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-02	March 14, 2017	16-042	Original: $2,603,250
FACILITY NAME: Fresenius Kidney Care Paris Community		CITY: Paris	
TYPE OF PROJECT: Substantive			HSA: IV

PROJECT DESCRIPTION: The applicants (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care Paris, LLC d/b/a Fresenius Kidney Care Paris Community) are proposing the establishment of an eight (8) station ESRD facility in 5,000 GSF of leased space in Paris, Illinois. The cost of the project is $2,603,250, and the completion date is September 30, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care Paris, LLC d/b/a Fresenius Kidney Care Paris Community) are proposing the establishment of an eight (8) station ESRD facility in 5,000 GSF of leased space in Paris, Illinois. The cost of the project is $2,603,250, and the 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 at 20 ILCS 3960/3.

PURPOSE OF THE PROJECT:

- The applicants note the purpose of the project is to provide dialysis services to the Paris community, a Federally Designated Medically Underserved Area. Edgar County is located in rural east-central Illinois, along the Illinois/Indiana border. Paris community ESRD patients are currently being treated by Dr. Manish Gera. Many of Dr. Gera's patients are traveling to facilities in Indiana and Illinois which are 45-minutes away, creating significant access issues for these patients. The applicants feel this patient base will be better served by a Paris-based facility, where they can see their Nephrologist and utilize other healthcare services offered through Paris Community Hospital.

PUBLIC HEARING/COMMENT:

- No public hearing was requested. No letters of support or opposition were received by State Board Staff.

SUMMARY:

- There is a projected excess of eight (8) stations in the HSA IV ESRD Planning Area by CY 2018. The proposed facility will be located in a medically underserved area where its current ESRD patients must travel to Terre Haute, Indiana (31 minutes/23 miles) for dialysis services. The team of Nephrologists serving the Paris area, Drs. Manish Gera, M.D., Dr. Raj Jeevan, M.D., Dr. Rakesh Kumar, M.D., and Dr. Gaurav Chaudhary, M.D., note having referred eighty-two (82) patients to dialysis facilities in Indiana, with twenty-three (23) of these patients residing in Illinois. The doctors state they are currently treating over two hundred (200) pre-ESRD patients residing in the Paris service area, and anticipate approximately thirty (30) of these patients, and twenty (20) patients currently being treated in Indiana to utilize the proposed facility upon project completion. The proposed facility will provide services to a medically underserved area, and the estimated patient referrals justify the establishment of an 8-station ESRD facility.

CONCLUSIONS:

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

STATE BOARD STAFF REPORT
Fresenius Kidney Care Paris Community
PROJECT #16-042

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Fresenius Medical Care Holdings, Inc., Fresenius Medical Care Paris, LLC d/b/a Fresenius Kidney Care Paris Community
Facility Name	Fresenius Kidney Care Paris Community
Location	721 East Court Street, Suite B, Paris, Illinois
Application Received	October 7, 2016
Application Deemed Complete	October 14, 2016
Review Period Ends	February 11, 2017
Permit Holder	Fresenius Medical Care Paris, LLC
Operating Entity	Fresenius Medical Care Paris, LLC d/b/a Fresenius Kidney Care Paris Community
Owner of the Site	Paris Community Hospital
Project Financial Commitment Date	March 14, 2017
Gross Square Footage	5,000 GSF
Project Completion Date	September 30, 2018
Expedited Review	No
Can Applicants Request a 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 Paris, LLC d/b/a Fresenius Kidney Care Paris Community) are proposing the establishment of an eight (8) station ESRD facility in 5,000 GSF of leased space in Paris, Illinois. The cost of the project is $2,603,250, and the 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 Paris, LLC d/b/a Fresenius Kidney Care Paris Community. 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 Fresenius Medical Care AG & Co. Fresenius Kidney Care Paris

Community will be located at 721 East Court Street, Suite B, Paris, Illinois in the HSA IV ESRD planning area. This is a substantive project subject to an 1110 and 1120 review. Financial commitment will occur after permit issuance.

Table One outlines the current Fresenius projects approved by the State Board and their completion date.

