



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

<b>DOCKET NO:</b> H-03	<b>BOARD MEETING:</b> February 16, 2016	<b>PROJECT NO:</b> 15-046	<b>PROJECT COST:</b> Original: \$5,367,653
<b>FACILITY NAME:</b> Fresenius Medical Care Beverly Ridge		<b>CITY:</b> Chicago	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA:</b> VI

**PROJECT DESCRIPTION:** Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Beverly Ridge. ("The applicants") are proposing to establish a sixteen (16) station End Stage Renal Dialysis (ESRD) facility in 9,397 GSF (7,350 GSF clinical), of leased space in Chicago, Illinois. The cost of the project is \$5,367,653. **The anticipated completion date is June 30, 2017.**

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Beverly Ridge. (“The applicants”) are proposing to establish a sixteen (16) station End Stage Renal Dialysis (ESRD) facility in 9,397 GSF (7,350 GSF clinical), of leased space in Chicago, Illinois. The cost of the project is \$5,367,653. **The anticipated completion date is June 30, 2017.**

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- This project is before the State Board because the project proposes to establish a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).

### **PURPOSE OF THE PROJECT:**

- The applicants state the purpose of the proposed project is to provide access to life-sustaining dialysis services to a federally designated medically underserved area (MUA). Beverly Ridge is located on the far southwest side of Chicago, where a need exists for 104 additional ESRD stations. The applicants further note the existing ESRD facilities are operating in excess of their prescribed capacities, resulting in restricted access to services.

### **NEED FOR THE PROJECT:**

- The State Board’s Revised Station Need Determination shows there is a need for 104 additional ESRD stations in the HSA ESRD Planning Area. The applicants have attested that there are two hundred thirty-nine (239) pre-ESRD patients that will need dialysis within two (2) years after project completion. Ninety percent (90%) of these patients reside in the service area. The proposed facility is located in a medically underserved area as determined by the United States Department Health and Human Services. One (1) out of every four hundred seven (407) residents in the thirty (30) minute area require dialysis as compared to the State of Illinois prevalence of one (1) out of seven hundred ninety-five (795) residents require dialysis. The applicants also note the three Fresenius facilities in closest proximity are operating in excess of the State Board standard of eighty percent (80%), and are experiencing access issues.

### **PUBLIC HEARING/COMMENT**

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

### **CONCLUSIONS:**

- The applicants addressed a total of twenty one (21) criteria and have successfully addressed them all.

**STATE BOARD STAFF REPORT**  
**Fresenius Medical Care Beverly Ridge**  
**PROJECT #15-046**

<b>APPLICATION CHRONOLOGY/SUMMARY</b>	
Applicants(s)	Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Beverly Ridge
Facility Name	Fresenius Medical Care Beverly Ridge
Location	9928 South Vincennes Avenue, Chicago
Permit Holder	Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Beverly Ridge
Operating Entity	Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Beverly Ridge
Owner of Site	Mosaic Real Estate Investments
Description	Establish 16 station ESRD Facility
Gross Square Footage	9,397 GSF
Application Received	September 16, 2015
Application Deemed Complete	September 22, 2015
Review Period Ends	January 20, 2016
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

**I. The Proposed Project**

Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Beverly Ridge (“the applicants”) are proposing to establish a sixteen (16) station End Stage Renal Dialysis (ESRD) facility in 9,397 GSF (7,350 GSF clinical), of leased space in the Beverly Ridge neighborhood of Chicago, Illinois. The project is classified as substantive, and the cost of the project is \$5,367,653.

**II. Summary of Findings**

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

**II. Applicants**

The applicants are Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Beverly Ridge. Fresenius Medical Care Holdings, Inc. is a New York corporation and a subsidiary of Fresenius Medical Care AG & Co. KGaA, a German partnership. The Company conducts its operations through five principal subsidiaries, National Medical Care, Inc. (NMC), Fresenius USA Marketing, Inc., Fresenius USA Manufacturing, Inc. and SRC Holding Company, Inc., all Delaware corporations and Fresenius USA, Inc., a Massachusetts corporation. Fresenius Medical

Care of Illinois, LLC is a Delaware Limited Liability Company is in Good Standing as a Foreign Limited Liability Company admitted to transact business in the State of Illinois.

