



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-04	BOARD MEETING: October 25, 2016	PROJECT NO: 16-035	PROJECT COST: Original: \$9,024,370
FACILITY NAME: Fresenius Medical Care Evergreen Park		CITY: Evergreen Park	
TYPE OF PROJECT: Substantive			HSA: VII

DESCRIPTION: The applicants (Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Evergreen Park and Fresenius Medical Care Holdings, Inc) are requesting to discontinue a thirty (30) station ESRD facility located at 9730 South Western Avenue, Evergreen Park and establish a thirty (30) station facility at 8901 S. Kedzie Avenue, also in Evergreen Park. The facility closed effective July 22, 2016 due to a court ordered condemnation of the property's parking structure. The cost of the project is \$9,024,370 and the expected completion date is December 31, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Evergreen Park and Fresenius Medical Care Holdings, Inc) are requesting to discontinue a thirty (30) station ESRD facility located at 9730 South Western Avenue, Evergreen Park and establish a thirty (30) station facility at 8901 S. Kedzie Avenue, also in Evergreen Park. The facility closed effective July 22, 2016 due to a court ordered condemnation of the property's parking structure. The cost of the project is \$9,024,370 and the expected completion date is December 31, 2017.
- An emergency classification of the proposed project was requested by the applicants. That classification was denied by the Board Chair, because the application does not fit the State Board's definition of "emergency". An issue with the parking lot does not rise to the level of emergency contemplated by the Health Facilities Planning Act and Administrative Code. "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)]

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes to discontinue and establish a health care facility as defined by the Health Facilities Planning Act

PUBLIC HEARING/COMMENT:

- There was no request for a public hearing and no letters of support or opposition were received by the State Board Staff.

CONCLUSION:

- The State Board Staff has reviewed the application for permit and additional information submitted by the applicants and note the following:
- The relocation of the thirty (30) station facility from one site in the planning area to another does not affect the calculated need for fifty-eight (58) stations in the HSA VII ESRD Planning Area.
- There are thirty-eight (38) facilities within thirty minutes. Of these thirty-eight (38) facilities six (6) are new facilities and not yet operational and one (1) facility did not report utilization data for the 2nd quarter of 2016. The average utilization of the remaining thirty-one (31) facilities in 80.37%. **[See Table Seven at the end of this Report]**
- The Evergreen Park facility has averaged over the past fifteen (15) quarters 88% utilization. The applicants believe this will continue once the new facility is open.
- The applicants addressed twenty-three criteria and have met them all.

**STATE BOARD STAFF REPORT
Fresenius Medical Care Evergreen Park
PROJECT #16-035**

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Evergreen Park and Fresenius Medical Care Holdings, Inc
Facility Name	Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Evergreen Park
Location	8901 S. Kedzie Avenue, Evergreen Park
Application Received	August 25, 2016
Application Deemed Complete	August 26, 2016
Permit Holder	Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Evergreen Park
Operating Entity	Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Evergreen Park
Owner of the Site	Net3, LLC
Project Financial Commitment Date	December 31, 2017
Gross Square Footage	16,500
Project Completion Date	December 31, 2017
Expedited Review	Yes
Request a Deferral?	Yes

I. The Proposed Project

The applicants (Fresenius Medical Care Chicagoland, LLC d/b/a Fresenius Medical Care Evergreen Park and Fresenius Medical Care Holdings, Inc) are requesting to discontinue a thirty (30) station ESRD facility located at 9730 South Western Avenue, Evergreen Park and establish a thirty (30) station facility at 8901 S. Kedzie Avenue, also in Evergreen Park. The facility closed effective July 22, 2016 due to a court ordered condemnation of the property's parking structure. The cost of the project is \$9,024,370 and the expected completion date is December 31, 2017.

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 Chicagoland, LLC d/b/a Fresenius Medical Care Evergreen Park and Fresenius Medical Care Holdings, Inc. **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 Chicagoland, LLC is owned by Fresenius Medical Care Ventures, LLC who has a 60% membership interest and AIN Ventures, LLC who has a 40% membership interest in Fresenius Medical Care Chicagoland, LLC. Fresenius Medical Care Chicagoland, LLC the operating entity is in Good Standing with the Illinois Secretary of State.

