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:	BOARD MEETING:	PROJECT NO:	PROJECT COST:
H-03	September 13, 2016	16-024	Original: $4,918,090
FACILITY NAME: Fresenius Kidney Care East Aurora		CITY: Aurora	
TYPE OF PROJECT: Substantive			HSA: VIII

PROJECT DESCRIPTION: The applicants (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care East Aurora, LLC d/b/a Fresenius Kidney Care East Aurora) are proposing the establishment of a twelve (12) station ESRD facility in 7,267 GSF of leased space in Aurora, Illinois. The cost of the project is $5,283,883, and the scheduled completion date is September 30, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care East Aurora, LLC d/b/a Fresenius Kidney Care East Aurora) are proposing the establishment of a twelve (12) station ESRD facility in 7,267 GSF of leased space in Aurora, Illinois. The cost of the project is $5,283,883, and the projected completion date is September 30, 2018.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes to establish a health care facility as defined in 20 ILCS 3960/3

PURPOSE OF THE PROJECT:

- **The applicants state***: "The purpose of this project is to address an identified need for 22 stations in HSA-08 and the lack of access to dialysis services in Aurora, much of which is a Federally Designated Medically Underserved Area. Currently, the Fresenius Aurora facility is at capacity and operating a 4th shift. This facility has been operating at an average 97% utilization for the past ten years despite station additions. The only other facility in Aurora, Fox Valley, is at 75% utilization. Additional access has been needed for many years to alleviate the excessive demand for services placed on the Fresenius Aurora facility which is located on the campus of Presence Mercy Medical Center."*

PUBLIC HEARING/COMMENT:

- No public hearing was requested. Letters of support were received from:
  - David Hulseberg, President/CEO – Aurora's Economic Development Partnership
  - State Representative Linda Chapa LaVia
  - Bertha Montoza, Aurora Resident
  - Florence Shields, Aurora Resident
  - Paul Gerard, Aurora Resident
  - Mary Felix, Aurora Resident
  - Ramon Ruiz, Aurora Resident
  - Carlota Podilla, Aurora Resident
  - Lidia Munoz, Aurora Resident
  - Carmon Arao (sic), Aurora Resident
  - Ryan Dowd, Executive Director, Hesed House
  - Alderman Richard C. Irvin
  - Lineea Wendell, President and CEO VNA Health Care

  Harry Rubenstein, M.D. Fox Valley Dialysis stated that Fox Valley Dialysis was opposed to the proposed project "*given the clear availability and access to existing dialysis services within 30 minutes from the Project. The projected increases in the number of persons requiring chronic dialysis treatments can and should be readily absorbed by existing facilities in the area that are underutilized. While FMC Aurora is now at 100% there are still 8 facilities, including Fox Valley Dialysis, within the 30 minute travel limit rule that are underutilized."*

  Fresenius Medical Care responded in part by stating "*while it may be true that any facility could technically serve (treat) a patient from any location, for many of the minority patients who reside in East Aurora who are undocumented, may not speak English and are living in poverty, a clinic 10-20 miles/20-30 minutes away realistically "does not serve Aurora residents". Travelling these distances for treatment would create transportation difficulties and also loss of continuity of care as they would have to switch their treatment to a different physician and healthcare system. This is never in the patient's best interest. We do not ask the Board to disregard these facilities but to consider the needs of our patients. If these other clinics were viable options, the patients*

living in the area would be going to them now and not dialyzing on a 4th shift at our existing Aurora facility."

CONCLUSION:

The State Board Staff has reviewed the application for permit and support and opposition letters submitted and note the following:

- There is a projected need for twenty two (22) stations in the HSA VIII ESRD Planning Area by CY 2018.
- Growth in the number of ESRD patients utilizing outpatient ERSD facilities in the HSA VIII ESRD planning area has been in excess of 8% compounded annually over the past four (4) years based upon data reported to the State Board by the existing ESRD facilities. The growth in the number of ESRD patients utilizing outpatient ESRD facilities in the State of Illinois has been approximately 2% compounded annually for the past four (4) years.
- There appears to be sufficient demand for the twelve (12) stations as the applicants have identified eighty-one (81) patients that will need dialysis within twenty four (24) months after project completion. Additionally, the applicants attest that 95% of the pre ESRD patients live within HSA VIII ESRD planning area.
- There are fourteen (14) facilities within thirty minutes. Of these fourteen (14) facilities two (2) facilities are in ramp-up and are not yet fully operational. Of the remaining twelve (12) facilities three (3) are at target occupancy and the twelve (12) facilities are operating at an average of 70%. Eight of the remaining twelve facilities are owned by Fresenius and are operating at 77%. These Fresenius facilities cannot accommodate the number of pre ESRD patients identified to be served by the proposed project. [See Table Four]
- While there is existing facilities within thirty (30) minutes of the proposed facility it appears that there are medical care problems of the population within this thirty minute (30) service area and it appears service access will be improved with approval of the proposed project. [See Page 10-11 in the report]

CONCLUSIONS:

- **The applicants addressed twenty one (21) criteria and have met them all.**

STATE BOARD STAFF REPORT
Fresenius Kidney Care East Aurora
PROJECT #16-024

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Fresenius Medical Care Holdings, Inc Fresenius Medical Care East Aurora, LLC d/b/a Fresenius Kidney Care East Aurora
Facility Name	Fresenius Kidney Care East Aurora
Location	810 North Farnsworth Avenue, Aurora, Illinois
Application Received	May 31, 2016
Application Deemed Complete	June 2 , 2016
Review Period Ends	September 30, 2016
Permit Holder	Fresenius Medical Care East Aurora, LLC d/b/a Fresenius Kidney Care East Aurora
Operating Entity	Fresenius Medical Care East Aurora, LLC d/b/a Fresenius Kidney Care East Aurora
Owner of the Site	Mercy Lane, LLC
Project Financial Commitment Date	August 2, 2018
Gross Square Footage	7,267 GSF
Project Completion Date	September 30, 2018
Expedited Review	Yes
Can Applicants Request Another Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The applicants (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care East Aurora, LLC d/b/a Fresenius Kidney Care East Aurora) are proposing the establishment of a twelve (12) station ESRD facility in 7,267 GSF of leased space in Aurora, Illinois. The cost of the project is $5,283,883, and the projected completion date is September 30, 2018.

II. Summary of Findings

A. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1110.

B. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1120.

III. General Information

The applicants are Fresenius Medical Care Holdings, Inc and Fresenius Medical Care East Aurora, LLC d/b/a Fresenius Kidney Care East Aurora. **Fresenius Medical Care Holdings**, operating as Fresenius Medical Care North America or FMCNA, operates a network of some 2,100 dialysis clinics located throughout the continent. One of the largest providers of kidney dialysis services, FMCNA offers outpatient and in-home hemodialysis treatments for chronic kidney disease. The company's operating units also market and sell dialysis machines and related equipment and provide renal research, laboratory, and patient support services. FMCNA oversees the North American

operations of dialysis giant Fresenius Medical Care AG & Co. Fresenius Medical Care of Illinois, LLC is a wholly owned subsidiary of Fresenius Medical Care Holdings, Inc. Fresenius Kidney Care East Aurora will be located at 810 North Farnsworth Avenue, Illinois in the HSA VIII ESRD planning area. HSA VIII includes the counties of Kane, Lake, and McHenry. The State Board has projected a need for 22 ESRD stations by CY 2018. This is a substantive project subject to an 1110 and 1120 review. Project obligation will occur after permit issuance. Table One outlines the current Fresenius projects approved by the State Board and their completion dates.

TABLE ONE
Current Fresenius Projects and Status

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	12/31/2016
#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
#15-046	FMC Beverly Ridge	Establishment	06/30/2017
#15-050	FMC Chicago Heights	Establishment	12/31/2017
#15-057	FMC Spoon River	Add three (3) Stations	05/31/2017
#15-062	FMC Belleville	Establishment	12/31/2017

Source: Page 36 of the Application for Permit.

IV. Project Costs

The applicants are funding this project with cash and securities of $1,883,063 and the fair market value of leased space and equipment of $3,400,820. The estimated start-up costs and the operating deficit are projected to be $135,874.