<b>TABLE ONE</b>			
<b>Current Fresenius Projects and Status</b>			
Project Number	Name	Project Type	Completion Date
#14-012	FMC Gurnee	Relocation/Expansion Establishment	12/31/2016
#14-019	FMC Summit	Establishment	12/31/2016
#13-040	FMC Lemont	Establishment	9/30/2016
#14-041	FMC Elgin	Expansion	6/30/2016
#14-026	FMC New City	Establishment	6/30/2016
#14-047	FMC Humboldt Park	Establishment	12/31/2016
#14-065	FMC Plainfield North	Relocation	12/31/2016
#15-001	FMC Steger	Expansion	12/31/2016
#15-022	FMC Blue Island	Expansion	12/31/2016
#15-024	FMC Chicago	Change of Ownership	1/31/2016
#15-034	FMC South Holland	Expansion	12/31/2016
#15-028	FMC Schaumburg	Establishment	02/28/2017
#15-036	FMC Zion	Establishment	06/30/2017

Source: Page 28 of the Application for Permit.

**III. Facility**

The facility will be located at 9928 South Vincennes Avenue, Chicago, Illinois in the HSA VI ESRD Planning Area. The owner of the site is Mosaic Real Estate Investments and the operating entity is Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Beverly Ridge. The facility is not located in a flood plain and no historic, architectural or archaeological sites exist within the project area. There are fifty-six (56) ESRD facilities in the HSA VI ESRD Planning Area with one thousand one hundred sixty seven (1,167) stations. The State Board has a reported need for one hundred four (104) additional ESRD stations by CY 2018 in the HSA VI ESRD planning area.

**IV. Project Description**

The applicants are proposing to establish a sixteen (16) station in-center hemodialysis facility located at 9928 South Vincennes Avenue, in 9,397 GSF (7,350 GSF clinical), of leased space with the interior to be built out by the applicants. According to the applicants, the proposed facility will supply much needed End Stage Renal Dialysis (ESRD) services to a federally medically underserved area (MUA) of Chicago

**V. Project Costs**

The applicants are funding this project with cash and securities of \$2,316,651 and the fair market value of leased space of \$3,051,002. The estimated start-up costs and the operating deficit are projected to be \$161,256. The lease is for 9,397 GSF of space at \$27.00 per GSF with a 2% escalation clause annually.

<b>TABLE TWO</b>			
<b>Project Costs and Sources of Funds</b>			
<b>Uses of Funds</b>	<b>Clinical</b>	<b>Non-Clinical</b>	<b>Total Costs</b>
Modernization Contracts	\$1,227,450	\$341,849	\$1,569,299
Contingencies	\$117,600	\$32,752	\$150,352
Architectural and Engineering Fees	\$132,968	\$37,032	\$170,000
Movable Equipment	\$365,000	\$62,000	\$427,000
FMV of Leased Space	\$2,445,822	\$605,180	\$3,051,002
Total	\$4,288,840	\$1,078,813	\$5,367,653
<b>Sources of Funds</b>			
Cash	\$1,843,018	\$473,633	\$2,316,651
FMV of Leased Space	\$2,445,822	\$605,180	\$3,051,002
Total	\$4,288,840	\$1,078,813	\$5,367,653
Source: Application for Permit Page 6			

**VI. Purpose of Project, Safety Net Impact Statement and Alternatives**

**A) Criterion 1110.230 (a) - Purpose of the Project**

To address this criterion the applicants are asked to provide a narrative of the problems and issues to be resolved by the proposed project and the goals of the proposed project.

The applicants stated the project is being proposed in an effort to address a need for End Stage Renal Dialysis (ESRD) services in a federally designated medically underserved area. The proposed facility will be located inside a triangle of over-utilized ESRD clinics, in an area where the population is susceptible to hypertension/kidney failure and access to ESRD services are hampered due to overcrowding and lack of transportation. *(See Application for Permit Page 61)*

**B) Criterion 1110.230 (b) - Safety Net Impact Statement**

To address this criterion the applicants must provide a safety net impact statement and information on charity care, the amount of care provided to Medicaid patients, and information on teaching research, or any other service provided by the applicant that is directly relevant to safety net services. *(See pages 113-114 of the application for permit for complete discussion.)*