TABLE ONE
Current Fresenius Projects and Status

Project Number	Name	Project Type	Completion Date
#14-012	FMC Gurnee	Relocation/Expansion Establishment	4/30/2017
#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
#15-028	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
#15-062	FMC Belleville	Establishment	12/31/2017
#16-024	FMC Kidney Care East Aurora	Establishment	9/30/2018
#16-029	FMC Ross Dialysis – Englewood	Relocation/Expansion Establishment	12/31/2018
#16-035	FMC Evergreen Park	Relocation/Establishment	12/31/2017

IV. Health Service Area ESRD Planning Area IV

For planning purposes for ESRD services the State Board uses Health Service Areas as the planning area. These areas provide a geographic frame of reference which allows the State Board to make an estimate of capacity. There are eleven (11) Health Service Areas in the State of Illinois (See Table Eight at end of this report). HSA IV includes Champaign, Clark, Coles, Cumberland, DeWitt, Douglas, Edgar, Ford, Iroquois, Livingston, Macon, McLean, Moultrie, Piatt, Shelby, and Vermillion counties. The State Board has projected an excess of (8) ESRD stations by CY 2018. (See Table Two) There are twelve (12) ESRD facilities in this planning area.

TABLE TWO
Need Methodology HSA IV ESRD Planning Area

Planning Area Population – 2013	834,200
In Station ESRD patients -2013	579
Area Use Rate 2013 (1)	.741
Planning Area Population – 2018 (Est.)	674,700
Projected Patients – 2018 (2)	632.5
Adjustment	1.33x
Patients Adjusted	841
Projected Treatments – 2018 (3)	131,232
Existing Stations	183
Stations Needed-2018	175

TABLE TWO Need Methodology HSA IV ESRD Planning Area	
Number of Stations In Excess	**8**
1. Usage rate determined by dividing the number of in-station ESRD patients in the planning area by the 2013 – planning area population per thousand. 2. Projected patients calculated by taking the 2018 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients. 3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient	

V. Project Costs

The applicants are funding this project with cash and securities in the amount of $1,332,000 and the fair market value of leased space and equipment of $1,271,250. The estimated start-up costs and the operating deficit are projected to be $96,628.

TABLE THREE Project Costs and Sources of Funds			
USE OF FUNDS	**Reviewable**	**Non Reviewable**	**Total**
Modernization Contracts	$528,000	$352,000	$880,000
Contingencies	$54,000	$36,000	$90,000
Architectural/Engineering Fees	$58,200	$38,800	$97,000
Movable or Other Equipment (not in construction contracts)	$200,000	$65,000	$265,000
Fair Market Value of Leased Space & Equipment	$825,250	$446,000	$1,271,250
TOTAL USES OF FUNDS	$1,665,450	$937,800	$2,603,250
SOURCE OF FUNDS	**Reviewable**	**Non Reviewable**	**Total**
Cash and Securities	$840,200	$491,800	$1,332,000
Leases (fair market value)	$825,250	$446,000	$1,271,250
TOTAL SOURCES	$1,665,450	$937,800	$2,603,250
Source: Page 6 of the Application for Permit.			

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

Reviewer Note: These three (3) criteria are informational only and no determination is made by the State Board Staff on whether the criteria have been met.

A) Criterion 1110.230(a) Purpose of the Project

To demonstrate compliance with this criterion the applicants must provide documentation that

1. Documents that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Defines the planning area or market area, or other, per the applicant's definition.
3. Identifies the existing problems or issues that need to be addressed, as applicable and appropriate for the project.
4. Details how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
5. Provides goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

The purpose of this project is to provide access to dialysis services to Edgar County, in HSA-04, where there are no dialysis facilities and no dialysis facilities within 45-minutes travel time of Paris, where the proposed facility will be located. Paris is also a federally designated Medically Underserved Area.

The market to be served by the Paris Community dialysis facility is a rural area along the Indiana/Illinois border of central Illinois. Currently Dr. Gera's dialysis patients living in this area are traveling well over 30 minutes to dialyze in Indiana. These patients would be better served by a facility in Paris, Illinois, where they see their nephrologist and utilize other healthcare services at Paris Community Hospital.

The closest dialysis to the Paris location are 45 minutes away whether in Illinois or Indiana. ESRD patients in the Paris area do not have reasonable access to dialysis services.

The proposed facility will bring services to a medically underserved area where the residents experience low income and high rates of Medicaid eligibility as well as a lack of any insurance coverage. Fresenius Kidney Care treats all patients regardless of ability to pay and assists patients in securing some type of coverage.

The goal of Fresenius Kidney Care is to establish dialysis services in an area where there currently is no access within a reasonable distance. (Application, p. 60)

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

To demonstrate compliance with this criterion the applicants must document

1. The project's material impact, if any, on essential safety net services in the community, and
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

The applicants stated the following:

"The establishment of Fresenius Kidney Care Paris Community dialysis facility will not have any impact on safety net services in the Edgar 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 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 and National Kidney Foundation, and American Kidney Fund." (See Application for Permit Page 107)

TABLE FOUR [(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 107 of the Application for Permit.