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

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
#16-024	FMC Kidney Care East	Establishment	

IV. Project Costs and Sources of Funds

The applicants are funding this project with cash of \$702,115 and a lease with a fair market value of \$8,322,235. The landlord/developer will incur all costs of construction and architecture and it will be paid back over the term of the lease as rent. The estimated start-up costs and operating deficit cost is \$511,153.

TABLE TWO			
Project Costs and Sources of Funds			
Uses of Funds	Reviewable	Non Reviewable	Total
Movable or Other Equipment	\$617,135	\$85,000	\$702,135
FMV of Leased Space or Equipment	\$5,892,457	\$2,429,778	\$8,322,235
Total Uses of Funds	\$6,509,592	\$2,514,778	\$9,024,370
Source of Funds			
Cash and Securities	\$617,135	\$85,000	\$702,115
FMV of Leases	\$5,892,457	\$2,429,778	\$8,322,235
Total Sources of Funds	\$6,509,592	\$2,514,778	\$9,024,350

V. Health Service Area VII

The proposed new facility will be located in the HSA VII ESRD Planning Area. There are seventy-one (71) ESRD facilities in this ESRD Planning Area. Of those seventy one (71) facilities seven (7) are new facilities and are not yet operational. Of the remaining sixty five (65) facilities average utilization is 70.3%. Growth in the number of ESRD patients in this planning area has been 3.3% compounded annually over the past four years. There is a **calculated need for an additional fifty-eight (58) stations** in this ESRD Planning Area by CY 2018. Because the applicants are discontinuing and re-establishing beds, the proposed project will have no effect on the number of stations needed in this planning area.

1. 2013 HSA VII Patients	4,906
2. 2013 Planning Area Population	3,466,100
3. HSA VII Area Use Rate	1.415
4. 2018 Planning Area Population	3,500,400
5. Projected Patients	4,954
6. Adjustment Factor	1.33
7. Adjusted Patients	6,590
8. Projected Treatments	1,027,970
9. 2018 Stations Needed	1,372
10. <u>Current Number of Stations</u>	<u>1,314</u>
Stations Needed	58

VI. Discontinuation

A) Criterion 1110.110 (a) – Discontinuation

To demonstrate compliance with this criterion the applicants must document

- 1) *the reasons for the discontinuation*
- 2) *impact on access in the planning area*

Fresenius Medical Care Chicagoland, LLC has discontinued its 30-station ESRD facility located at 9730 S. Western Avenue, Evergreen Park as of July 22, 2016 with a notice to the Illinois Department of Public Health. The reason for the discontinuation is the City of Evergreen Park [through court order] condemned the facility’s parking structure, which is also the entrance to the clinic. The Evergreen Park facility is located in a development that has seen recent demolition and revitalization. Demolition activity has rendered the parking structure/entrance to the facility unstable and therefore it was condemned by the City of Evergreen Park as of July 1, 2016. As of July 16, 2016 all one hundred sixty-four

(164) patients were temporarily transferred to other area facilities for treatment pending relocation of the facility.

This parking structure provided the primary access to the medical office building where the clinic was located. Without that access point, the only way to get to the clinic is by parking a mile away, taking a shuttle bus, and walking through the shopping mall attached to the building and entering through a “back entrance”. This single point entry made it unsafe for patients because of emergency evacuation issues and the lack of access to first responders in the event a patient required emergency transport to a hospital. The required discontinuation of the clinic scattered one hundred sixty four (164) in-center and forty plus (40+) home dialysis patients to twenty (20) area facilities. Thus, re-establishing access in Evergreen Park for these patients is crucial and will have positive impact in this market.

The applicants are proposing to establish a replacement facility to be located at 8901 S. Kedzie Avenue in Evergreen Park. There are currently ten (10) Fresenius facilities initiating a 4th treatment shift to be able to accommodate new patients beginning dialysis. Given its current patient load, the proposed facility will still be above eighty percent (80%) utilization after relocating, without the need for any further patient referrals. No additional patients are being transferred from any other facility. The new facility will have a positive impact for ESRD patients in the Evergreen Park area by restoring and maintaining access to dialysis services. This patient population is 86% African American.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION DISCONTINUATION (77 IAC 1110.110 (a))