The applicants stated the following:

**Safety Net Statement**

*“The establishment of the Fresenius Medical Care Beverly Ridge dialysis facility will not have any impact on safety net services in the south Chicago area of Cook County. Outpatient dialysis services are not typically considered "safety net" services, to the best of our knowledge. However, we do provide care for patients*

*in the community who are economically challenged and/or who are undocumented aliens, who do not qualify for Medicare/Medicaid pursuant to an Indigent Waiver policy. We assist patients who do not have insurance in enrolling when possible in Medicaid and/or Medicaid as applicable, and also our social services department assists patients who have issues regarding transportation and/or who are wheel chair bound or have other disabilities which require assistance with respect to dialysis services and transport to and from the unit. This particular application will not have an impact on any other safety net provider in the area, as no hospital within the area provides dialysis services on an outpatient basis. Fresenius Medical Care is a for-profit publicly traded company and is not required to provide charity care, nor does it do so according to the Board's definition. However, Fresenius Medical Care provides care to patients who do not qualify for any type of coverage for dialysis services. These patients are considered "self-pay" patients. They are billed for services rendered, and after three statement reminders the charges are written off as bad debt. Collection actions are not initiated unless the applicants are aware that the patient has substantial financial resources available and/or the patient has received reimbursement from an insurer for services we have rendered, and has not submitted the payment for same to the applicants. Fresenius notes that as a for profit entity it does pay sales, real estate and income taxes. It also does provide community benefit by supporting various medical education activities and associations, such as the Renal Network and National Kidney Foundation.”*

### **Charity Care**

*“The applicant(s) do not provide charity care at any of their facilities per the Board's definition of charity care because self-pay patients are billed and their accounts are written off as bad debt. Fresenius takes Medicaid patients without limitations or exception. The applicant(s) are for profit corporations and do not receive the benefits of not for profit entities, such as sales tax and/or real estate exemptions, or charitable donations. The applicants are not required, by any State or Federal law, including the Illinois Healthcare Facilities Planning Act, to provide charity care. The applicant(s) are prohibited by Federal law from advising patients that they will not be invoiced for care, as this type of representation could be an inducement for patients to seek care prior to qualifying for Medicaid, Medicare or other available benefits. Self-pay patients are invoiced and then the accounts written off as bad debt. Uncompensated care occurs when a patient is not eligible for any type of insurance coverage (whether private or governmental) and receives treatment at our facilities. It is rare in Illinois for patients to have no coverage as patients who are not Medicare eligible are Medicaid eligible. This represents a small number of patients, as Medicare covers all dialysis services as long as an individual is entitled to receive Medicare benefits (i.e. has worked and paid into the social security system as a result) regardless of age. In addition, in Illinois Medicaid covers patients who are undocumented and/or who do not qualify for Medicare, and who otherwise qualify for public assistance. Also, the American Kidney Fund provides low cost insurance coverage for patients who meet the AKF's financial parameters and*

who suffer from end stage renal disease (see uncompensated care attachment). The applicants work with patients to procure coverage for them as possible whether it is Medicaid, Medicare and/or coverage through the AKF. The applicants donate to the AKF to support its initiatives. If a patient has no available insurance coverage, they are billed for services rendered, and after three statement reminders the charges are written off as bad debt. Collection actions are not initiated unless the applicants are aware that the patient has substantial financial resources available and/or the patient has received reimbursement from an insurer for services we have rendered, and has not submitted the payment for same to the applicants. Nearly all dialysis patients in Illinois will qualify for some type of coverage and Fresenius works aggressively to obtain insurance coverage for each patient.”