TABLE TWO Project Costs and Sources of Funds			
USE OF FUNDS	**Reviewable**	**Non Reviewable**	**Total**
Modernization Contracts	$978,164	$271,760	$1,249,924
Contingencies	$96,679	$26,860	$123,539
Architectural/Engineering Fees	$104,988	$29,612	$134,600
Movable or Other Equipment (not in construction contracts)	$305,000	$70,000	$375,000
Fair Market Value of Leased Space & Equipment	$2,686,621	$714,199	$3,400,820
TOTAL USES OF FUNDS	$4,171,452	$1,112,431	$5,283,883
SOURCE OF FUNDS	**Reviewable**	**Non Reviewable**	**Total**
Cash and Securities	$1,484,831	$398,232	$1,883,063
Leases (fair market value) (1)	$2,686,621	$714,199	$3,400,820
TOTAL SOURCES	$4,171,452	$1,112,431	$5,283,883

1. Fresenius is leasing space in a building that is being constructed by the Landlord. Fresenius is not expending any capital for the construction of the building.
Source: Page 6 of the Application for Permit.

V. Purpose of Project, Safety Net Impact Statement and Alternatives

A) Criterion 1110.230 (a) Purpose of the Project

The applicants stated the following:

"The purpose of this project is to address an identified need for 22 stations in HSA-08 and the lack of access to dialysis services in Aurora, much of which is a Federally Designated Medically Underserved Area. Currently, the Fresenius Aurora facility is at capacity and operating a 4th shift. This facility has been operating at an average 97% utilization for the past ten years despite station additions. The only other facility in aurora, Fox Valley, is at 75% utilization. Additional access has been needed for many years to alleviate the excessive demand for services placed on the Fresenius Aurora facility which is located on the campus of Presence Mercy Medical Center." Aurora is the second largest city in Illinois, and is primarily in Kane County in HSA-08. Kane County is 43% Hispanic, and 12% African American. These populations are twice as likely to develop diabetes and/or high blood pressure, leading to kidney disease. Some sections of Aurora lie in Kendall and Will Counties in HSA-09 and another section lies in DuPage County in HSA-07. Combined, these three HSAs show a need for a total of 101 stations. Due to its location, it will be able to serve residents of all three HSAs experiencing need. This facility is necessary to lighten the patient load on the Fresenius Aurora facility and to provide access for new ESRD patients of Dr. Dodhia's who live in Aurora, especially the MUA residents who experience extra hardships relating to their economic and social status. Dr. Dodhia and his partner, Dr. Fakhruddin, refer patients to the existing Fresenius Aurora, Oswego, West Batavia, and Sandwich facilities, and also to Fox Valley Dialysis, in Aurora." (See Application for Permit Page 60)

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

The applicants stated the following:

"The establishment of Fresenius Kidney Care East Aurora dialysis facility will not have any impact on safety net services in the Aurora area of HSA-08. 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 Kidney Care is a for-profit publicly traded company and is not required to provide charity care, nor does it do so according to the Board's definition. However, Fresenius Kidney Care provides care to patients who do not qualify for any type of coverage for dialysis services. These patients are considered "self-pay" patients. They are billed for services rendered, and after three statement reminders the charges are written off as bad debt. Collection actions are not initiated unless the applicants are aware that the patient has substantial financial resources available and/or the patient has received reimbursement from an insurer for services we have rendered, and has not submitted the payment for same to the applicants. Fresenius notes that as a for profit entity, it does pay sales, real estate and income taxes. It also does provide community benefit by supporting various medical education activities and associations, such as the Renal Network and National Kidney Foundation, and American Kidney Fund."(See Application for Permit Page 233)

TABLE THREE [(1)] **SAFETY NET INFORMATION** **Fresenius Medical Care Facilities in Illinois**			
	2013	**2014**	**2015**
Net Revenue	**$398,570,288**	**$411,981,839**	**$438,247,352**
CHARITY			
Charity (# of self-pay patients)	499	251	195
Charity (self-pay) Cost	$5,346,976	$5,211,664	$2,983,427
% of Charity Care to Net Rev.	1.34%	1.27%	0.68%
MEDICAID			
Medicaid (Patients)	1,660	750	396
Medicaid (Revenue)	$31,373,534	$22,027,882	$7,310,484
% of Medicaid to Net Revenue	7.87%	5.35%	1.67%

