

Constantino, Mike

From: Lori Wright [Lori.Wright@fmc-na.com]
Sent: Tuesday, February 26, 2013 3:55 PM
To: Constantino, Mike
Subject: #13-008, Chicago Dialysis Center
Attachments: #13-008 Replacement Pages.pdf

Mike,

An error was made on the cost of the leased space for #13-008. Attached are replacement pages for the application where these costs are mentioned. Thank you and I apologize for any inconvenience. I will wait for a new completeness letter.



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Project Costs and Sources of Funds

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

Project Costs and Sources of Funds				
USE OF FUNDS		CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs		N/A	N/A	N/A
Site Survey and Soil Investigation		N/A	N/A	N/A
Site Preparation		N/A	N/A	N/A
Off Site Work		N/A	N/A	N/A
New Construction Contracts		N/A	N/A	N/A
Modernization Contracts		1,738,000	N/A	1,738,000
Contingencies		165,000	N/A	165,000
Architectural/Engineering Fees		190,300	N/A	190,300
Consulting and Other Fees		N/A	N/A	N/A
Movable or Other Equipment (not in construction contracts)		398,600	N/A	398,600
Bond Issuance Expense (project related)		N/A	N/A	N/A
Net Interest Expense During Construction (project related)		N/A	N/A	N/A
Fair Market Value of Leased Space or Equipment	3,348,070 343,775	3,691,845	N/A	3,691,845
Other Costs To Be Capitalized		N/A	N/A	N/A
Acquisition of Building or Other Property (excluding land)		N/A	N/A	N/A
TOTAL USES OF FUNDS		6,183,745	N/A	6,183,745
SOURCE OF FUNDS		CLINICAL	NONCLINICAL	CLINICAL
Cash and Securities		2,491,900	N/A	2,491,900
Pledges		N/A	N/A	N/A
Gifts and Bequests		N/A	N/A	N/A
Bond Issues (project related)		N/A	N/A	N/A
Mortgages		N/A	N/A	N/A
Leases (fair market value)		3,691,845	N/A	3,691,845
Governmental Appropriations		N/A	N/A	N/A
Grants		N/A	N/A	N/A
Other Funds and Sources		N/A	N/A	N/A
TOTAL SOURCES OF FUNDS		6,183,745	N/A	6,183,745
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.				

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

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

VIII. - 1120.120 - Availability of Funds

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

<u>2,491,900</u>	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
<u>N/A</u>	<p>b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.</p>
<u>N/A</u>	<p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p>
<u>3,691,845</u>	<p>d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:</p> <ol style="list-style-type: none"> 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
<u>N/A</u>	<p>e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;</p>
<u>N/A</u>	<p>f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;</p>
<u>N/A</u>	<p>g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.</p>
<u>6,183,745</u>	TOTAL FUNDS AVAILABLE

Movable or Other Equipment

Dialysis Chairs	\$32,000
Misc. Clinical Equipment	20,000
Clinical Furniture & Equipment	30,000
Office Equipment & Other Furniture	40,000
Water Treatment	140,000
TVs & Accessories	65,000
Telephones	18,000
Generator	30,000
Facility Automation	18,000
Other miscellaneous	5,600
Total	\$398,600

Fair Market Value Leased Space & Equipment

FMV Leased Space	\$3,348,070
FMV Leased Dialysis Machines	331,775
FMV Leased Computers, Fax, Copier	12,000
Total	\$3,691,845

Cost Space Requirements

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

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
In-Center Hemodialysis	6,183,745		11,000		11,000		
Total Clinical	6,183,745		11,000		11,000		
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL	6,183,745		11,000		11,000		
APPEND DOCUMENTATION AS ATTACHMENT-9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.							

Alternatives

1) All Alternatives

A. Proposing a project of greater or lesser scope and cost.

The only option that would entail a lesser scope and cost than the project proposed in this application would be to do nothing. This alternative would not address the problem of the physical state of the building, which requires extensive repair, or its location, which has become a dining and nightlife area. This has made the Chicago Dialysis Center nearly inaccessible for parking and patient access. There is no monetary cost associated with this alternative.

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

The typical Fresenius model of ownership is for our facilities to be wholly owned, however we do enter into joint ventures on occasion. Fresenius Medical Care always maintains control of the governance, assets and operations of a facility it enters into a joint venture agreement with. Our healthy financial position and abundant liquidity indicate that that we have the ability to support the development of additional dialysis centers. Fresenius Medical Care has more than adequate capability to meet all of its expected financial obligations and does not require any additional funds to meet expected project costs.