<b>TABLE THREE <sup>(1)</sup></b>			
<b>SAFETY NET INFORMATION</b>			
<b>Fresenius Medical Care Facilities in Illinois</b>			
<b>Net Revenue</b>	<b>\$387,393,758</b>	<b>\$398,570,288</b>	<b>\$411,981,839</b>
<b>CHARITY</b>			
	2012	2013	2014
Charity (# of self-pay patients)	203	499	251
Charity (self-pay) Cost	\$1,536,372	\$5,346,976	\$5,211,664
% of Charity Care to Net Rev.	.40%	1.34%	1.27%
<b>MEDICAID</b>			
	2012	2013	2014
Medicaid (Patients)	1,705	1,660	750
Medicaid (Revenue)	\$36,254,633	\$31,373,534	\$22,027,882
% of Medicaid to Net Revenue	9.36%	7.87%	5.35%
<p>1. A new billing procedure was put into place in late 2012 to reduce the amount of voids and rebilling. Previously patients with Medicaid pending were considered only under Medicaid and after the procedure change, Medicaid pending patients are considered under self-pay. This has resulted in the increase in "charity" (self-pay) patients and costs. Medicaid number of patients appears to be going down, however this is due to the reassignment of the "charity" (self-pay) patients associated with the billing change</p> <p>2. Source: Page 114 of the Application for Permit.</p>			

**C) Criterion 1110.230 (c) - Alternatives to the Proposed Project**

**The applicant shall 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.**

To successfully address this criterion the applicants must provide a narrative of all alternatives considered. The applicants considered four additional alternatives to the proposed project and provided the following narrative. (See Application for Permit Pages 62-64)

**1. Proposing a project of greater or lesser scope and cost.**

*The applicants state the only project of lesser size/scope would be to do nothing and maintain status quo. The applicants note its infeasibility, due to the existing lack of access and over-utilization at existing facilities. The applicants identified 239 pre-ESRD patients from the service area, and a need for 104 additional ESRD stations in HSA-06. There were no project costs identified with this alternative.*

**2. Pursuing a joint venture or similar arrangement**

*The applicants note the facility will be a joint venture between Bio-Medical Applications of Illinois, Inc. and AIN Ventures, LLC. The applicants note AIN Ventures LLC members are part of the Associates in Nephrology physicians practice, serving Chicago and the north and south suburbs of Chicago. The applicants did not identify a cost with this alternative.*

**3. Utilizing other health care resources**

*The applicants rejected this alternative, due to the over utilization of facilities in the immediate service area, and the restricted access of the patient base in Beverly Ridge. While there appear to be underutilized facilities within a 30-minute travel radius, patient access issues exist, due to lack of public transportation during both traditional and non-traditional service hours. **There is no monetary cost to this alternative.***

**4. Establish a 16-Station ESRD Facility in the Beverly Ridge Neighborhood**

*The most desirable alternative to keep access to dialysis services available in the immediate service area is to establish Fresenius Medical Care Beverly Ridge, a 16-station ESRD facility, located at 9928 South Vincennes Avenue, Chicago. **The cost of this project is \$5,367,653.***

**VIII. Project Scope and Size, Utilization and Assurances**

**A) Criterion 1110.234 (a) - Size of Project**

**To address this criterion the applicants must document that the physical space proposed for the project is within the square footage range indicated in Section 1110 Appendix B, or exceed the square footage standard in Section 1110 Appendix B if the standard is a single number unless square footage can be justified.**

The applicants are proposing seven thousand three hundred fifty (7,350) GSF for sixteen (16) stations or four hundred fifty nine (459) GSF per station. This appears reasonable when compared to the State Standard of 450-650 GSF per station. The State Board Staff concludes the applicants have met the requirements of this criterion. (See Application for Permit Page 65)

**B) Criterion 1110.234 (b) - Project Services Utilization**

**To address this criterion the applicants must document that by the second year of operation the applicants will meet or exceed the utilization standard specified in Section 1110 Appendix B.**

The applicants note Dr. Kareen Simpson, M.D. has identified two hundred thirty-nine (239) pre-ESRD patients who live in the market area for the proposed Beverly Ridge facility and it is anticipated that this number of referred patients will utilize the proposed facility within two years of project completion. The projected utilization for FMC Beverly Ridge facility is outlined below:

The State Board Staff concludes that if the number of patients materializes the applicants will have met the requirements of this criterion. (*See Application for Permit Page 66*)

**B) Criterion 1110.234 (e) - Assurances**

The applicants provided the necessary assurance that the proposed facility will be at target occupancy of eighty percent (80%) within two years after project completion. (*See Application for Permit page 99*)

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECT SIZE, PROJECT SERVICE UTILIZATION AND ASSURANCES (77 IAC 1110.234 (a) (b) (e))**

**IX. In-Center Hemodialysis Projects**

**A) Criterion 1110.1430 - Background of 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 have been taken against the applicants 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; 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.**

The applicants have provided a list of facilities and the necessary attestations as required by the State Board at *pages 39-60 of the application for permit*. The State Board Staff concludes the applicants have met this criterion.