1. *Source: Page 234 of the Application for Permit.*

1) Charity (self-pay) patient numbers decreased however treatments were higher per patient resulting in similar costs as 2013.
2) Charity (self-pay) patient numbers continue to decrease as Fresenius Financial Coordinators assist patients in signing up for health insurance in the Healthcare Marketplace. Patients who cannot afford the premiums have them paid by the American Kidney Fund.
3) Medicaid number of patients is decreasing as Fresenius Financial Coordinators assist patients in signing up for health insurance in the Healthcare Marketplace. Patients who cannot afford the premiums have them paid by the American Kidney Fund.

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

The applicants considered the following three (3) alternatives to the proposed project.

1. Proposing a project of greater or lesser scope and cost.
2. Pursuing a joint venture or similar arrangement
3. Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project.

Project of Greater or Lesser Scope
The applicants report having added stations (6 in 2010, 4 in 2012) to the Fresenius Aurora facility to address the high utilization. The applicants state that it is physically unable to add more stations to the existing facility, and that a new ESRD facility is the most feasible alternative to address a rising patient population. While the cost of adding stations would have been more cost efficient ($800,000), the result would have been an overcrowded facility with inadequate patient care space.

Pursue a Joint Venture or Similar Arrangement
The applicants note the ownership structure of the facility allows physicians the opportunity to buy into a facility at a later date. However, it is noted that Fresenius Kidney Care always maintains ownership control over its facilities, and the option of joint ownership would be infeasible. The applicants did not identify a cost with this alternative.

Utilize Other Health Care Resources Available to Serve All or a Portion of the Population
The applicants note there is no feasible access to dialysis services in the Aurora, due to over-utilization at these existing facilities. All other facilities are a minimum of 20-30 minutes away from the site of the proposed facility, resulting in a MUA (Medically Underserved Area), access issues for the patient population who are unable to travel.

After considering each of the three above mentioned alternatives, the applicants determined the option of establishing a 12-station ESRD facility on North Farnsworth Avenue in Aurora, as the most feasible and cost-effective alternative. Cost of the chosen alternative: $5,283,883.

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

A) Criterion 1110.234 (a) - Size of Project

The applicants are proposing the construction of 5,687 GSF of clinical space for twelve stations or 474 GSF per station. The State Board standard is 450-650 GSF per station. (*See Application for Permit page 64)*

B) Criterion 1110.234 (b) – Projected Utilization

The referring physician (Dr. Dodhia) has identified 81 pre-ESRD patients who live in the Aurora zip codes who could ultimately require dialysis services. Of these pre-ESRD patients, he has identified 57 that he expects would require dialysis treatment in the first two years that the new Aurora facility is in operation. Additionally, the applicants expect a minimum of 10 current ESRD patients to transfer to the new facility, from the existing facilities, during this time frame, resulting in utilization surpassing the 80th percentile. (*See Application for Permit page 65)*

67 patients x156 treatment per year = 10,452 treatments
12 stations x 936 treatments per stations per year = 11,232 treatments
10,452 treatments/11,232 treatments = 93% utilization

C) Criterion 1110.234 (e) – Assurances

The applicants have provided the necessary assurance that they will be at target occupancy within two years after project completion. (*See Application for Permit page 117)*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH THE SIZE OF PROJECT, PROJECTED UTILIZATION, AND ASSURANCES CRITERIA (77 IAC 1110.234 (a), (b), and (c))

VII. <u>In-Center Hemo-Dialysis Projects</u>

A) Criterion 1110.1430 (b) (1) and (3) - 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 sufficient background information, to include a list of facilities and the necessary attestations as required by the State Board at *pages 38-59 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 THE APPLICANTS (77 IAC 1110.1430 (b)(1) and (3))

B) Criterion 1110.1430 (c) - Planning Area Need
The applicant shall document the following:

1) 77 Ill. Adm. Code 1100 (Formula Calculation)
2) Service to Planning Area Residents – Document that the primary purpose of the project is to provide necessary health care to the residents of the area where the proposed project will be located.
3) Service Demand – Establishment of In-Center Hemodialysis Service. The applicant shall submit projected referrals.
5) Service Accessibility

1. <u>Planning Area Calculated Need</u> 1110.1430(c)(1)

The proposed facility will be located in the HSA VIII ESRD Planning Area. There is calculated need for 22 ESRD stations in this planning area by CY 2018.