Note to Table Four Above

1) Charity (self-pay) patient numbers decreased in 2014; however treatments were higher per patient resulting in similar costs as 2013, but those patients had more treatments (stayed uninsured longer) than those in 2013 resulting in similar charity costs.

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

To demonstrate compliance with this criterion the applicants must

1. Identify all alternatives;
2. Provide a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term;
3. For every alternative considered the total project costs and the reason for the rejection must be provided; and,
4. For the selected alternative the reasons for the selection must be provided

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

1. Do Nothing.
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.

1. Do Nothing

The applicants rejected this option due to the lack of access to dialysis services in Edgar County. This proposed option would result in continued hardship on patients in Paris and the surrounding service area through unreasonable transportation expenses incurred by traveling to Indiana for dialysis treatment. There was no cost identified with this alternative.

2. Pursue a Joint Venture or Similar Arrangement

The applicants note the project cost for a facility of the proposed nature would be no different, regardless of ownership structure, and it is anticipated that a joint venture would not affect the already high standard of care received by Fresenius patients. The applicants identified a project cost ($2,603,250), similar to that of the proposed project.

3. Utilize Other Health Care Resources Available to Serve All or a Portion of the Population

The applicants note that no other facilities exist in the service area to render this option feasible. There was no cost identified with this alternative.

After considering each of the three above mentioned alternatives, the applicants determined the option of establishing an eight (8) station ESRD facility in Paris, as the most feasible and cost-effective alternative. Cost of the chosen alternative: $2,603,250. (Application for Permit, p. 61)

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

A) Criterion 1110.234(a) - Size of Project

To demonstrate compliance with this criterion the applicants must document that the proposed gross square footage does not exceed the State Board Standards in Part 1110.Appendix B.

The applicants are proposing the construction of 3,000 GSF of clinical space for eight stations or 375 GSF per station. The State Board standard is 450-650 GSF per station. (See Application for Permit page 63)

B) Criterion 1110.234(b) – Projected Utilization

To demonstrate compliance with this criterion the applicants must document that by the second year after project completion the applicants will be at target occupancy.

The referring physician (Dr. Manish Gera, M.D.) identified 188 pre-ESRD patients who reside on the Illinois side of the Indiana border who could ultimately require dialysis services. Of these pre-ESRD patients, he has conservatively identified 30 that he expects would require dialysis treatment in the first two years that the new Paris facility is in operation. These patients, combined with the 20 patients expected to transfer from clinics in Terre Haute, Indiana will result in utilization surpassing the 80th percentile by the second year of operation. (See Application for Permit page 64)

50 patients x156 treatment per year = 7,800 treatments
8 stations x 936 treatments per stations per year = 7,488 treatments
7,800 treatments/7,488 treatments = 104.1% utilization

C) Criterion 1110.234(e) – Assurances

To demonstrate compliance with this criterion the applicants must attest that the proposed project by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Part 1110.Appendix B.

The applicants provided the necessary assurance that they will be at target occupancy within two years after project completion. (See Application for Permit page 93)

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

VIII. In-Center Hemo-dialysis Projects

A) Criterion 1110.1430(b)(1) to (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 provided sufficient background information, to include a list of facilities and the necessary attestations as required by the State Board at *pages 39-59 of the application for permit*. The State Board Staff concludes the applicants met this criterion.

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

B) Criterion 1110.1430(c) - Planning Area Need

To demonstrate compliance with this criterion the applicant must document the following:

1) 77 Ill. Adm. Code 1100 (Formula Calculation)

To demonstrate compliance with this sub-criterion the applicants must demonstrate there is a calculated need in the ESRD planning area HSA IV.

The proposed facility will be located in the HSA IV ESRD Planning Area, where a calculated excess of (8) ESRD stations exists for this planning area by CY 2018, per the December 2016 State Board's ESRD Inventory Update.

2) Service to Planning Area Residents

To demonstrate compliance with this sub-criterion the applicants must document that fifty percent (50%) or more of the expected referrals will come from the HSA IV ESRD Planning Area.

The applicants note the primary purpose of the project is to provide dialysis services to the residents of Paris and the surrounding service area. The applicants have identified 290 pre-ESRD patients. Of these two hundred ninety (290), two hundred eight (208) or approximately 72% reside in the HSA IV ESRD Planning Area.