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

**B) Criterion 1110.1430 (c) - Planning Area Need**

To address this criterion the applicants must address the following four subsections of this criterion by providing the calculated station need in the HSA VI ESRD Planning Area, providing the expected patient zip code of residence, referral letters from physicians documenting the number of patients that will utilize the new facility and documentation that the proposed project will improve service access in the HSA VI ESRD planning area. (See pages 67-87 of the application for permit.)

- 1) 1110.1430 (c) (1) - Calculated Need or Excess
- 2) 1110.1430 (c) (2) - Service to Planning Area Residents
- 3) 1110.1430 (c) (3) - Service Demand
- 4) 1110.1430 (c) (5) - Service Accessibility

There is a projected need for one hundred four (104) ESRD stations in the HSA VII ESRD planning area by CY 2018.

Ninety percent (90%) of the two hundred thirty-nine (239) patients expected to be referred to the proposed Beverly Ridge facility reside in the HSA VI ESRD planning area. Demand for the project is evidenced by the two hundred thirty-nine (239) patients that will utilize the proposed facility and the fact the proposed project is to be at target occupancy by the second year of operation. The proposed facility will serve residents of the Beverly Ridge neighborhood of Chicago. It is estimated that the some patients currently dialyzed at the FMC Roseland, FMC Chatham, and FMC Evergreen Park facilities will likely transfer to the Beverly Ridge facility in an effort to alleviate overcrowding at these facilities, and assist in achieving the State standard of eighty percent (80%).

Zip Pre-ESRD	City	Number of Patients
60406	Blue Island	5
60619	Chicago	41
60620	Chicago	64
60628	Chicago	60
60643	Chicago	38
60652	Chicago	11
60655	Chicago	2
60803	Alsip	4
60805	Evergreen Park	3
60827	Riverdale	11
Total		239

The proposed facility will be located in a Federally Designated Medically Underserved Area; therefore it would appear that there are service restrictions within the proposed service area.

The State Board Staff concludes the applicants have successfully addressed the four subsections of this criterion because of the calculated need in the planning area, and the demonstrated demand for dialysis service in this service area.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1110.1430 (c) (1) (2) (3) (5))**

**C) Criterion 1110.1430 (d) - Unnecessary Duplication/Maldistribution**

- 1) 1110.1430 (d) (1) – Unnecessary Duplication**
- 2) 1110.1430 (d) (2) - Maldistribution**
- 3) 1110.1430(d) (3) – Impact on Other Facilities**

To address this criterion the applicants must provide a list of facilities within thirty (30) minutes (adjusted) of the proposed facility, the ratio of stations to population within the thirty (30) minute area (adjusted), and the impact if any on other ESRD facilities in the thirty (30) minute area (adjusted)

There are fifty-eight (58) facilities with a total of one thousand two hundred thirty-three (1,233) ESRD stations within thirty (30) minutes (adjusted time) of the proposed facility (See Table Five). Average utilization of these fifty-eight (58) facilities is sixty-seven percent (67%). There are four (4) facilities within this thirty (30) minute area (adjusted) that are either not in operation, or still within the two (2) year ramp up period. If these facilities are excluded the average utilization is seventy-two percent (72%). Of these fifty-eight (58) facilities twenty two (22) or thirty-eight percent (38%) of the facilities are at target occupancy or above eighty percent (80%) target occupancy.

The ratio of ESRD stations to population in the zip codes within a thirty (30) minute radius of Fresenius Beverly Ridge is one (1) station per every one thousand nine hundred eighty-two (1,982) residents. The State ratio is one (1) station per three thousand eighty-five (3,085) residents. One (1) out of every five hundred sixty (560) Chicago residents requires dialysis therapy vs one (1) out of every four hundred seven (407) in the thirty (30) minute radius. Further evidence of the high rate of ESRD in this area is seen when compared to the State prevalence of one (1) out of seven hundred ninety-five (795) residents.