VIII. Purpose, Safety Net Impact, Alternatives

A) Criterion 1110.230 (a) – Purpose of the Project

To demonstrate compliance with this criterion the applicants must:

- 1) *Document that the project will provide health services that improve the health care or well-being of the market area population to be served.*
- 2) *Define the planning area or market area, or other, per the applicant’s definition.*
- 3) *Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project.*
- 4) *Cite the sources of the information provided as documentation.*
- 5) *Detail how the project will address or improve the previously referenced issues, as well as the population’s health status and well-being*

The purpose of this project is to restore and continue access to dialysis services to ESRD patients of the Fresenius Evergreen Park ESRD facility in the HSA VII ESRD Planning Area. The purpose of this project has been discussed above at 77 IAC 1110.110-Discontinuation [Section VII of this Report]. A complete discussion is provided at [Application for Permit page 44]

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

The applicants stated the following:

“The relocation of the Fresenius Medical Care Evergreen Park ESRD facility, to a location 4 minutes away, will not have any impact on safety net services in Evergreen Park. 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 for ESRD or insurance on the Healthcare Marketplace. 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, National Kidney Foundation and American Kidney Fund.”
 [Application for Permit page 79]

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%

Source: Page 80 of the Application for Permit.

Notes to Table:

- 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 Proposed Project

To demonstrate compliance with this criterion the applicants must document that the following:

- 1) *Proposing a project of greater or lesser scope and cost;*
- 2) *Pursuing a joint venture or similar arrangement with one or more providers or 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;*
- 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; and*
- 4) *Provide the reasons why the chosen alternative was selected.*

Only one alternative was considered by the applicants; to relocate the discontinued facility to another location in Evergreen Park. This is the only alternative that is in the patient's best interest is to restore dialysis services to Evergreen Park by relocating the facility to another location within the same town to allow the former Evergreen Park clinic patients continued access to dialysis services.

IX. Size of the Project, Projected Utilization, Assurances

A) Criterion 1110.234 (a) – Size of the Project

To demonstrate compliance with this criterion the applicants must

1. *Document that the amount of physical space proposed for the proposed project is necessary and not excessive.*

The thirty (30) station facility will be located in a total of 16,500 GSF of leased space with 11,658 GSF as reviewable space. For a thirty (30) station facility the State Board allows 19,500 GSF or 650 GSF per station. The applicants are proposing 389 GSF per station. The applicants have met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 IAC 1110.234(a))

B) Criterion 1110.234 (b) – Projected Utilization

To demonstrate compliance with this criterion the applicants must

1. *Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B.*

For the past 15 quarters the existing facility has averaged one hundred fifty-eight (158) patients per quarter or an average utilization of eighty-eight percent (88%). The facility currently has one hundred sixty four (164) patients with a utilization of ninety-one percent (91%). The applicants expect all of the patients currently dialyzing at the existing facility will utilize the new facility once completed. The utilization of the new facility is expected to remain at ninety percent (90%). The applicants have met the requirements of this criterion,

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 IAC 1110.234 (b))

C) Criterion 1110.234 (e) – Assurances

To demonstrate compliance with this criterion the applicants must attest

- 1. to the applicant's understanding that, by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.*

The applicants provided the necessary attestation at page 67 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.234 (e))

X. In-Center Hemodialysis

A) Criterion 1110.1430 (b) (1) (3) – Background of the Applicants

To demonstrate compliance with this criterion the applicants must provide

1. *A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification and accreditation identification numbers, as applicable;*
2. *A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility;*
3. *A certified listing from the applicant of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application;*
4. *An attestation that the State Board and the Illinois Department of Public Health may access any records to verify the information in the application for permit.*

The applicants have provided a listing of facilities owned and or operated in Illinois and the necessary attestations as required by the State Board. There was no adverse action taken against any facility owned and/or operated by the applicants during the three years prior to the filing of the application. An attestation was provided by the applicants allowing the State Board and the Illinois Department of Public Health may access any records to verify the information in the application for permit. The proposed new facility is in compliance with the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.) and Executive Order #2006-5. [Application for Permit pages 38-43]

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

B) Criterion 1110.1430 (c) (1) (2) (3) (5) - Planning Area Need

To demonstrate compliance with this criterion the applicants must address the following:

- 1) *Calculated Need for ESRD Stations*
- 2) *Service to Planning Area Residents*
Applicants proposing to establish or add stations shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area
- 3) *Service Demand*
The number of stations proposed to establish a new in-center hemodialysis service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest two-year period.
- 5) *Service Accessibility*
The number of stations being established or added for the subject category of service is necessary to improve access for planning area residents

1. The applicants are proposing to establish a facility to be located at 8901 S. Kedzie Avenue in Evergreen Park approximately four (4) minutes from the current facility. There is a calculated need for an additional fifty-eight (58) ESRD stations by CY 2018 in the HSA VII ESRD Planning Area. Because the applicants are discontinuing a facility also, the proposed project will not have an impact on the calculated need in this planning area.
2. For the past 15 quarters the existing facility has averaged one hundred fifty-eight (158) patients per quarter or an average utilization of eighty-eight percent (88%). The

proposed facility will still be above eighty percent (80%) utilization after relocating, without the need for any further patient referrals. No additional patients are being transferred from any other facility. The patient population is 86% African American.

3. There are thirty-eight (38) ESRD facilities within thirty (30) minutes of the proposed new facility. Of the thirty-eight (38) facilities six (6) are new facilities and are not yet operational. One (1) facility did not provide utilization data for the second quarter of 2016. Average utilization of the thirty-one (31) facilities is eighty-one percent (81%)

4. The State Board Staff believes the proposed project will improve service access as it reestablishes services in the planning area and will provide dialysis services to the same patient population that are currently utilizing other area facilities. As documented by the applicants, Fresenius facilities in the area are in the process of adding a fourth shift to accommodate the additional workload of the discontinued facility. Four (4) Fresenius clinics are staffing to begin a 4th daily treatment shift ending at midnight. Other area facilities needing to operate a 4th shift to accommodate new patients are unable to at this time due to inadequate staffing and/or patient and staff safety concerns. Below is a list of clinics that took the majority of the Evergreen Park patients. The closest facilities are at capacity. [Additional information furnished by the applicants]

TABLE FOUR		
Clinics that accepted the Evergreen Patients		
Facility	Utilization as of 2016-08-30	Applicants' Comment
FMC Burbank	98.00%	Only availability is ISO stations. Staffing for 4th Shift
FMC South Holland	98.00%	Only availability is ISO stations. Staffing for 4th Shift
FMC South Chicago	97.00%	Only availability is ISO stations. Staffing for 4th Shift
FMC Roseland	101.00%	Cannot run 4th shift. Safety and/or staffing concerns
FMC Midland	99.00%	Cannot run 4th shift. Safety and/or staffing concerns
FMC Chatham	94.00%	Cannot run 4th shift. Safety and/or staffing concerns
FMC Merrionette Park	93.00%	Cannot run 4th shift. Safety and/or staffing concerns
FMC Marquette Park	92.00%	Cannot run 4th shift. Safety and/or staffing concerns
FMC Ross	89.00%	Cannot run 4th shift. Safety and/or staffing concerns
FMC Southside	86.00%	Cannot run 4th shift. Safety and/or staffing concerns
FMC South Deering	83.00%	
FMC Blue Island	80.00%	
FMC Bridgeport	80.00%	
FMC Garfield	77.00%	
FMC Alsip	72.00%	
FMC Greenwood	70.00%	
FMC South Shore	50.00%	

The applicants have met the requirement of this criterion.

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 of Service, Mal-distribution of Service, Impact on Area Provider

To demonstrate compliance with this criterion the applicants must document

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

1. There are thirty-eight (38) ESRD facilities within thirty (30) minutes of the proposed new facility. Of the thirty-eight (38) facilities six (6) are new facilities and are not yet operational. One (1) facility did not provide utilization data for the second quarter of 2016. Average utilization of the remaining thirty-one (31) facilities is eighty-one percent (81%). [See Table at the end of this report]
2. To determine a mal-distribution of service the State Board Staff must determine if there is a surplus of stations in the thirty (30) minute service area when compared to the State of Illinois as a whole. The State Board Staff compares the ratio of stations to population within thirty (30) minutes to the ratio of stations to population in the State of Illinois. The ratio of stations to population within the State is one (1) station per 2,917 individuals. The ratio of stations to population in the thirty (30) minute service area is one (1) station per every 2,010 individuals. The ratio within thirty (30) minutes is not 1.5 times the State of Illinois ratio. There is no surplus of stations in this thirty (30) minute service area.
3. It is determined that the new facility in Evergreen Park facility will not have any impact on any area ESRD providers other because no patients are being transferred from other facilities in the planning area and there will be no increase in the number of stations in the planning area.

Based upon the information reviewed by the State Board Staff the applicants have met the requirements of this criterion.

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

D) Criterion 1110.1430 (f) - Staffing

To demonstrate compliance with this criterion the applicants must

1. *document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and Joint Commission staffing requirements can be met.*

Dr. Paul Crawford is currently the Medical Director for Fresenius Medical Care Evergreen Park and will continue to be the Medical Director. Dr Crawford's curriculum vitae were provided as required. The Evergreen Park facility currently employs the following staff:

1. Clinic Manager who is a Registered Nurse
2. Nine (9) Registered Nurses
3. Seventeen (17) Patient Care Technicians
4. Full-time Registered Dietitian
5. Part-time Registered Dietitian
6. Full-time Licensed Master level Social Worker
7. Part-time Licensed Master level Social Worker
8. Full-time Equipment Technician
9. Two (2) Full-time Secretaries

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 staffing model is required to maintain a 4 to 1 patient-staff ratio at all times on the treatment floor. A RN will be on duty at all times when the facility is in operation.

Fresenius Medical Care Evergreen Park will be an "open" unit with regards to medical staff. Any Board Licensed nephrologist may apply for privileges at the Evergreen Park facility, just as they currently are able to at all Fresenius Medical Care facilities.

The applicants have met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 IAC 1110.1430 (f))

E) Criterion 1110.1430 (g) - Support Services

To demonstrate compliance with this criterion the applicants must

1. *submit a certification from an authorized representative that attests to each of the following:*

- 1) *Participation in a dialysis data system;*
- 2) *Availability of support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and*
- 3) *Provision of training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training provided at the proposed facility or the existence of a signed, written agreement for provision of these services with another facility.*

The applicants attested to the following:

Fresenius Medical Care utilizes a patient data tracking system in all of its facilities.

• These support services are available at Fresenius Medical Care Evergreen Park during all six shifts:

- Nutritional Counseling
- Psychiatric/Social Services
- Home/self training

• Clinical Laboratory Services will be provided by Spectra Laboratories

• The following services will be provided via referral to Little Company of Mary Hospital, Evergreen Park:

- Blood Bank Services
- Rehabilitation Services
- Psychiatric Services

The applicants have met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SUPPORT SERVICES (77 IAC 1110.1430 (g))

F) Criterion 1110.1430 (h) - Minimum Number of Stations

To demonstrate compliance with this criterion the applicants must document

1) *a minimum of eight (8) dialysis stations for a facility within an MSA.*

Fresenius Medical Care Evergreen Park is located 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. The relocated Fresenius Medical Care Evergreen Park facility will have thirty (30) dialysis stations thereby meeting this requirement.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION MINIMUM NUMBER OF STATIONS (77 IAC 1110.1430 (h))

G) Criterion 1110.1430 (i) – Continuity of Care

To demonstrate compliance with this criterion the applicants must document

1) *that a signed, written affiliation agreement or arrangement is in effect for the provision of inpatient care and other hospital services.*

The applicants provided a copy of the affiliation agreement with Little Company of Mary Hospital and Health Center that will provide inpatient care and other hospital services.

The applicants have successfully addressed this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CONTINUITY OF CARE (77 IAC 1110.1430 (i))

H) Criterion 1110.1430 (j) - Relocation of Facilities

To demonstrate compliance with this criterion the applicants must document

- 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.*

1. The Fresenius Evergreen Park Dialysis Center was operating at 91% utilization serving 164 patients as of July 2016. For the past fifteen quarters the facility has been operating at eighty eight (88%) utilization.
2. Physical access to the Evergreen Park facility has been cut off forcing closure of the facility. Sending these patients to area Fresenius facilities has created ripple-effect forcing area clinics to capacity. Currently there are ten (10) Fresenius facilities initiating a 4th treatment shift that does not end until midnight. Relocating the facility to another site in Evergreen Park will restore the much needed access to dialysis services to Evergreen Park.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION RELOCATION OF FACILITIES (77 IAC 1110.1430 (j))

I) Criterion 1110.1430 (k) - Assurances

To demonstrate compliance with this criterion the applicants must document

- 1) *By the second year of operation after the project completion, the applicant will achieve and maintain the utilization standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal; and*
- 2) *that they will achieve and maintain compliance with the following adequacy of hemodialysis outcome measures for the latest 12-month period for which data are available:*
 - ≥ 85% of hemodialysis patient population achieves urea reduction ratio (URR) ≥ 65% and ≥ 85% of hemodialysis patient population achieves Kt/V Daugirdas II 1.2.*

The applicants have provided the necessary attestation as required by this criterion.

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THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.1430 (k))

XI. Financial Viability

A) Criterion 1120.120 –Availability of Funds

B) Criterion 1120.130 – Financial Viability

The most recent audited financial statements for Fresenius Medical Care Holdings, Inc. for years ended December 31, 2015 and 2014. As of December 31, 2015, Fresenius Medical Care Holdings, Inc. had \$249,300,000 in cash and cash equivalents, and \$19,332,539 in total assets. The applicants have adequately demonstrated the availability of funds for the capital needs of the project. In addition, the applicants have qualified for the financial waiver because the project will be funded from internal sources.

	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: 2014/2015 Audited Financial Statements

	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

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)

Economic Feasibility

A) Criterion 1120.140 (a) – Reasonableness of Financing

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

The applicants have provided a letter of intent (LOI) to lease the property at 8901 S. Kedzie Avenue, Evergreen Park. The proposed new facility lease will have an initial term of fifteen (15) years with four (4), five (5) year options to renew the lease. Option rental rates shall be based upon 90% of market rent. The initial rental rate is \$28 Net Net with a 10% escalation every five (5) years.

The applicant is paying for the project with cash on hand, and not borrowing any funds for the project. Per the Board's rules entering of a lease is treated as borrowing. The applicants attested that the entering into 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 to house a 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 cost of leasing the equipment is less costly than constructing a new facility or purchasing new equipment.

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

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

The landlord of the proposed facility will incur all costs of construction and architecture and it will be paid back over the term of the lease as rent.

The applicants Movable Equipment costs are within the State Board Standard of \$52,120 per station. [\$617,135/30 stations = \$20,572] The State Board has no standards for the Fair Market Value of Leased Space and Equipment.

Moveable or Other Equipment	
Dialysis Machines	\$140,135
Dialysis Chairs	\$75,000
Clinical Furniture & Equip.	\$40,000
Office Equip.& Other Furniture	\$60,000
Water Treatment	\$210,000
TV, & Accessories	\$85,000
Telephones	\$27,000
Generator Switch	\$10,000
Facility Automation	\$30,000
Other miscellaneous	\$25,000
Total	\$702,135

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140 (c))

D) Criterion 1120.140 (d) - Direct Operating Costs

To demonstrate compliance with this criterion the applicants must provide the direct operating costs for the facility for the first full fiscal year at target utilization but no more than two years following project completion.

The applicants provide the estimated direct operating costs for the proposed facility per treatment.

Estimated Personnel Expense:	\$2,708,011
Estimated Medical Supplies:	\$1,019.14
Estimated Other Supplies (Exc. Dep/Amort):	\$2,766,248
Total	\$6,493,403
Estimated Annual Treatments:	29,118
Cost Per Treatment:	\$223

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

E) Criterion 1120.140 (e) – Projected Capital Costs

To demonstrate compliance with this criterion the applicants must provide the projected capital costs for the facility for the first full fiscal year at target utilization but no more than two years following project completion.

Depreciation/Amortization:	\$290,000
Interest	\$0
Capital Costs:	\$290,000
Treatments:	29,118
Capital Cost per Treatment	\$9.96

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECT CAPITAL COSTS (77 IAC 1120.140 (e))

State Board Staff Note: For Table Seven below the Board Staff reviewed information on the Center for Medicare & Medicaid Services (CMS) website related to dialysis facilities star ratings for facilities within thirty (30) minutes. CMS assigns a one (1) to five (5) star rating in two separate categories: best treatment practices, hospitalizations, and deaths. The more stars, the better the rating.

Below is a summary of the data within the two categories.

- **Best Treatment Practices**

This is a measure of the facility's treatment practices in the areas of anemia management; dialysis adequacy, vascular access, and mineral & bone disorder. This category reviews both adult and child dialysis patients.

- **Hospitalization and Deaths**

This measure takes a facility's expected total number of hospital admissions and compares it to the actual total number of hospital admissions among its Medicare dialysis patients. It also takes a facility's expected patient death ratio and compares it to the actual patient death ratio taking into consideration the patient's age, race, sex, diabetes, years on dialysis, and any co morbidity.

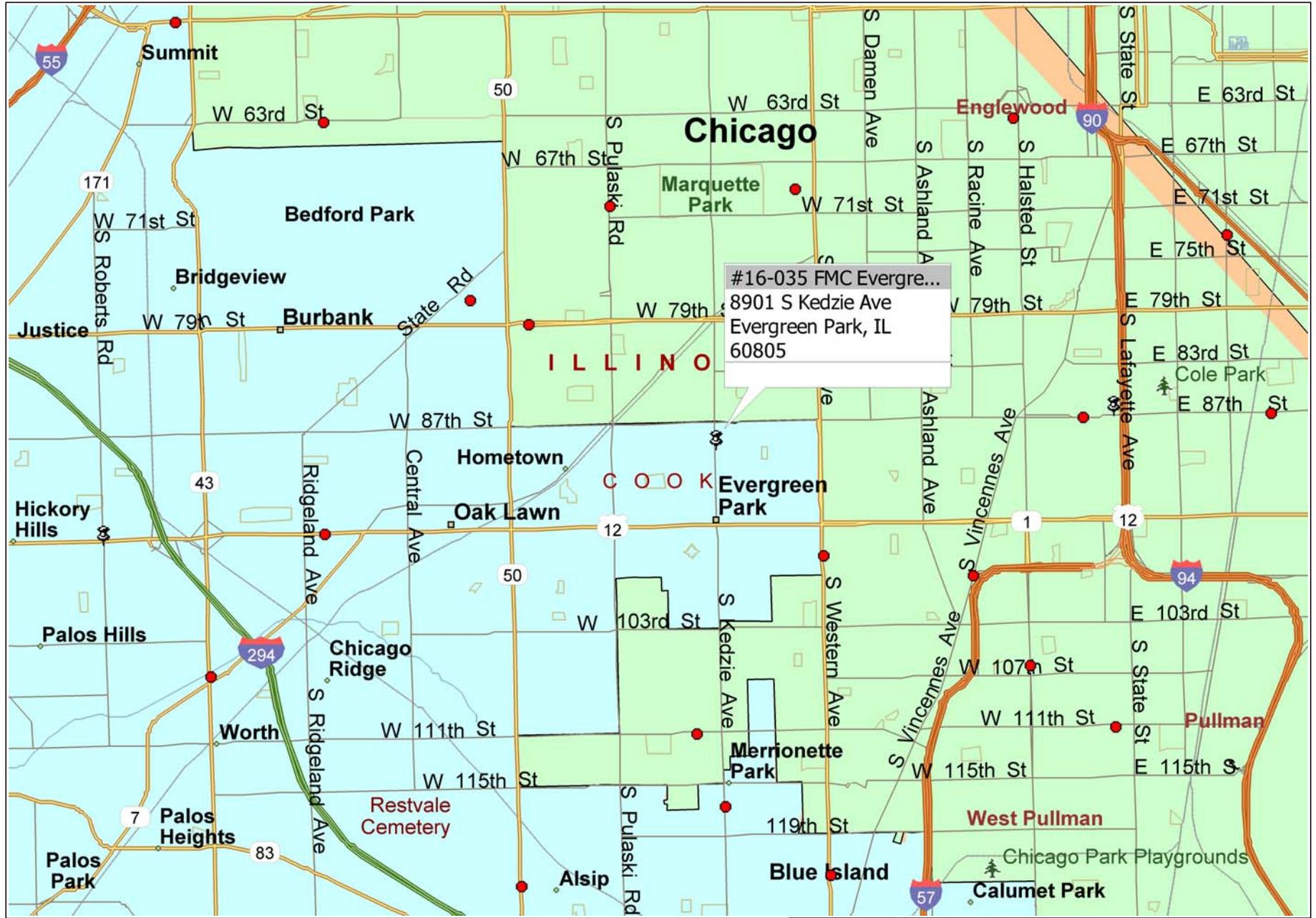
Based on the star rating in each of the two categories, CMS then compiles an overall rating for the facility. The more stars, the better the rating. The data is as of June 2016.

TABLE SEVEN
Facilities within thirty (30) minutes of the proposed facility

Name	City	HSA	Stations	Adjusted Time (2)	Utilization (1)	Medicare Star Rating (3)
FMC Evergreen Park	Evergreen Park	7	24		91.17%	1
Beverly Dialysis Center	Chicago	6	16	5.75	106.25%	3
FMC - South Side	Chicago	6	39	8.05	83.76%	1
DaVita Mount Greenwood Dialysis	Chicago	6	16	10.35	105.21%	3
DSI Renal Services - Scottsdale	Chicago	6	36	11.5	63.79%	3
FMC - Merrionette Park	Merrionette Park	7	24	11.5	80.56%	2
West Lawn Dialysis	Chicago	6	12	11.5	95.89%	3
Fresenius Medical Care Chatham	Chicago	6	16	12.65	84.38%	1
FMC - Marquette Park	Chicago	6	16	12.65	91.67%	3
FMC Dialysis Services - Burbank	Burbank	7	26	13.8	90.38%	1
DaVita - Stony Creek	Oak Lawn	7	12	14.95	97.22%	3
FMC - Blue Island	Blue Island	7	28	17.25	75.60%	2
FMC - Alsip	Alsip	7	20	18.4	63.33%	1
FMC - Greenwood Dialysis Center	Chicago	6	28	19.55	66.07%	1
DaVita Chicago Ridge Dialysis	Worth	7	16	20.7	14.58%	NA
FMC Ross Dialysis - Englewood	Chicago	6	16	20.7	91.67%	1
FMC - Garfield	Chicago	6	22	21.85	76.52%	5
FMC - Crestwood	Crestwood	7	24	23	67.36%	2
Grand Crossing Dialysis	Chicago	6	12	23	91.67%	2
Fresenius Medical Care - Midway	Chicago	6	12	23	93.06%	3
Fresenius Medical Care of Roseland	Chicago	6	12	23	95.38%	2
DaVita Stony Island Dialysis	Chicago	6	32	24.15	86.98%	3
Fresenius Medical Care South Deering	Chicago	6	20	25.3	69.17%	2
DaVita Emerald Dialysis	Chicago	6	24	26.45	81.25%	5
FMC - Jackson Park Dialysis	Chicago	6	24	27.6	70.83%	1
DaVita Country Club Hills	Markham	7	24	27.6	78.47%	2
FMC - Bridgeport	Chicago	6	27	28.75	82.10%	2
FMC - South Chicago	Chicago	6	36	28.75	87.96%	2
Fresenius Medical Care Cicero	Cicero	7	16	29.9	63.54%	3
Lake Park Dialysis	Chicago	6	32	29.9	67.19%	5
Country Hills Dialysis	Country Club Hills	7	24	29.9	78.47%	2
Total Stations/Average Utilization			686		80.37%	
Fresenius Medical Care Beverly Ridge	Chicago	6	16	13.8	0.00%	NA
DaVita Washington Heights Dialysis	Chicago	6	16	17.25	0.00%	NA
DaVita Park Manor Dialysis	Chicago	6	16	24.15	0.00%	NA
Fresenius Medical Care New City	Chicago	6	16	26.45	0.00%	NA
Fresenius Medical Care Summit	Summit	7	12	29.9	0.00%	NA
FMC - South Shore	Chicago	6	16	29.9	0.00%	NA
Concerto Dialysis	Crestwood	7	9	26.45	0.00%	NA
Total Stations/Average Utilization			787		67.34%	

1. Utilization as of the June 2016
2. Time adjusted according to 77 IAC 1110.510 (d)
3. Medicare Star Rating <https://www.medicare.gov/dialysisfacilitycompare/>
4. NA – Not enough quality measure data to determine a star rating

16-035 FMC Evergreen Park



#16-035 FMC Evergre...
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