The applicants also note that there are no ESRD facilities within a 30-minute commute from Paris, and the closest facility is located in Terre Haute,

Indiana, which is approximately thirty-two (32) minutes away. In the past year, Dr. Manish Gera, M.D., and his colleagues, Dr. Raj Jeevan, M.D., and Dr. Rakesh Kumar, M.D., from Internal Medicine Nephrology, Inc, have referred a total of eighty-two (82) patients to two (2) Fresenius facilities in Terre Haute, Indiana, for dialysis treatment. Of these eighty-two (82) patients thirteen (13) (16%), were Illinois residents.

3) Service Demand – Establishment of In-Center Hemodialysis Service
To demonstrate compliance with this sub-criterion the applicants must document that there is sufficient demand for the proposed service by providing historical and projected referrals.

In their referral letter, the physicians from Internal Medicine Nephrology, Inc. report having treated approximately two hundred eight (208) patients in various stages of chronic kidney disease from zip codes surrounding the Paris area. Of these two hundred eight (208) patients, there are approximately thirty (30) patients expected to begin dialysis at the Paris facility in the first two (2) years of operation, and another twenty (20) patients from Illinois expected to transfer to the Paris facility upon project completion. [Application for Permit pages 70-71]

5) Service Accessibility/Service Restrictions
To demonstrate compliance with this sub-criterion the applicants must document one of the following:

1. There is an absence of the proposed service within the HSA VII ESRD planning area;
2. There is access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;
3. There is restrictive admission policies of existing providers;
4. The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;
5. For purposes of this subsection (c)(5) only, all services within the 30-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

There is no absence of dialysis service in the planning area; nor access limitations due to payor status, or restrictive admission policies at existing providers. The location of the proposed facility (Paris) has been designated a Medically Underserved Area/Population. There are no Illinois-based facilities within a forty-five (45) minute travel radius of Paris, and the closest facilities are 32-35 minutes away in Terre Haute, Indiana. The applicants are in compliance with these criteria.

Reviewer Note: MUA/P designations are based on the Index of Medical Underservice (IMU). IMU is calculated based on four criteria:

- the population to provider ratio;
- the percent of the population below the federal poverty level;
- the percent of the population over age 65; and
- the infant mortality rate.

IMU can range from 0 to 100, where zero represents the completely underserved. Areas or populations with IMUs of 62.0 or less qualify for designation as an MUA/P. Edgar County has a score of 58.30. https://bhw.hrsa.gov/shortage-designation/muap

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

C) Criterion 1110.1430(d)(1), (2) and (3) - Unnecessary Duplication/Mal-distribution/ Impact on Other Facilities

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

1) The applicant shall document that the project will not result in an unnecessary duplication within the thirty (30) minute service area.
2) The applicant shall document that the project will not result in maldistribution of services in the thirty minute service area.
3) The applicant shall document that, within 24 months after project completion, the proposed project will not lower the utilization of other area providers within the thirty (30) minute service area 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 within the thirty minute service area that are currently (during the latest 12-month period) operating below the occupancy standards.

1. There are no ESRD facilities within thirty (30) minutes of the proposed facility.

2. The ratio of ESRD stations to population in the zip codes within a thirty (30) minute radius of Paris is 1 station per 33,499 residents according to the 2010 census. The State ratio is 1 station per 2,943 residents (based on US Census estimates for 2015 and the State Board Station Inventory). There is no surplus of stations in this thirty (30) minute service area

3. The two (2) closest facilities, Fresenius Terre Haute South and Fresenius Terre Haute North are thirty-two (32) and thirty-five (35) minutes away from Paris Illinois, and do not report their utilization to the State of Illinois because they are Indiana facilities. It does not appear that the proposed facility will have an impact on other facilities in Illinois.

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))

E) 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 will be provided at the proposed facility. The following services will be provided via referral to Paris Community Hospital, Paris: blood bank services, rehabilitation services and psychiatric services. The applicants are proposing eight (8) stations and the minimum number of stations outside of an MSA is six (6) stations. Continuity of care will be provided at Paris Community Hospital, Paris as stipulated in the agreement provided in the application for permit. Additionally, the appropriate assurances were 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 82-93)

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

IX. FINANCIAL VIABILITY

A) Criterion 1120.120 – Availability of Funds
B) Criterion 1120.130 – Financial Viability

The applicants are funding this project with cash and securities in the amount $1,332,000 and the fair market value of leased space and equipment totaling $1,271,250. A review of the 2014/2015 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 Five below outlines Fresenius Medical Care Credit Rating.[1]

TABLE FIVE
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

1 An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories

Ba Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.