C. Relocating the facility and reducing by 5 stations

Relocating the facility and reducing stations from 21 to 16 is not a good option for our patients. The reduction of stations would limit the patient's shift choice by forcing about one third of the patients to be rescheduled to the last shift of the day which ends at approximately 8:00 p.m. Altering the patient's treatment schedule in this way would have a negative impact on their quality of life as it would interfere with their lifestyle and would create transportation problems for many of the patients. Forty-three percent of the patients at Chicago Dialysis Center are receiving Medicaid, many of whom rely on family, friends or public transportation to get to dialysis. Also, there is a need for stations in Chicago. We also anticipate clinic growth, after the clinic relocates to a more modern setting with better access. Dr. Dunea's letter attests to future referrals to bring the clinic to 80% at 21 stations within 2 years. The cost of this alternative would be approximately \$6,000,000.

D. Closing the current facility and utilizing area providers.

We considered the alternative of closing the clinic. This alternative was rejected for the following reasons. The clinic does not make money and has not for some time. As a result of its size, Fresenius operates a number of clinics in Illinois that only break even or lose money, and it supports the operations of these clinics through its more profitable clinic operations. The Chicago Dialysis Clinic is a unique clinic in that almost half of its patients are Medicaid recipients. Some of the patients are "problem" patients, meaning they are non-compliant with treatments or diabetic care, combative with staff and/or generally create problems for the clinic. These types of patients are not uncommon, in that end stage renal disease is a very difficult disease to live with on a day to day basis. The underlying medical problems along with the burden of treatment create obvious difficulties for the patients. Many clinics choose to refuse treatment to patients that are combative or create quality of care issues due to lack of compliance (and we are not picking on non-Fresenius clinics - we include some of our own in this). This particular clinic is one that for whatever reason has been a haven for these patients. The clinic staff has welcomed these patients and is able to work with them, and has been proud of being able to do so. Under these circumstances we do not believe closing the clinic is the best option. It is more difficult for Medicaid patients to obtain placement. Also, we do not want these patients to have to scatter to a number of clinics - some where they will not be able to see their current treating physician, and to lose staff relationships with current clinic staff. We also would have to terminate current clinic staff. There is no monetary cost to this alternative.

The best alternative is to keep access to dialysis services available by relocating the facility to the proposed area. This alternative was selected because it will address the extensive problems of poor building and parking conditions. It will provide a more modern accessible facility in a neighborhood closer to where a majority of the patients live and it eliminate the current difficulties of being located in the dining and nightlife district. While this is the most costly alternative, the expense is to Fresenius Medical Care only, while the patients will benefit from improved access and a more modern facility to receive treatment. The cost of this project is \$6,183,745.

2) Comparison of Alternatives

	Total Cost	Patient Access	Quality	Financial
Do Nothing	\$0	Continued lack of parking, extensive repair issues, and congestion due to the entertainment district it is located in.	Patient clinical quality would remain above standards.	No effect on patients Continued excessive lease expense and repair costs
Pursue a Joint Venture	\$6,183,745 \$3,710,247 \$2,473,498	Same as current proposed project (Fresenius Medical Care 60%) (JV Partner 40%)	Patient clinical quality would remain above standards	No effect on patients Fresenius Medical Care is capable of meeting its financial obligations. If this were a JV, Fresenius Medical Care would maintain control of the facility and therefore ultimate financial responsibilities.
Relocate Chicago Dialysis and reduce by 5 Stations to bring near 80% capacity on 3 shifts/day	\$6,000,000	Patients who have to switch to a different schedule time may face transportation issues and schedule conflicts with work/family time.	Patient clinical quality would remain above standards, but patients may miss their treatments due to schedule conflicts or transportation issues	Insignificant savings to total project when compared to disruption and difficulty caused to the patient who is placed on 3 rd shift.
Close the clinic and utilize area providers.	\$0	Unique patient population may not find acceptance at other clinics. Patients would be scattered and loose continuity of care.	Quality may decline due to missed treatments caused by shift change, transportation problems or limited clinic choices.	No effect.
Relocate the Chicago Dialysis Facility	\$6,183,745	Improved access with ample off-street parking on site. Neighborhood better suited for a medical facility and will be closer to where patients live	Patient clinical quality would remain above standards More modern facility in a better location will increase patient satisfaction by greatly improving access	The new site will not require extensive repair costs. The leased space will be less costly because the clinic will no longer be located in a high rent area.

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

There is no direct empirical evidence relating to this project other than that when chronic care patients have adequate access to services, it tends to reduce overall healthcare costs and results in less complications. Chicago Dialysis Center has had above standard quality outcomes.

- 96% of patients had a URR \geq 65%
- 96% of patients had a Kt/V \geq 1.2