2. <u>Service to Planning Area Residents</u> 1110.1430(c)(2)

The applicants have attested that approximately 95% of the patients are residents of the HSA VIII ESRD Planning Area.

3. <u>Service Demand</u> 1110.1430(c)(3)

Dr. Dodhia, along with Dr. Fakhruddin and Dr. Mizra, are the referring physicians identified. They report treating approximately 231 patients in various stages of chronic kidney disease in the Aurora/Oswego/Sandwich/West Batavia area that may eventually require dialysis. Of these 231 patients, there are 57 patients expected to begin dialysis at the East Aurora facility in the first two years of operation. In addition to the 57 new patient referrals, Dr. Dodhia conservatively estimates another 10 patients to transfer from existing facilities to the new facility after project completion.

4. <u>Service Accessibility</u> 1110.1430(c)(5)

The applicants must document that the proposed facility **<u>will improve service access for planning area residents</u>**. To document compliance with this criterion the applicants must identify all ESRD facilities within thirty (30) minutes of the proposed facility, as well as those existing facilities' utilization. If there are existing services within this 30-minute service area then services are available and there is supply of stations. To document improvement in the service access for planning area residents the applicants must document **<u>one of four</u>** service restrictions within this thirty (30) minute service area.

a) There is no absence of ESRD services in this thirty (30) minute service area. There are a total of fourteen (14) ESRD facilities within this thirty minute (30) service area. Two (2) of the facilities are in ramp-up and the stations at these two facilities are not yet fully operational. The remaining twelve facilities are operating at an average utilization of 70%.

b) No restrictive admission policies have been identified by the applicants at other ESRD facilities in this 30 minute service area.

c) The applicants argue that there are **access limitations** and there are **medical care problems** of the population within this thirty minute (30) service area based upon the following:

1. The proposed facility will serve the inner city Aurora healthcare market that is a Federally Designated Medically Underserved Area (MUA).
2. There are an estimated 23,000 undocumented residents living in Aurora. The Fresenius Aurora facility currently treats 22 undocumented patients. These patients do not qualify for Medicare; however, Fresenius assists them in obtaining Medicaid for ESRD only or in purchasing insurance on the healthcare marketplace. If they cannot afford the premiums, the American Kidney Foundation (AKF) pays for them. (Fresenius Kidney Care and most other providers donate on an ongoing basis to the AKF).
3. Aurora is 43% Hispanic and 10% African American. The area where the clinic will be located is 74% Hispanic. The minority residents in Aurora (African American and Hispanic) have higher rates of diabetes and hypertension, leading to kidney failure, than the general population causing a more than double growth rate of ESRD in the Aurora zip codes than in the State of Illinois.
4. The service area has many residents with low income, (15% of Aurora residents live under the poverty level). 17% of the residents of Aurora have no health insurance and 28% of residents rely on public insurance. 15% of residents receive Supplemental Nutrition Assistance Program (SNAP).

Additionally the applicants note that the service area, the MUA, and the city of Aurora encompass portions of HSAs 07, 08, and 09. The applicants note that in addition to the need for 22 ESRD stations in HSA-08, there is a need for 19 stations in HSA-09, and a need for 60 ESRD stations in HSA-07.

There are existing facilities in the thirty (30) minute service area currently not operating at target occupancy. However, based upon the information documented above it appears that there are access limitation and medical care problems of the population within this thirty minute (30) service area and service access will be improved with the approval of the proposed project.

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)(1), (2), and (3) - Unnecessary Duplication/Mal-distribution/ Impact on Other Facilities

1) The applicant shall document that the project will not result in an unnecessary duplication.
2) The applicant shall document that the project will not result in maldistribution of services.
3) The applicant shall document that, within 24 months after project completion, the proposed project will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100 and will not lower, to a further extent, the utilization of other area providers that are currently (during the latest 12-month period) operating below the occupancy standards.