The applicants believe the proposed facility will not lower the utilization of other facilities in this thirty (30) minute area (adjusted) because area facilities have been operating at or above the eighty percent (80%) in the past, and there is a need for 104 additional ESRD stations in HSA-06.

Given the high prevalence of this disease in the service area, the fact that the area has been identified as a medically underserved area by the United States Department of Health and Human Services it would appear that the proposed facility is warranted. (See Application for Permit pages 88-89)

<b>TABLE FIVE</b>					
<b>Facilities within 30 minutes adjusted <sup>(1)</sup></b>					
<b>Name</b>	<b>City</b>	<b>HSA</b>	<b>Adjusted Time</b>	<b>Stations</b>	<b>Utilization <sup>(2)</sup></b>
FMC Chatham	Chicago	6	7.5	16	82.2%
FMC Evergreen Park	Evergreen Park	7	7.5	30	91.1%
FMC Roseland	Chicago	6	8.75	12	98.6%
FMC Blue Island	Blue Island	7	10	28	76.2%
FMC Greenwood	Chicago	6	10	28	80.3%
DaVita Beverly	Chicago	6	11	16	95.8%
DaVita Mt. Greenwood	Chicago	6	11	16	105.2%
FMC Merrionette Park	Merrionette Park	7	11	24	74.3%
DaVita Stony Island	Chicago	6	11	32	70.8%
FMC Garfield	Chicago	6	11	22	79.5%
DaVita Grand Crossings	Chicago	6	12	12	84.7%
FMC South Deering	Chicago	6	12	20	39.1%
FMC Jackson Park	Chicago	6	13	24	71.5%
DaVita Woodlawn	Chicago	6	13	32	64.5%
FMC Ross Englewood	Chicago	6	15	16	92.7%
FMC South Chicago	Chicago	6	15	36	78.2%
DaVita Emerald	Chicago	6	15	24	79.1%
FMC Southside	Chicago	6	16	39	85%
FMC Marquette Park	Chicago	6	16	16	87.5%
DaVita Stony Creek	Oak Lawn	7	17	12	98.6%
FMC Alsip	Alsip	7	17	20	66.6%
FMC South Shore	Chicago	6	17	16	68.7%
DaVita Kenwood	Chicago	6	17	32	69.2%
FMC Bridgeport	Chicago	6	17	27	88.8%
DaVita Country Club Hills	Country Club Hills	7	17	24	76.3%
FMC Prairie	Chicago	6	17	24	76.3%
FMC Oak Forest	Oak Forest	7	18	12	59.7%
DSI Scottsdale	Chicago	6	20	36	67.5%
DaVita Westlawn	Chicago	6	20	12	90.2%
FMC Crestwood	Crestwood	7	20	24	69.4%

<b>TABLE FIVE</b>					
<b>Facilities within 30 minutes adjusted <sup>(1)</sup></b>					
<b>Name</b>	<b>City</b>	<b>HSA</b>	<b>Adjusted Time</b>	<b>Stations</b>	<b>Utilization <sup>(2)</sup></b>
Concerto Dialysis	Crestwood	7	20	9	29.6%
DaVita South Holland	South Holland	7	20	20	80.5%
DaVita Loop	Chicago	6	20	28	58.9%
FMC Hazel Crest	Hazel Crest	7	21	16	80.2%
FMC East Delaware	Chicago	6	21	24	49.3%
FMC New City	Chicago	6	22	16	0.0%*
FMC Burbank	Burbank	7	22	26	82.6%
DaVita Little Village	Chicago	6	22	16	83.3%
DaVita Harvey	Harvey	7	22	18	60.1%
DaVita Hazel Crest	Hazel Crest	7	23	19	83.3%
DaVita West Side	Chicago	6	23	12	22.2%
Rush Hospital	Chicago	6	23	5	23.3%
FMC Northwestern	Chicago	6	23	42	58.7%
SAH Dialysis	Chicago	6	23	15	0.0%*
University of Illinois	Chicago	6	25	26	92.3%
FMC South Holland	South Holland	7	25	19	67.3%
Circle Medical Management	Chicago	6	25	27	62.9%
Stroger Cook County Hospital	Chicago	6	25	9	50%
DaVita Tinley Park	Tinley Park	7	25	12	0.0%*
DaVita Olympia Fields	Olympia Fields	7	25	24	80.2%
DaVita Chicago Ridge	Worth	7	26	16	0.0%*
FMC West Side	Chicago	6	26	31	47.8%
FMC West Willow	Chicago	6	26	12	52.7%
FMC Congress Parkway	Chicago	6	26	30	71.1%
FMC Chicago	Chicago	6	27	21	48.4%
DaVita Lawndale	Chicago	6	28	16	64.5%
DaVita Chicago Heights	Chicago Heights	7	28	16	83.3%
Mt. Sinai Hospital	Chicago	6	30	16	90.6%
<ol style="list-style-type: none"> <li>1. Time and distance determined by MapQuest and adjusted per 1100.560(d)</li> <li>2. Utilization based upon September 2015 data reported to the State Board.</li> <li>3. *Facility not operational or still in ramp-up phase</li> </ol>					

