55% utilization.

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

There are approximately 447,300 residents in the 5-mile GSA. The ratio of stations to population one station per every 2,092 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 not a maldistribution of stations in this 5-mile GSA. To have a maldistribution in this 5-mile GSA the station to population would need to be one station for every 1,721 residents.

The State Board has determined there is a need for 214 station in this 5-mile GSA. No additional stations are being added to this 5-mile GSA. The relocation of the 18-station facility ½ mile and approximately 7 minutes from the current site will not result in an unnecessary duplication or maldistribution of service or impact other facilities in the 5-mile GSA.

TABLE SIX
Station to Population Ratio

	5-mile GSA	State of Illinois
Stations	214	4,960
Population	447,300 (Est)	12,802,100 (Est) (1)
Ratio	1 station per 2,092 residents	1 station per 2,581 residents

1. IDPH population estimate for 2017

TABLE SEVEN
Facilities in the 5-mile GSA

Facility	City	Stations	Miles	Patients	Utilization
Fresenius Medical Care Melrose Park	Melrose Park	18	0	87	80.55%
Fresenius Kidney Care North Avenue	Melrose Park	24	1.3	113	78.47%
Fresenius Kidney Care River Forest	River Forest	24	1.7	107	74.31%
Loyola Center for Dialysis on Roosevelt	Maywood	30	2	154	85.56%
Fresenius Kidney Care Oak Park	Oak Park	12	3.2	67	93.06%
Oak Park Kidney Center, LLC	Oak Park	18	3.7	61	56.48%
Fresenius Kidney Care West Suburban	Oak Park	46	4.1	220	79.71%
Fresenius Kidney Care Berwyn	Berwyn	30	4.9	135	75.00%
DaVita Melrose Village Dialysis	Melrose Park	12	3.1	0	0.00%
Total Stations and Patients		214		944	

C) Criterion 1110.230(e) - Staffing

Dr. Constantine Delis is currently the Medical Director for Fresenius Medical Care Melrose Park and will continue to be the Medical Director after the relocation. Upon the discontinuation of the Melrose Park facility and the establishment of the replacement Melrose 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 Masters 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 Melrose Park will be an "open" unit with regards to medical staff. Any Board Licensed nephrologist may apply for privileges at the Melrose Park facility, just as they currently are able to at all Fresenius Kidney Care facilities

D) Criterion 1110.230 (f) - Support Services

Fresenius Medical Care utilizes a patient data tracking system in all its facilities.
These support services are/will be available at Fresenius Kidney Care Melrose 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 Gottlieb Memorial Hospital, Melrose Park:

- Blood Bank Services
- Rehabilitation Services
- Psychiatric Services

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

Fresenius Medical Care Melrose 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 Melrose Park has 18 dialysis stations thereby meeting this requirement.

F) Criterion 1110.230 (h) - Continuity of Care

The facility currently has a patient transfer agreement in place with Westlake Hospital, however it has discontinued operations. Other area Fresenius clinics have an agreement in place with Gottlieb Memorial Hospital, also in Melrose Park. An agreement for the Fresenius Melrose Park ESRD facility is being formed and will be forwarded to the Board as soon as it is obtained.

G) 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 Melrose ESRD facility has averaged 87 patients or 80.55% utilization. The proposed facility at 6 N. 9th Street is a ½ mile and approximately 7 minutes from the existing site. Access to care to the existing patient population will be maintained with the relocation of this 18-stations ESRD facility.

H) Criterion 1110.230 (j) - Assurances

Given historical utilization and expected future referrals to Fresenius Medical Care Melrose 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 Melrose Park hemodialysis patients have achieved adequacy outcomes of:

- 97% of patients had a URR ≥ 65%
- 97% of patients had a KW ≥ 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 and securities of $2,486,250 and the fair market value of leased space totaling $5,656,994. A review of the audited financial statements indicates there is enough cash to fund the project. Because the project will be funded with cash no viability ratios need to be provided.[5]

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
Net Income	$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)

[5] 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 FEASIBLITY

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.[6] 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 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 $2,015,444 or $206.44 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 $180,000 or 9.81% of modernization costs. This appears reasonable when compared to the State Board Standard of 10%-15%.

Architectural and Engineering Costs are $175,000 and are 8.68% 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 $470,000, which equates to $26,111 per station (18 stations). The State Board standard for these costs is $58,661 per unit (2020).

[6] 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 $4,717,980. 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 mean the fully allocated costs of salaries, benefits and supplies for the service.

The Applicants are estimating $213.59 per treatment in direct operating costs. The State Board does not have a standard for this cost.

Estimated Personnel Expense:	$1,195,819
Estimated Medical Supplies:	$272,427
Estimated Other Supplies (Exc. Dep/Amort):	$1,481,689
Total	$2,949,935
Annual Treatments:	13,824
Direct Cost Per Treatment:	**$213.39**

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 $9.71 in capital costs. The State Board does not have a standard for this cost.

Depreciation/Amortization:	$134,363
Interest	$0
Capital Costs:	$134,363
Treatments:	13,824
Capital Cost per Treatment:	**$9.71**

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

19-041 Fresenius Medical Care Melrose Park - Melrose Park