1. <u>Unnecessary Duplication of Service</u>

There are fourteen (14) facilities within thirty (30) minutes of the proposed facility (See Table Four). Two (2) of the facilities are in ramp-up and all of the stations of these two facilities are not yet fully operational. Of the remaining twelve (12) facilities three (3) are at target occupancy. Average utilization of these twelve facilities is seventy percent (70%). Eight (8) of the twelve facilities are owned by Fresenius. The utilization for these eight (8) facilities is 77%. Based upon this average utilization these eight (8) existing Fresenius facilities cannot accommodate the number of pre ESRD patients that have been identified by the applicants as needing dialysis within 24 months after project approval.

2. <u>Mal-distribution of Service</u>

The ratio of ESRD stations to population in the zip codes within a 30-minute radius of Fresenius Kidney Care East Aurora is 1 station per 5,920 residents according to the 2010 census. The State ratio is 1 station per 2,974 residents (based on US Census projections for 2015 and the March 2016 Board Station Inventory). While there appears to be underutilized facilities in the service area, (see Table 5), the existing Fresenius Aurora facility is operating in excess of the Board's prescribed capacity, and its utilization is expected to increase, due to its current location in an MUA.

3. <u>Impact on Other Facilities</u>

Despite the underutilized facilities in the planning area, there is no surplus of stations in the thirty (30) minute service area as evidence by the ratio of stations in this thirty (30) minute area compared to the State of Illinois ratio.

It does not appear that the proposed facility will have an impact on other facilities in the area because the ten (10) patients expected to transfer from FMC Aurora to the proposed facility, will be doing so in an effort to alleviate overcrowding at that facility. Additionally the applicants have identified pre ESRD patients in

need of services. These pre ESRD patients have not been used to justify the approval of any other ESRD facility. It does not appear the proposed facility will lower the utilization of other area providers should the State Board approve this project. [See Application for Permit Pages 73-103]

TABLE FOUR Facilities within thirty (30) minutes of the proposed facility					
Facility	**City**	**Time (1)**	**Stations**	**Utilization (2)**	**Met Standard?**
FMC Downers Grove<	Downers Grove	23	16	65.6%	No
FMC DuPage West	West Chicago	20	16	69.7%	No
FMC Lombard	Lombard	26	12	72.2%	No
FMC Naperbrook	Naperville	27	16	92.7%	Yes
FMC Oswego	Oswego	20	11	95.5%	Yes
FMC West Batavia	Batavia	19	12	56.9%	No
FMC West Chicago	West Chicago	28	12	62.5%	No
Fresenius Aurora	Aurora	6	24	100%	Yes
Average 8 Fresenius Facilities				**77%**	
Renaissance Fox Valley	Aurora	9	29	74.1%	No
Renaissance Tri-Cities	Geneva	24	20	50%	No
Renaissance Yorkville	Yorkville	29	8	29.1%	No
USR Oak Brook	Downers Grove	23	13	71.7%	No
Average 12 Facilities				**70%**	
FMC Plainfield North>	Plainfield	23	10	23.3%	No
FMC Naperville North*	Naperville	18	21	61.1%	No
Total Stations/Average Utilization 14 Facilities			**220**	**66%**	
*2-year ramp-up after adding 7 stations >Relocation and expected to begin 2 yr ramp-up in late 2016 <Reduced stations by 3, from 19 to 16.					

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE/MADISTRIBUTION/IMPACT ON OTHER FACILITIES (77 IAC 1110.1430 (d)(1), (2), and (3))

D) Criterion 1110.1430 (f) - Staffing
F) Criterion 1110.1430 (g) - Support Services
G) Criterion 1110.1430 (h) - Minimum Number of Stations
H) Criterion 1110.1430 (i) - Continuity of Care
I) Criterion 1110.1430 (k) - Assurances

The proposed facility will be certified by Medicare if approved. Therefore, appropriate staffing is required for certification. Support services, including nutritional counseling, psychiatric/social services, home/self training, and clinical laboratory services - provided by Spectra Laboratories will be provided at the proposed facility. The following services will be provided via referral to Provena Mercy Medical Center, Aurora: blood bank services, rehabilitation services and psychiatric services. The applicants are proposing twelve (12) stations and the minimum number of stations in an MSA is eight (8) stations. Continuity of care will be provided at Provena Mercy Medical Center as stipulated in the agreement

provided in the application for permit. Additionally, the appropriate assurances have been provided by the applicants asserting the proposed facility will be at the target occupancy of eighty percent (80%) two years after project completion and that the proposed facility will meet the adequacy outcomes stipulated by the State Board. (*(See Application for Permit Pages 104-117)*