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE CRITERION UNNECESSARY DUPLICATION OF SERVICE (77 IAC 1110.1430 (d) (1) (2) (3))**

**D) Criterion 1110.1430(f) -Staffing**

- E) Criterion 1110.1430 (g) - Support Services**
- F) Criterion 1110.1430 (h) - Minimum Number of Stations**
- G) Criterion 1110.1430 (i) - Continuity of Care**
- H) Criterion 1110.1430 (j) - Assurances**

To address these criteria the applicants must provide a staffing plan, the support services to be provided the number of stations to be established, a copy of the affiliation agreement with a hospital within the area and assurance that the facility will be at target occupancy within two years after project completion and that the facility will achieve quality measures. The applicants have responded to these criteria at *pages 90-99 of the application for permit.*

The State Board Staff relies on the fact that the facility will be certified for Medicare and Medicaid participation for the appropriate staffing, support services and continuity of care. The applicants will meet the minimum number of stations of eight within the Chicago Naperville Joliet ·Gary, IL·IN·WI Metropolitan Statistical Area (MSA) with the establishment of a sixteen (16) station facility. The applicants have provided the necessary assurance that they will be at target occupancy of eighty percent (80%) within two years of operation and quality measure identified by the State Board will be achieved at the proposed facility.

The State Board Staff concludes that the applicants have met the requirements of these criteria.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING, SUPPORT SERVICES, MINIMUM NUMBER OF STATIONS, CONTINUITY OF CARE, ASSURANCES (77 IAC 1110.1430 (f) (g) (h) (i) (j))**

**X. FINANCIAL**

**A) Criterion 1120.120 - Availability of Funds**

**To address this criterion the applicants must provide information on the availability of funds for the project.**

The applicants are funding this project with cash of \$2,316,651 and the fair market value of the lease of \$3,051,002. A review of the applicants audited financial statement indicates sufficient cash is available to fund the project as indicated by the table below. The State Board Staff concludes the applicants have met the requirements of this criterion.

<b>TABLE SIX</b>		
<b>FMC Holdings Inc. Audited Financial Statements</b>		
<b>(Dollars in Thousands)</b>		
	<b>2014</b>	<b>2013</b>
Cash & Investments	\$195,280	\$275,719

<b>TABLE SIX</b>		
<b>FMC Holdings Inc. Audited Financial Statements</b>		
<b>(Dollars in Thousands)</b>		
	<b>2014</b>	<b>2013</b>
Current Assets	\$4,027,091	\$3,866,123
Total Assets	\$12,669,858	\$16,597,314
Current Liabilities	\$2,058,123	\$2,094,693
Long Term Debt	\$2,686,923	\$2,113,723
Total Liabilities	\$9,569,927	\$8,075,490
Total Revenues	\$10,373,232	\$9,433,192
Expenses	\$9,186,489	\$8,088,952
Income Before Tax	\$1,186,743	\$1,344,240
Income Tax	\$399,108	\$465,540
Net Income	\$787,635	\$878,700
Source: 2014 Audited Financial Statements		

**B) Criterion 1120.130 – Financial Viability**

**To address this criterion the applicants must indicate if they are funding the project from internal sources.**

The applicants are funding the project with cash and an operating lease therefore no financial ratios need to be provided. The State Board Staff concludes the applicants have met the requirements of this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS AND FINANCIAL VIABILITY (77 IAC 1120.120, 77 IAC 1120.130)**

**XI. ECONOMIC FEASIBILITY**

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

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

**To address these two criteria the applicants must demonstrate that the leasing of the facility and the terms and conditions of the lease are reasonable.**

**The applicants provided a notarized statement** attesting “that entering into of a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic and the expenses incurred with leasing the proposed facility and cost of leasing the equipment is less costly than constructing a new facility or purchasing new equipment.” The lease is for fifteen (15) years with three (3) five (5) year options to renew. The initial rate is twenty seven dollars (\$27) per GSF with a two (2) percent annual escalation clause. The State Board Staff concludes the applicants have successfully addressed these criteria.

- C) **Criterion 1120.140(c) – Reasonableness of Costs**  
**To address this criterion the applicants must document that the proposed costs meet State Board Standards as referenced at 1120.140 Appendix A.**

**Modernization and Contingency Costs** are \$1,227,450 and are \$130.62 per GSF. These costs are in compliance with the State standard of \$183.68 for modernization of an ESRD facility with a mid-point in construction being the year 2016.

<b>TABLE SEVEN</b> <b>Itemization of Modernization and Contingency Costs</b> <b>Includes both Clinical and Non Clinical</b>	
General Conditions	\$78,500
Temp Facilities, Controls, Cleaning, Waste Management	\$3,900
Concrete	\$20,000
Masonry	\$24,000
Metal Fabrications	\$11,700
Carpentry	\$138,000
Thermal, Moisture & Fire Protection	\$28,000
Doors, Frames, Hardware, Glass & Glazing	\$107,400
Walls, Ceilings, Floors, Painting	\$253,400
Specialties	\$19,600
Casework, FI Mats & Window Treatments '	\$9,400
Piping, Sanitary Waste, HVAC, Ductwork, Roof Penetrations	\$502,000
Wiring, Fire Alarm System, Lighting	\$302,500
Miscellaneous Construction Costs	\$70,899
<b>Total</b>	<b>\$1,569,299</b>
Source: See page 36 of the Application for Permit	

**Contingency costs** are \$117,600 and are 9.5% of modernization costs. This appears reasonable when compared to the State Board Standard of 10-15% for modernization construction.

**Architectural and Engineering Fees** are \$132,968 and are 9.8% of modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 6.76-10.16% for Architectural and Engineering Fees for modernization projects.

**Moveable or Other Equipment Costs** are \$365,000 or \$22,812.50 per station. This appears reasonable when compared to the adjusted State Board Standard of \$50,601. These costs include the following:

<b>TABLE EIGHT</b> <b>Itemization of Moveable or Other Equipment</b> <b>Includes both Clinical and Non Clinical</b>	
Dialysis Chairs	<b>\$35,000</b>

<b>TABLE EIGHT</b>	
<b>Itemization of Moveable or Other Equipment</b>	
<b>Includes both Clinical and Non Clinical</b>	
Clinical Furniture & Equipment	\$30,000
Office Equipment & Other Furniture	\$30,000
Water Treatment	\$180,000
TVs & Accessories	\$85,000
Telephones	\$22,000
Generator	\$10,000
Facility Automation	\$20,000
Other miscellaneous	\$15,000
<b>Total</b>	<b>\$427,000</b>
Source: See page 36 of the Application for Permit	

**FMV of Leased Space and Equipment** is \$2,445,822. The State Board does not have a standard for these costs

- D) Criterion 1120.140 (d) - Projected Operating Costs**  
**To address this criterion the applicants must provide the salaries, medical supplies and other supplies per treatment.**

The applicants are estimating approximately \$193.31 in operating costs per treatment. The State Board Staff concludes the applicants have met the requirements of this criterion.

- E) Criterion 1120.140 (e) – Total Effect of the Project on Capital Costs**  
**To address this criterion the applicants must provide the capital costs (Depreciation, Amortization and Interest) per treatment.**

The applicants are estimating approximately \$15.82 per treatment in capital costs. The State Board Staff concludes the applicants have met the requirements of this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS, TERMS OF DEBT FINANCING, REASONABLENESS OF FINANCING COSTS, PROJECTED OPERATING COSTS, TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140 (a) (b) (c) (d) (e))**

# 15-046 Fresenius Medical Care Beverly Ridge - Chicago