1

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

X. ECONOMIC FEASIBLITY

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

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

To demonstrate compliance with this criterion the applicants must provide documentation that the debt financing is reasonable.

The applicants provided a copy of a lease of 5,000 rentable contiguous square feet with an initial lease term of ten (10) years with three (3) five (5) year renewal options. The lease rate per gross square foot is $20.00. The applicants attested that entering into a lease (borrowing) is less costly than liquidating existing investments, which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic. (See Application for Permit pages 94-101)

C) Criterion 1120.140(c) – Reasonableness of Project Costs
To demonstrate compliance with this criterion the applicants must meet the State Board requirements in Part 1120.Appendix A.

Only Clinical Costs are reviewed in this criterion.

Modernization and Contingencies Costs are $582,000 or $194 per GSF for 3,000 GSF. This appears reasonable when compared to the State Board Standard of $194.87 per GSF, with 2018 listed as mid-point of construction.

Contingencies – These costs total $54,000, and are 10.2% of the modernization costs identified for this project. This is in compliance with the State standard of 10-15%.

Architectural Fees are $58,200 and are 10% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 7.50% to 11.26%.

Movable or Other Equipment – These costs are $200,000 or $25,000 per station (8 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 $825.250. The State Board does not have a standard for these costs.

D) Criterion 1120.140(d) - Direct Operating Costs
To demonstrate compliance with this criterion the applicants must document the projected operating costs per treatment.

The applicants are estimating $194.15 per treatment in direct operating costs. This appears reasonable when compared to previously approved projects of this type.

Estimated Personnel Expense:	$514,253
Estimated Medical Supplies:	$106,777
Estimated Other Supplies (Exc. Dep/Amort):	$541,901
Total	$1,162,930
Estimated Annual Treatments:	5,990
Cost Per Treatment:	**$194.15**

E) Criterion 1120.140(e) - Total Effect of the Project on Capital Costs
To demonstrate compliance with this criterion the applicants must document the capital costs per treatment.

The applicants are estimating $19.58 in capital costs. This appears reasonable when compared to previously approved projects of this type.

Depreciation/Amortization:	$117,265
Interest	$0
Capital Costs:	$117,265
Treatments:	5,990
Capital Cost per Treatment	**$19.58**

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

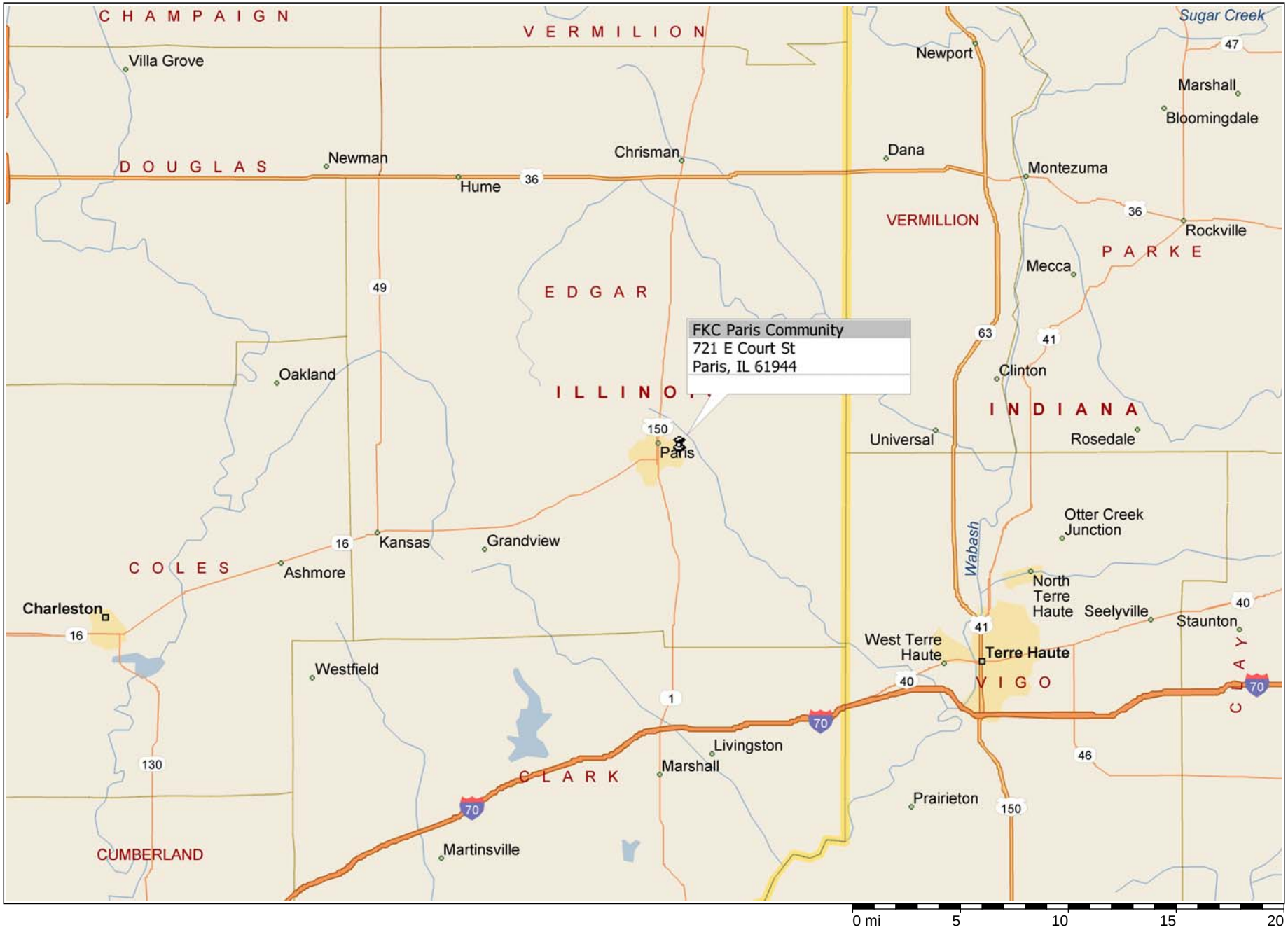
TABLE SEVEN ESRD Planning Areas	
HSA I	Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago
HSA II	Bureau, Fulton, Henderson, Knox, LaSalle, Marshall, McDonough, Peoria, Putnam, Stark, Tazewell, Warren, and Woodford
HSA III	Adams, Brown, Calhoun, Cass, Christian, Greene, Hancock, Jersey, Logan, Macoupin, Mason, Menard, Montgomery, Morgan, Pike, Sangamon, Schuyler, and Scott
HSA IV	**Champaign, Clark, Coles, Cumberland, DeWitt, Douglas, Edgar, Ford, Iroquois, Livingston, Macon, McLean, Moultrie, Piatt, Shelby, and Vermilion**
HSA V	Alexander, Bond, Clay, Crawford, Edwards, Effingham, Fayette, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Johnson, Lawrence, Marion, Massac, Perry, Pope, Pulaski, Randolph, Richland, Saline, Union, Wabash, Washington, Wayne, White, and Williamson
HSA VI	City of Chicago
HSA VII	DuPage County and Suburban Cook County
HSA VIII	Kane, Lake, and McHenry
HSA IX	Grundy, Kankakee, Kendall, and Will
HSA X	Henry, Mercer, and Rock Island
HSA XI	Clinton, Madison, Monroe, and St. Clair

TABLE EIGHT
Facilities in the HSA IV ESRD Planning Area

Facilities	Ownership	City	Stations	Utilization	Star Rating
FMC-McLean County	Fresenius	Bloomington	20	69.17%	3
Davita - Champaign	Davita	Champaign	12	91.67%	2
Vermillion County Dialysis	Davita	Danville	8	0.00%	NA
Danville Dialysis Services LLC		Danville	19	67.54%	3
Davita - Macon County	Davita	Decatur	23	52.17%	4
Davita - East Wood Street	Davita	Decatur	18	56.48%	4
FMC - Decatur	Fresenius	Decatur	12	65.28%	5
Davita - Mattoon	Davita	Mattoon	16	66.67%	3
FMC - Normal	Fresenius	Normal	12	62.50%	5
FMC - Pontiac	Fresenius	Pontiac	9	53.70%	2
Shelbyville Community Dialysis		Shelbyville	9	37.04%	1
Champaign-Urbana Dialysis Ctr.	Fresenius	Urbana	25	75.33%	2

NA – Information not available.
Sorted by City
Star Rating taken from Medicare Compare Website https://www.medicare.gov/dialysisfacilitycompare/
Occupancy as of 4th Quarter 2016

16-042 Fresenius Kidney Care Paris Community - Paris



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