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

VIII. 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 $1,883,063 and the fair market value of leased space and equipment of $4,558,090. A review of the 2014 audited financial statements indicates there is sufficient cash to fund the project. Because the project will be funded with cash, no viability ratios need to be provided. Table Seven below outlines Fresenius Medical Care's credit rating.

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

	2014	2015
Cash & Investments	$195,280	$249,300
Current Assets	$4,027,091	$4,823,714
Total Assets	$18,489,619	$19,332,539
Current Liabilities	$2,058,123	$2,586,607
Long Term Debt	$2,669,500	$2,170,018
Total Liabilities	$9,029,351	$9,188,251
Total Revenues	$10,373,232	$11,691,408
Expenses	$9,186,489	$10,419,012
Income Before Tax	$1,186,743	$1,272,396
Income Tax	$399,108	$389,050
Net Income	$787,635	$883,346

Source: 2014/2015Audited Financial Statements

TABLE SEVEN
Fresenius
Credit Rating

	Standard & Poor's	Moody's	Fitch
Corporate credit rating	BBB-	Ba1	BB+
Outlook	stable	stable	stable
Secured debt	BBB-	Baa3	BBB-
Unsecured debt	BB+	Ba2	BB+

Source: Information provided by the Applicants

IX. 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 lease of 7,267 rentable contiguous square feet with an initial lease term of fifteen (15) years with three (3) five (5) year renewal options. The lease rate per gross square foot is $26.50. The applicants attested that entering a lease (borrowing) is less costly than liquidating existing investments, which applicants would have been required to do to buy the property and build a structure to house the dialysis clinic. Further, should the applicant be required to pay off the lease in full, its existing investments and capital retained could be converted to cash or used to retire the outstanding lease obligations within a sixty (60) day period. The expenses incurred with leasing the proposed facility and the cost of leasing the equipment is less costly than constructing a new facility or purchasing new equipment. *(See Application for Permit pages 118-123)*

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

Only Clinical Costs are reviewed in this criterion.

Modernization and Contingencies Costs are $1,074,843 or $189 per GSF for 5,687 GSF. This appears reasonable when compared to the State Board Standard of $189.19 per GSF.

Contingencies – These costs total $96,679, and are 9.8% of the modernization costs identified for this project. This is in compliance with the State standard of 10-15%.

Architectural Fees are $104,988 and are 9.7% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 7.08% to 10.62%.

Movable or Other Equipment – These costs are $305,000 or $25,416 per station (12 stations). This appears reasonable when compared to the State Board Standard of $52,119 per station.

Fair Market Value of Leased Space and Equipment – These costs are $2,686,621. The State Board does not have a standard for these costs.

D) Criterion 1120.140 (d) - Direct Operating Costs

The applicants are estimating $193.31 per treatment in direct operating costs. This appears reasonable when compared to previously approved projects of this type.

Estimated Personnel Expense:	$835,698
Estimated Medical Supplies:	$173,520
Estimated Other Supplies (Exc. Dep/Amort):	$727,866
Total	$1,737,084
Estimated Annual Treatments:	8,986
Cost Per Treatment:	**$193.31**

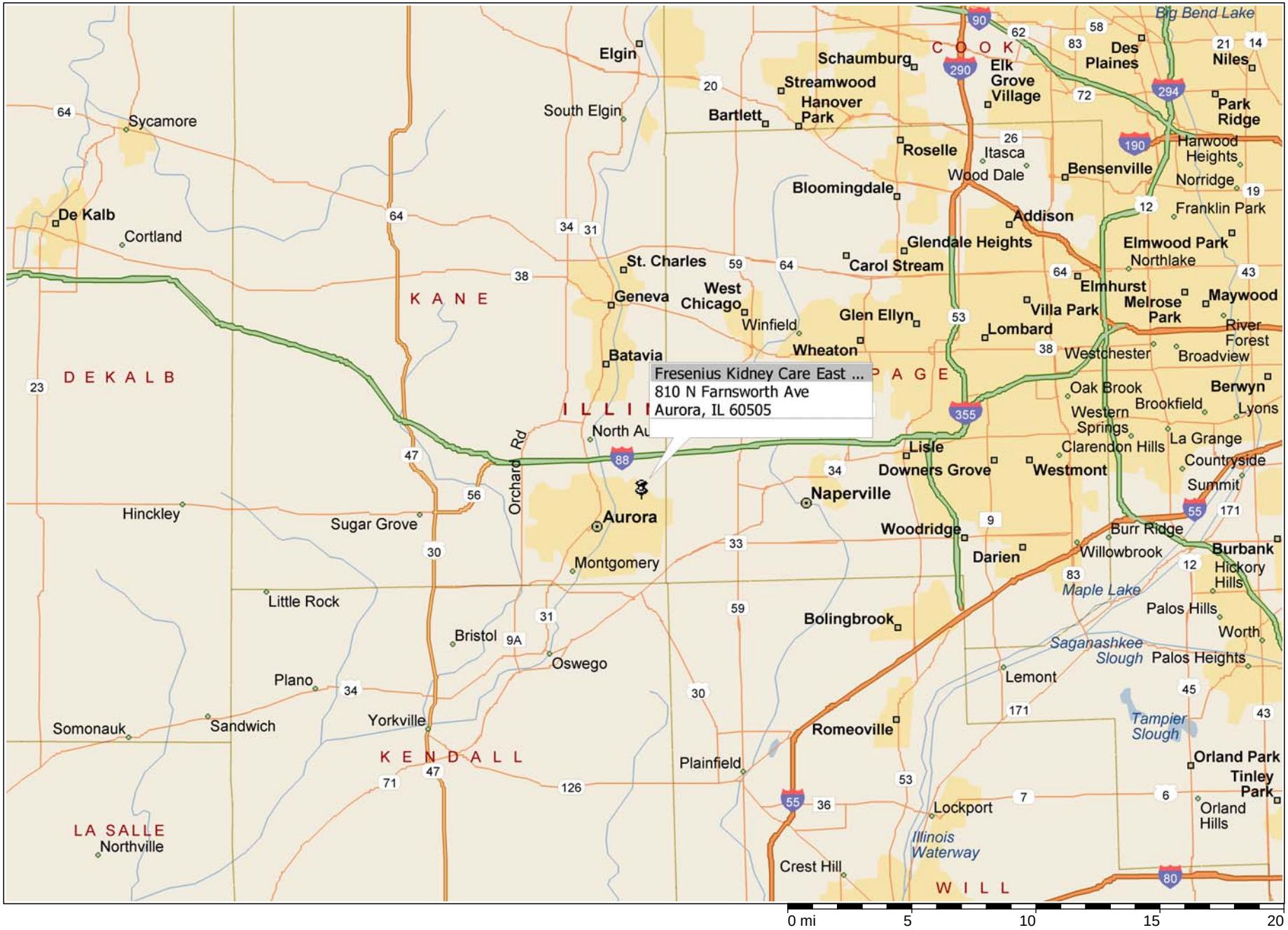
E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

The applicants are estimating $16.69 in capital costs. This appears reasonable when compared to previously approved projects of this type.

Depreciation/Amortization:	$150,000
Interest	$0
Capital Costs:	$150,000
Treatments:	8,986
Capital Cost per Treatment	**$16.69**

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS, FINANCIAL VIABILITY, REASONABLENESS OF FINANCING ARRANGEMENTS TERMS OF DEBT FINANCING, REASONABLENESS OF PROJECT COSTS, DIRECT OPERATING COSTS, AND TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERIA (77 IAC 1120.120, 130, 140 (a), (b), (c), (d), and (e))

16-024 Fresenius Kidney Care East Aurora - Aurora



Copyright © and (P) 1988–2006 Microsoft Corporation and/or its suppliers. All rights reserved. http://www.microsoft.com/mappoint/
Portions © 1990–2005 InstallShield Software Corporation. All rights reserved. Certain mapping and direction data © 2005 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2005 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc.