



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

<b>DOCKET NO:</b> H-12	<b>BOARD MEETING:</b> September 26, 2017	<b>PROJECT NO:</b> 17-025	<b>PROJECT COST:</b> Original: \$7,748,123
<b>FACILITY NAME:</b> Fresenius Medical Care Crestwood (NKA/Fresenius Kidney Care Crestwood)		<b>CITY:</b> Crestwood	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA:</b> VII

**PROJECT DESCRIPTION:** The applicants (Dialysis Centers of America - Illinois, Inc. d/b/a Fresenius Medical Care Crestwood, and Fresenius Medical Care Holdings, Inc.) are proposing the discontinuation of a twenty-four (24) station ESRD facility at 4881 Cal Sag Road, Crestwood and the establishment of a twenty-four (24) station ESRD facility in 10,372 GSF of leased space located at 4809 - 4815 W. Midlothian Turnpike, Crestwood Illinois. The cost of the project is \$7,748,123 and the completion date as stated in the application for permit is September 30, 2019.

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- The applicants (Dialysis Centers of America - Illinois, Inc. d/b/a Fresenius Medical Care Crestwood, and Fresenius Medical Care Holdings, Inc.) are proposing the discontinuation of a twenty-four (24) station ESRD facility at 4881 Cal Sag Road, Crestwood and the establishment of a twenty-four (24) station ESRD facility in 10,372 GSF of leased space located at 4809 -4815 W. Midlothian Turnpike, Crestwood Illinois. The cost of the project is \$7,748,123 and the completion date as stated in the application for permit is September 30, 2019.

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

- The applicants are proposing to establish a health care facility as defined by the Illinois Health Facilities Planning Act. (20 ILCS 3960/3)

### PURPOSE OF PROJECT:

#### **The applicants stated**

*"The purpose of the proposed project is to relocate the 24-station Crestwood facility to a brand new facility just minutes away in Crestwood will allow patients a new, more modern facility along with a treatment room that will better serve them in the most cost effective way. There will be no interruption in service to the current patients of the Crestwood clinic since the "relocation" of the facility will occur on a Sunday when there are no patient treatments scheduled."*

### PUBLIC HEARING/COMMENT:

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

### SUMMARY:

- There is an excess of two (2) stations in the HSA VII ESRD Planning Area; however, no new stations will be added in the HSA VII ESRD Planning Area should the proposed project be approved. The existing facility is thirty-seven (37) years old and ill designed to provide modern dialysis services. The existing lease is up for renewal and the applicants are estimating that renewing the lease will result in additional costs of approximately \$2,000,000 more over the next 15 years to remain at the current site.
- There is sufficient demand for the proposed service as all one hundred one (101) patients will transfer to the proposed new facility if approved. In addition the applicants have identified fifty-two (52) pre-ESRD patients who will need dialysis in the first twenty-four (24) months of opening of the proposed new facility. (See Appendix I) The proposed new facility will be located approximately five (5) minutes from the existing facility and one block outside an area currently designated by the Secretary of the Health and Human Services as a Medically Underserved Area, or a Medically Underserved Population. There are forty-three (43) ESRD facilities within thirty (30) minutes of the proposed facility. Eight (8) of the facilities are new facilities and no utilization data is available and one (1) facility (Concerto Dialysis) did not report second quarter 2017 utilization data. Average utilization of the remaining thirty-four (34) facilities is approximately seventy-four percent (74%). (See Table Six) The proposed project for the discontinuation of an existing twenty-four (24) station facility and the establishment of the a twenty-four (24) station facility approximately five (5) minutes away will not result in a duplication of service and will have no impact on existing facilities.
- The applicants have addressed a total of twenty-two (22) criteria and have met them all.

**STATE BOARD STAFF REPORT**  
**Project #17-025**  
**Fresenius Kidney Care Crestwood**

<b>APPLICATION/CHRONOLOGY/SUMMARY</b>	
Applicants(s)	Dialysis Centers of America - Illinois, Inc. d/b/a Fresenius Medical Care Crestwood, Fresenius Medical Care Holdings, Inc.
Facility Name	Fresenius Kidney Care Crestwood (NKA/Fresenius Kidney Care Crestwood)
Location	4809-4815 W. Midlothian Turnpike, Crestwood Illinois
Permit Holder	Dialysis Centers of America - Illinois, Inc. d/b/a Fresenius Medical Care Crestwood
Operating Entity	Dialysis Centers of America - Illinois, Inc. d/b/a Fresenius Medical Care Crestwood
Owner of Site	Net3 (Crestwood), LLC
Description	Discontinue and establish a twenty-four (24) station ESRD facility in Crestwood, Illinois
Total GSF	10,372 GSF
Application Received	05/15/2017
Application Deemed Complete	05/16/2017
Review Period Ends	09/13/2017
Financial Commitment Date	September 26, 2019
Project Completion Date	September 30, 2019
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes
Expedited Review?	No

**I. Project Description**

The applicants (Dialysis Centers of America - Illinois, Inc. d/b/a Fresenius Medical Care Crestwood, and Fresenius Medical Care Holdings, Inc.) are proposing the discontinuation of a twenty-four (24) station ESRD facility at 4881 Cal Sag Road, Crestwood and the establishment of a twenty-four (24) station ESRD facility in 10,372 GSF of leased space located at 4809 -4815 W. Midlothian Turnpike, Crestwood Illinois. The cost of the project is \$7,748,123 and the completion date as stated in the application for permit is September 30, 2019.

**II. Summary of Findings**

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

### III. General Information

The applicants are Dialysis Centers of America - Illinois, Inc. d/b/a Fresenius Medical Care Crestwood, and Fresenius Medical Care Holdings, Inc. Fresenius Medical Care Holdings Inc. operates as a holding company<sup>1</sup>. The Company, through its subsidiaries, provides hemodialysis, dialysis machines, dialyzers, peritoneal dialysis products, and renal pharmaceuticals. Dialysis Centers of America - Illinois, Inc. d/b/a Fresenius Medical Care Crestwood is a subsidiary of Fresenius Medical Care Holdings, Inc authorized to conduct business in the State of Illinois.

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

Substantive Projects means types of projects that are defined in the Act and classified as substantive. *Substantive projects shall include no more than the following:*

*Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.*

*Projects proposing a new service or a discontinuation of a service; shall be reviewed by the Board within 60 days.*

*Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]*

Table One below outlines the current Fresenius projects approved by the State Board and not yet completed.

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<sup>1</sup> A holding company is a special type of business that doesn't do anything itself. Instead, it *owns* investments, such as stocks, bonds, etc. or virtually anything of value. The term holding company comes from the fact that the business has one job: to "hold" their investments.

**TABLE ONE**  
**Approved Fresenius Projects not yet completed**

<b>Project #</b>	<b>Facility</b>	<b>Type</b>	<b>Date Complete</b>
14-047	Fresenius Kidney Care Humboldt Park	Establishment	12/31/2017
15-028	Fresenius Kidney Care Schaumburg	Establishment	2/28/2017
15-036	Fresenius Kidney Care Zion	Establishment	6/30/2017
15-046	Fresenius Kidney Care Beverly Ridge	Establishment	6/30/2017
15-050	Fresenius Kidney Care Chicago Heights	Establishment	12/31/2017
15-062	Fresenius Kidney Care Belleville	Establishment	12/31/2017
16-024	Fresenius Kidney Care East Aurora	Establishment	9/30/2018
16-035	Fresenius Kidney Care Evergreen Park	Relocation	12/31/2017
16-029	Fresenius Kidney Care Ross-Englewood Dialysis	Relocation	12/31/2018
16-034	Fresenius Kidney Care Woodridge	Establishment	12/31/2017
16-042	Fresenius Kidney Care Paris	Establishment	9/30/2018
16-049	Fresenius Kidney Care Macomb	Relocation	12/31/2018
17-003	Fresenius Kidney Care Gurnee	Expansion	3/31/2018
17-004	Fresenius Kidney Care Mount Prospect	Establishment	12/31/2018
E-18-17	Fresenius Kidney Care Lake Bluff	Change of Ownership	

**IV. Health Planning Area**

The proposed facility will be located in the HSA VII ESRD Planning Area. The HSA VII ESRD Planning Area includes Suburban Cook and DuPage County. As of May 2017 there is a calculated excess of two (2) ESRD stations in this planning area. Growth in the number of patients in the HSA VII ESRD Planning Area has increased 11.27% from 2011-2015 and the number of stations have increased 16.05% over this same period. [See Appendix II at the end of this report.]

**TABLE TWO**  
**Need Methodology HSA VII ESRD Planning Area**

Planning Area Population – 2013	3,466,100
In Station ESRD patients -2013	4,906
Area Use Rate 2013 <sup>(1)</sup>	1.415
Planning Area Population – 2018 (Est.)	3,500,400
Projected Patients – 2018 <sup>(2)</sup>	4,954.5
Adjustment	1.33x
Patients Adjusted	6,590
Projected Treatments – 2018 <sup>(3)</sup>	1,027,970
Existing Stations	1,374
Stations Needed-2018	1,372
<b>Number of Stations Excess</b>	<b>2</b>

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

<b>TABLE TWO</b>	
<b>Need Methodology HSA VII ESRD Planning Area</b>	
	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 and Sources of Funds**

The applicants are funding this project with cash in the amount of \$2,679,568 and the FMV of a lease in the amount of \$5,068,555. The estimated start-up costs and operating deficit is \$314,427.

<b>TABLE THREE</b>				
<b>Project Costs and Sources of Funds</b>				
<b>Uses of Funds</b>	<b>Reviewable</b>	<b>Non-Reviewable</b>	<b>Total</b>	<b>% of Total Cost</b>
Modernization Contracts	\$1,469,100	\$366,744	\$1,835,844	23.69%
Contingencies	\$141,100	\$35,224	\$176,324	2.28%
Architectural/Engineering	\$148,000	\$37,000	\$185,000	2.39%
Movable or Other Equipment (not in construction)	\$372,400	\$110,000	\$482,400	6.23%
Fair Market Value of Leased Space or Equipment	\$4,114,469	\$954,086	\$5,068,555	65.42%
<b>Total Uses of Funds</b>	<b>\$6,245,069</b>	<b>\$1,503,054</b>	<b>\$7,748,123</b>	<b>100.00%</b>
<b>Sources of Funds</b>				
Cash and Securities	\$2,130,600	\$548,968	\$2,679,568	34.58%
Leases (fair market value)	\$4,114,469	\$954,086	\$5,068,555	65.42%
<b>Total Sources of Funds</b>	<b>\$6,245,069</b>	<b>\$1,503,054</b>	<b>\$7,748,123</b>	<b>100.00%</b>
1. See Appendix I at the end of this report for itemization of these costs				

**VI. Project Details**

The applicants are proposing to discontinue its twenty-four (24) station Crestwood dialysis facility located at 4881 Cal Sag Road, Crestwood in a Medically Underserved Area (MUA) in the HSA 7 ESRD Planning Area. A twenty-four (24) station replacement facility in 10,372 GSF of leased space will be established in Crestwood approximately 1.6 miles and 5 minutes away from the current site. The new site is one block outside the MUA. The current one hundred one (101) patients are all expected to transfer to the new site upon opening.

Medically Underserved Areas (MUAs) and Medically Underserved Populations (MUPs) identify geographic areas and populations with a lack of access to primary care services. MUAs have a shortage of primary care health services for residents within a geographic area such as:

- a whole county;
- a group of neighboring counties;
- a group of urban census tracts; or
- a group of county or civil divisions.

MUPs are specific sub-groups of people living in a defined geographic area with a shortage of primary care health services. These groups may face economic, cultural, or linguistic barriers to health care. Examples include, but are not limited to, those who are:

- homeless;
- low-income;
- Medicaid-eligible;
- Native American; or
- migrant farmworkers.

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. [Source Health Resources and Services Administration (HRSA)]

## VII. Background of the Applicants

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

*An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. To demonstrate compliance with this criterion the applicants must provide*

- A) 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;
- B) 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;
- C) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
- D) An attestation that the applicants have had no *adverse action*<sup>2</sup> taken against the any facility owned or operated by applicants.

1. The applicants have attested that there has been no adverse action taken against any of the facilities owned or operated by Fresenius Kidney Care during the three (3) years prior to filing the application. [Application for Permit pages 46-47]
2. The applicants have authorized the Illinois Health Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connection with the applicants' certificate of need to establish a twelve station ESRD facility. The authorization includes, but is not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. [Application for Permit pages 46-47]
3. The site is owned by Net3 (Crestwood), LLC and evidence of this can be found at pages 28-32 of the application for permit in the Letter of Intent to lease the property at 4809 - 4815 West Midlothian Parkway, Crestwood, Illinois.
4. The applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.*
5. The proposed location of the ESRD facility is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects consider*

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<sup>2</sup> <sup>2</sup> "Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations." (77 IAC 1130.140)

*the preservation and enhancement of both State owned and non-State owned historic resources (20 ILCS 3420/1).*

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

**VIII. Discontinuation**

**A) Criterion 1110.130 –Discontinuation**

**To demonstrate compliance with this criterion the applicants must document the reason for the proposed discontinuation and if the proposed discontinuation will have an adverse effect on access to care.**

The applicants state that the facility is thirty-seven (37) years old and the building is old and deteriorating. The relocation will have no impact on access as the proposed new facility is approximately 1.6 miles and five (5) minutes from its existing location.

The applicants stated

*“The Crestwood facility has been at its current site for 37 years. The current lease term is expiring and the landlord is asking an excessive rate increase to renew. The building is old and deteriorating and has a treatment floor layout that is not optimal for patient care; therefore it does not make sense to renew the lease. Given the fact that the facility serves an underserved population, it is in the patients' best interest to relocate the facility to maintain access to optimal dialysis services in Crestwood. This facility is currently at 69% utilization, however if the two isolation stations, that are certified only for use by a patient requiring isolation, were removed from the calculation the utilization jumps to 76%. It is determined that the "relocation" of the Crestwood facility to an alternate site also in Crestwood will not have any impact on any area ESRD providers. This is simply a relocation of an existing facility and its patients. No additional stations are being requested so there will be no impact to the station inventory. Through pre-ESRD patients identified by Dr. Ahuja that would be referred to the Crestwood facility in the first two years after relocating, along with the current 101 patients, the facility is expected to surpass 80% utilization. No patients are being transferred from any other facility.”*

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION DISCONTINUATION (77 IAC 1110.130).**

These three (3) criteria below are informational only and no conclusion is reached by the State Board Staff.

**IX. Purpose of the Project, Safety Net Impact Statement, Alternatives to the Project**

**A) Criterion 1110.1430 (a) Purpose of the Project**

To demonstrate compliance with this criterion the applicants must document that the project will provide health services that improve the health care or well-being of the market area population to be served.

The purpose of the proposed project is to relocate the 24-station Crestwood facility to a brand new facility just minutes away in Crestwood will allow patients a new, more modern facility along with a treatment room that will better serve them in the most cost effective way. There will be no interruption in service to the current patients of the Crestwood clinic since the "relocation" of the facility will occur on a Sunday when there are no patient treatments scheduled.

The applicants are discontinuing a twenty-four (24) station facility and establishing a twenty-four station facility approximately 1.6 miles and five (5) minutes from its current facility. Additionally the applicants state that the current facility is thirty-seven (37) years old and the building is in need of repair. The current lease is expiring and according to the applicant the proposed new lease terms are excessive at the current site.

The applicants stated in part:

*“Fresenius Kidney Care (FKC) proposes to relocate its Crestwood 24 station ESRD facility located at 4861 Cal Sag Road, Crestwood to 4809-4815 Midlothian Turnpike, also in Crestwood. This move will allow continued access to dialysis services in Crestwood to the current 101 patients as the lease to the current site is expiring. Due to the age of the building and the inefficient layout of the treatment floor, renewing the lease was not a viable option. The new location will offer patients a more modern and esthetically pleasing environment to dialyze in and staff an improved floor plan for ease of providing optimal patient care. The facility's current location and the relocation site are both in Crestwood, Cook County, in HSA 7. There is extensive structural work that needs to be done on the building such as updated plumbing, new water room, new roofing and new interior baseboard and wall replacements due to rusting. Aside from the physical condition, the facility's floor plan has the treatment room split in two sections with offices located in between. This is not optimal for patient care. The lease could potentially be renewed at a higher lease rate, however Fresenius does not feel it is in the patients' best interest to remain in the same building.”*

The table below outlines the proposed service area that will be served by the proposed facility.

<b>TABLE FOUR</b>			
<b>Zip Codes and Population within thirty (30) minutes of proposed facility</b>			
<b>Zip Code</b>	<b>Population</b>	<b>City</b>	<b>County</b>
60406	25,460	Blue Island	Cook
60409	37,186	Calumet City	Cook
60411	58,136	Chicago Hts.	Cook
60415	14,139	Chicago Ridge	Cook
60419	22,788	Dolton	Cook
60422	9,403	Flossmoor	Cook
60423	30,423	Frankfort	Cook
60425	9,117	Glenwood	Cook
60426	29,594	Harvey	Cook
60428	12,203	Markham	Cook
60429	15,630	Hazel Crest	Cook
60430	20,094	Homewood	Cook
60438	28,884	Lansing	Cook
60439	22,919	Lemont	Cook
60443	21,145	Matteson	Cook
60445	26,057	Midlothian	Cook
60448	24,423	Mokena	Will
60449	9,217	Monee	Will
60452	27,969	Oak Forest	Cook
60453	56,855	Oak Lawn	Cook
60455	16,446	Bridgeview	Cook
60456	4,349	Hometown	Cook
60457	14,049	Hickory Hills	Cook
60458	14,428	Justice	Cook
60459	28,929	Burbank	Cook
60461	4,836	Olympia Fields	Cook
60462	38,723	Orland Park	Cook
60463	14,671	Palos Heights	Cook
60464	9,620	Palos Park	Cook
60465	17,495	Palos Hills	Cook
60466	22,115	Park Forest	Cook
60467	26,046	Orland Park	Cook
60469	5,930	Posen	Cook
60471	14,101	Richton Park	Cook
60472	5,390	Robbins	Cook
60473	22,439	South Holland	Cook
60476	2,391	Thornton	Cook
60477	38,161	Tinley Park	Cook
60478	16,833	Country Club Hills	Cook
60480	5,246	Willow Springs	Cook
60482	11,063	Worth	Cook
60484	6,829	University Park	Will
60487	26,928	Tinley Park	Cook
60491	22,743	Homer Glen	Cook
60501	11,626	Summit Argo	Cook
60521	17,597	Hinsdale	DuPage
60525	31,168	La Grange	Cook

<b>Zip Code</b>	<b>Population</b>	<b>City</b>	<b>County</b>
60527	27,486	Willowbrook	DuPage
60558	12,960	Western Springs	Cook
60619	63,825	Chicago	Cook
60620	72,216	Chicago	Cook
60628	72,202	Chicago	Cook
60633	12,927	Chicago	Cook
60638	55,026	Chicago	Cook
60643	49,952	Chicago	Cook
60652	40,959	Chicago	Cook
60655	28,550	Chicago	Cook
60803	22,285	Alsip	Cook
60805	19,852	Evergreen Park	Cook
60827	27,946	Riverdale	Cook
<b>Total</b>	<b>1,457,980</b>		

**B) Criterion 1110.1430 (b) – Safety Net Impact Statement**

To document compliance with this criterion the applicants must document

- 1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.**
- 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 relocation of Fresenius Medical Care of Crestwood will not have any impact on safety net services in the Crestwood area of Cook County. Outpatient dialysis services are not typically considered "safety net" services, to the best of our knowledge. However, we do provide care for patients in the community who are economically challenged and/or who are undocumented aliens, who do not qualify for Medicare/Medicaid pursuant to an Indigent Waiver policy. We assist patients who do not have insurance in enrolling when possible in Medicaid 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. The table below shows the amount of "self-pay" care and Medicaid services provided for the 3 fiscal years prior to submission of the application for all Illinois Fresenius Kidney Care facilities.*

*The applicant(s) do not provide charity care at any of their facilities per the Board's definition of charity care because self-pay patients are billed and their accounts are written off as bad debt. Fresenius takes Medicaid patients without limitations or exception. The applicant(s) are for profit corporations and do not receive the benefits of not for profit entities, such as sales tax and/or real estate exemptions, or charitable donations. The applicants are not required, by any State or Federal law, including the Illinois Healthcare Facilities Planning Act, to provide charity care. The applicant(s) are prohibited by Federal law from advising patients that they will not be invoiced for care, as this type of representation could be an inducement for patients to seek care prior to qualifying for Medicaid, Medicare or other available benefits. Self-pay patients are invoiced and then the accounts written off as bad debt. Uncompensated care occurs when a patient is not eligible for any type of insurance coverage (whether private or governmental) and receives treatment at our facilities. It is rare in Illinois for patients to have no coverage as patients who are not Medicare eligible are Medicaid eligible or are able to purchase insurance on the Healthcare Marketplace with premiums paid for by The American Kidney Fund. This represents a small number of patients, as Medicare covers all dialysis services as long as an individual is entitled to receive Medicare benefits (i.e. has worked and paid into the social security system as a result) regardless of age. In addition, in Illinois Medicaid covers patients who are undocumented for ESRD only. Also, the American Kidney Fund funds health insurance premiums for patients who meet the AKF's financial parameters and who suffer from end stage renal disease (see uncompensated care attachment). The applicants work with patients to procure coverage for them as possible whether it be Medicaid, Medicare and/or coverage on the Healthcare Marketplace funded by AKF. The applicants donate to the AKF to support its initiatives as do most dialysis providers. If a patient has no available insurance coverage, they are billed for services rendered, and after three statement reminders the charges are written off as bad debt. Collection actions are not initiated unless the applicants are aware that the patient has substantial financial resources available and/or the patient has received reimbursement from an insurer for services we have rendered, and has not submitted the payment for same to the applicants. Nearly all dialysis patients in Illinois will qualify for some type of coverage and Fresenius works aggressively with the patient to obtain insurance coverage for each patient.*

The applicants' admission policy states:

*“Where medically appropriate and consistent with this policy, facilities shall admit and treat patients needing dialysis without regard to race, creed, or religion, color, age, sex, disability, national origin, marital status, diagnosis and or sexual orientation.”* [March 2014]

**TABLE FIVE <sup>3</sup>**  
**SAFETY NET INFORMATION**  
**Fresenius Medical Care Facilities in Illinois**

	2013	2014	2015
<b>Net Revenue</b>	<b>\$398,570,288</b>	<b>\$411,981,839</b>	<b>\$438,247,352</b>
<b>CHARITY</b>			
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%
<b>MEDICAID</b>			
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%

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

**To demonstrate compliance with this criterion the applicants must document all alternatives to the proposed project that were considered.**

The applicants considered the following alternatives:

1. The alternative of doing nothing was not considered. The lease at the current site is expiring and action needs to be taken now to provide care to the Crestwood patients. There is no cost to this alternative. The alternative of renewing the current lease was rejected because the applicants believe the leaseholder is asking an excessive rate increase to renew. It is expected it would cost approximately \$2,000,000 more over the next 15 years to remain at the current site rather than relocating.
2. The alternative of relocating fewer stations, since the clinic is operating below 80% utilization, was not determined to be a financially sound alternative. After relocation to a newer modern structure it is expected that the utilization will increase as patients prefer to dialyze in a more comfortable environment. Also, this facility operates two (2) isolation stations that are certified for isolation patients only and cannot dialyze the general population of ESRD patients in these stations. Removing these stations from the calculation puts the clinic, as it operates, at 76% utilization. It is more cost effective to relocate all the stations now rather than to have to re-install them later. (This was originally a 34-station facility and Fresenius surrendered 2 stations in 2008 to address the underutilization. Also, in 2012, Fresenius surrendered 8 more stations contingent

<sup>3</sup> **Note to Table Five**

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.

on the establishment of Fresenius Oak Forest, #12-012). The cost of relocating all but three of the stations to attain 80% utilization would only result in a savings of about \$100,000 over relocating all 24 stations.

3. Pursuing a joint venture or similar arrangement. This facility is not currently a joint venture and there is no desire for any parties to form a joint venture for this clinic at this time.
4. Utilizing other health care resources. Southwest Nephrology Associates (SWNA) already admits to several area facilities and although some have minimal capacity, no clinic can accommodate an additional 101 patients. It would not make sense to scatter these patients out to area clinics across the southwest Chicago area. This would create loss of continuity of care and increased transportation costs and difficulties. There is no cost to utilizing other area providers.

The applicants stated “*the most reasonable alternative to address the lease expiration and physical issues at the current site is to relocate FKC Crestwood into a brand new, more modern and efficient facility also located in Crestwood in order to maintain services to the underserved residents.*” The cost of this project is \$7,748,123.

**X. Project Size, Projected Utilization, Assurances**

**A) Criterion 1110.234 (a) – Project Size**

**To demonstrate compliance with this criterion the applicants must document that the proposed size of the project is in compliance with the State Board Standard in Part 1110 Appendix B.**

The applicants are proposing 8,300 GSF of clinical space for a twenty-four station ESRD facility. The State Board Standard is 650 GSF per station or 15,600 GSF for a twenty-four station facility. The applicants have met the requirements of the State Board.

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

**B) Criterion 1110.234 (b) – Projected Utilization**

**To demonstrate compliance with this criterion the applicants must document that the twenty-four station facility will be at target occupancy as specified in Part 1100. 630.**

The Fresenius Crestwood facility is treating 101 patients at a utilization rate of 69% as of June 2017 with 24 stations, two of which are isolation stations certified only for those patients requiring isolation services. These stations cannot be use for the general population of ESRD patients. If these two stations were removed from the calculation the clinics utilization as it operates would be 76%.

The applicants have identified an additional fifty-two (52) patients, after accounting for patient attrition, who resides in the immediate Crestwood facility area who will be requiring dialysis services in the first two (2) years if the proposed project is approved.

$$\begin{aligned} 126 \text{ patients} \times 156 \text{ treatment per year} &= 19,656 \text{ treatments} \\ 24 \text{ stations} \times 936 \text{ treatments per year} &= 22,464 \text{ treatments} \\ 19,656 \text{ treatments} / 22,464 \text{ treatments} &= 87.5\% \end{aligned}$$

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

**C) Criterion 1110.234 (c) – Assurances**

**To demonstrate compliance with this criterion the applicants must attest that the proposed facility will be at target occupancy (80%) within two (2) years after project completion.**

The applicants have provided the necessary attestation at page 86 of the application for permit.

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

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<sup>4</sup> Assumes the facility will operate six (6) days a week three (3) shifts per day.

## **XI. In Center Hemo Dialysis**

### **A) Criterion 1110.1430 (c) (1) (2) (3) (5) - Planning Area Need**

**To demonstrate compliance with this criterion the applicants must document The number of stations to be established for in-center hemodialysis is in conformance with the projected station deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.**

#### **1. Planning Area Need**

**To demonstrate compliance with this sub-criterion the applicants must document that there is a calculated need in the ESRD Planning Area.**

There is a calculated excess of two (2) ESRD stations in the HSA VII ESRD Planning Area as of May 2017 Revised Station Need Determination. However the proposed project is a relocation of existing stations and no new stations are being added.

#### **2. Service to Area Residents**

**To demonstrate compliance with this sub-criterion the applicants must document that the proposed ESRD service will serve the residents of the ESRD Planning Area.**

A review of the number of patients by zip code indicates that over fifty percent (50%) of the patients will come from the HSA VII ESRD Planning Area. (See Appendix I at the end of this report)

#### **3. Service Demand**

**To demonstrate compliance with this sub-criterion the applicants must document that there is sufficient demand for the number of stations being proposed.**

Southwest Nephrology Associates, S.C is the referring physician practice for the proposed ESRD facility. Southwest Nephrology Associates, S.C. ("SWNA") was treating 530 hemodialysis patients at the end of 2014, 520 at the end of 2015, 557 at the end of 2016 and 555 as of the most recent quarter. Over the past twelve months SWNA referred 176 new hemodialysis patients for services to the various facilities in the planning area. SWNA also has approximately 46 patients who dialyze at home. There are currently 457 Chronic Kidney Disease (CKD) patients in the zip codes surrounding Crestwood. Forty (40) of these are expected to require dialysis in the next 18 months to two years before the relocated facility is open. There are another 86 CKD patients who could be expected to require dialysis services in the first two years the relocated facility is in operation. Accounting for patient attrition, fifty-two (52) patients (there are 65 total but 13 were removed from the count because they were represented in # 16-026) of these would begin dialysis treatment at the relocated Crestwood facility in the first 24 months that it is open.

#### **5. Service Accessibility**

**To demonstrate compliance with this sub-criterion the applicants must document at least one of the following:**

- i) **The absence of the proposed service within the planning area;**
- ii) **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;**
- iii) **Restrictive admission policies of existing providers;**
- iv) **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;**

- v) **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 ESRD service in the proposed HSA VII ESRD Planning Area. No evidence has been provided of access limitations due to payor status of patients, or evidence of restrictive admission policies at existing providers. The proposed new facility will be located one block outside an area currently designated by the Secretary of the Health and Human Services as a Medically Underserved Area, or a Medically Underserved Population. There are forty-three (43) ESRD facilities within thirty (30) minutes of the proposed facility. Eight (8) of the facilities are recently approved and report no utilization data and one (1) facility (Concerto Dialysis) did not report their second quarter 2017 utilization data. Average utilization of the remaining thirty-four (34) facilities is approximately seventy-four percent (74%). (See Table Below)

While there is an excess of stations in the ESRD Planning Area no new stations will be added in the HSA VII ESRD Planning Area should the proposed relocation be approved. It also appears reasonable that the proposed facility while not located in the MUA or MUP will serve the residents of the area as the proposed facility will locate one block outside the MUA or MUP. There is sufficient demand for the facility and the proposed facility will serve the residents of the planning area. It appears that there is a need for the proposed facility.

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

**TABLE SIX**  
**Facilities within thirty (30) minutes of the proposed**

<b>Facility</b>	<b>City</b>	<b>Adjusted Time <sup>(1)</sup></b>	<b>Stations <sup>(2)</sup></b>	<b>Utilization <sup>(3)</sup></b>	<b>Star Rating <sup>(4)</sup></b>
FKC Crestwood	Crestwood	3.45	24	70.14%	3
FKC Alsip	Alsip	6.9	20	73.33%	3
FKC Oak Forest	Oak Forest	6.9	12	72.22%	3
DaVita Country Hills	Country Club Hills	9.2	24	67.36%	3
FKC Merrionette Park	Merrionette Park	13.8	24	99.31%	3
FKC Hazel Crest	Hazel Crest	13.8	16	83.33%	3
FKC Blue Island	Blue Island	16.1	28	73.21%	3
DaVita Stoney Creek	Oak Lawn	16.1	14	90.48%	3
DaVita Hazel Crest	Hazel Crest	17.25	19	83.33%	3
FKC Orland Park	Orland Park	17.25	18	65.74%	4
DaVita Chicago Ridge	Worth	17.25	16	43.75%	NA
DaVita Mt. Greenwood	Chicago	18.4	16	109.38%	3
DaVita Olympia Fields	Matteson	18.4	24	74.31%	3
DaVita Tinley Park	Tinley Park	18.4	12	22.20%	NA
DaVita Palos Park	Orland Park	19.55	12	80.56%	2
FKC Mokena	Mokena	19.55	14	69.05%	3
DaVita Harvey	Harvey	19.55	18	62.04%	2
DaVita So Holland	South Holland	21.85	24	84.03%	4
USRC Scottsdale	Chicago	23	36	64.81%	3
DaVita Calumet City	Calumet City	23	16	1.04%	NA
FKC South Suburban	Olympia Fields	24.15	27	78.04%	2
FKC Chatham	Chicago	25.3	16	94.79%	3
DaVita Chicago Heights	Chicago Heights	26.45	16	97.92%	4
FKC Burbank	Burbank	26.45	26	79.49%	3
FKC Roseland	Chicago	27.6	12	100.00%	2

**TABLE SIX**  
**Facilities within thirty (30) minutes of the proposed**

Facility	City	Adjusted Time <sup>(1)</sup>	Stations <sup>(2)</sup>	Utilization <sup>(3)</sup>	Star Rating <sup>(4)</sup>
DaVita West Lawn	Chicago	27.6	12	90.28%	4
DaVita New Lenox	New Lenox	28.75	19	91.23%	3
DaVita Stony Island	Chicago	28.75	32	80.21%	5
FKC So Holland	South Holland	28.75	24	72.22%	3
FKC Garfield	Chicago	28.75	22	68.18%	4
FKC Midway	Chicago	29.9	12	91.67%	3
FKC Greenwood	Chicago	29.9	28	70.83%	2
FKC Willowbrook	Willowbrook	29.9	20	63.30%	3
FKC Summit	Summit	29.9	12	19.44%	NA
Total Stations/Average Utilization			665	73.15%	

Concerto Dialysis	Crestwood	1.15	9	Not Provided	1
Kidney Care Oak Lawn	Oak Lawn	17.25	11	0.00%	NA
USRC Hickory Hills	Hickory Hills	18.4	13	0.00%	NA
Kidney Care Olympia Fields	Olympia Fields	19.55	11	0.00%	NA
DaVita Washington Heights	Chicago	25.3	16	0.00%	NA
FKC Beverly Ridge	Chicago	25.3	16	0.00%	NA
FKC Evergreen Park	Evergreen Park	26.45	30	0.00%	NA
USRC West Chicago	Chicago	26.45	13	0.00%	NA
FKC Chicago Heights	Chicago Heights	29.9	12	0.00%	NA
Total Stations			131		

1. Adjusted Time determined by MapQuest and adjusted per 77 IAC 1100.510 (d)
2. Stations as of May 2017
3. Utilization for the Second Quarter of 2017
4. Star Rating taken from the Medicare ESRD Compare Website. See explanation at the end of this report.
5. Table sorted by time

**B) Criterion 1110.1430 (d) - Unnecessary Duplication/Mal-distribution**

To demonstrate compliance with this criterion the applicants must document that

- 1) the project will not result in an unnecessary duplication of service;
- 2) the project will not result in a mal-distribution of service ; and
- 3) the project will not impact other ESRD providers in the thirty (30) minute service area.

- 1. There are forty-three (43) ESRD facilities within thirty (30) minutes of the proposed facility. Eight (8) of the facilities are recently approved and report no utilization data and one (1) facility (Concerto Dialysis) did not report their second quarter 2017 utilization data. Average utilization of the remaining thirty-four (34) facilities is approximately seventy-four percent (74%). (See Table Above)
- 2. There are a total of seven hundred ninety-six (796) stations in the thirty (30) minute service area. There are a total of 1,457,980 residents in the thirty (30) minute service area. The 2015 estimated population in the State of Illinois is 12,978,800 residents (*Illinois Department of Public Health Office of Health Informatics Illinois Center for Health Statistics -2014 Edition*) and the number of ESRD stations is 4,585.

	<b>Population</b>	<b>Stations</b>	<b>Ratio</b>
State of Illinois (2015 Est.)	12,978,800	4,585	1 station per 2,831 residents
30 Minute Area (Est.)	1,457,980	796	1 station per 1,832 residents

- 3. The applicants state *“The relocation of FKC Crestwood will not have an adverse effect on any other area ESRD provider, but will have a positive impact by maintaining access to dialysis services to the Crestwood underserved market.”*

Although all facilities within the thirty (30) minute travel time are not above the target utilization of eighty percent (80%) (See Table Above), average utilization of the facilities within thirty (30) minutes that have been in operation over two (2) years is approximately seventy-four percent (74%). It would appear to be a surplus of stations<sup>5</sup> in the thirty (30) minute service area as the population per station in the thirty (30) minute service area is 1.5 times the population per station in the State of Illinois. This ratio includes the existing FMC Crestwood Facility, and the discontinuation of an existing facility and establishment of a new facility approximately five (5) minutes away will not add to the surplus. It also appears that the proposed relocation will not impact other facilities in the thirty (30) minute service area as no patients are being transferred from other facilities in the service area.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (77 IAC 1110.1430 (d))**

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<sup>5</sup>Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, stations and services characterized by such factors as, a ratio of stations to population that exceeds one and one-half times the State average.

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

To demonstrate compliance with this criterion the applicants must 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.

The proposed facility will be staffed in accordance with all State and Medicare staffing requirements. Dr. Akash Ahuja is currently the Medical Director for Fresenius Medical Care Crestwood and will continue to be the Medical Director after the relocation. Dr. Ahuja curriculum vitae has been provided. Upon the discontinuation of the Crestwood facility and the establishment of the replacement Crestwood facility all staff will transfer to the new location and resume their current position. There will be no break in employment or work schedules as the facility will relocate on a Sunday when there is no patient treatments scheduled. This will include the following staff:

- Clinic Manager who is a Registered Nurse
- 3 Full-time Registered Nurses
- 12 Full-time Patient Care Technicians
- 1 Full-time Registered Dietitian
- 1 Full-time Licensed Master level Social Worker
- 1 Full-time Equipment Technician
- 1 Full-time Secretary

Fresenius Kidney Care Crestwood will remain an "open" unit with regards to medical staff. Any Board Licensed nephrologists may apply for privileges at the Crestwood facility, just as they currently are able to at all Fresenius Kidney Care facilities.

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

**D) Criterion 1110.1430 (g) - Support Services**

To demonstrate compliance with this criterion the applicants must 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 have provided the necessary attestation as required at page 79 of the application for permit.

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

**E) Criterion 1110.1430 (h) - Minimum Number of Stations**

**To demonstrate compliance with this criterion the applicants must document that the minimum number of in-center hemodialysis stations for an End Stage Renal Disease (ESRD) facility is:**

- 1) Four dialysis stations for facilities outside an MSA;**
- 2) Eight dialysis stations for a facility within an MSA.**

The proposed twenty-four (24) station facility will be located in the Chicago-Joliet-Naperville metropolitan statistical area ("MSA"). The applicants have met the requirements of this criterion.

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

**F) Criterion 1110.1430 (i) - Continuity of Care**

**To demonstrate compliance with this criterion the applicants document that a signed, written affiliation agreement or arrangement is in effect for the provision of inpatient care and other hospital services. Documentation shall consist of copies of all such agreements.**

The applicants have provided the necessary signed affiliation agreement with Palos Community Hospital as required at pages 80-84 of the application for permit.

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

**G) Criterion 1110.1430 (j) – Relocation of Existing Facility**

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

- 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. Fresenius Medical Care Crestwood was operating at approximately 71% utilization as of June 30, 2017. Over the past two years the average utilization was 76% and over the past year the average utilization was 72%. The Crestwood facility has two (2) of its twenty-four (24) stations certified and dedicated to treat only isolation patients and cannot be used for the general population of ESRD patients. The usage of these stations fluctuates. Currently there is only one isolation patient at the facility so only one of these stations is utilized and only on one treatment shift.

2. The Fresenius Crestwood facility has been at the same location for 37 years and the lease is expiring. The building is outdated and requires significant work, and the landlord wants a significant increase in the lease rate if the lease is renewed. The treatment area of the existing facility is split into two completely separate rooms divided by offices. This configuration is difficult to staff and is an inefficient way to operate one clinic. A new facility will offer the Crestwood patients improved access to one treatment room in a safer, nicer, modern environment improving patient satisfaction.

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

**H) Criterion 1110.1430 (k) - Assurances**

To demonstrate compliance with this criterion the representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that:

- 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) An applicant proposing to expand or relocate in-center hemodialysis stations 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 necessary attestation has been provided at page 86 of the application for permit.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.1430 (k)) (5))**

Purpose of the Act “This Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.”

## **XII. Financial Viability**

### **A) Criterion 1120.120 –Availability of Funds**

**To demonstrate compliance with this criterion the applicants must document that resources are available to fund the project.**

The applicants are funding this project with cash in the amount of \$2,679,568 and the FMV (Fair Market Value) of a lease in the amount of \$5,068,555. The lease is an operating lease<sup>6</sup> and the expense will be paid over the life of the lease and will not result in the immediate outlay of \$5,068,055 (see lease payment schedule at criteria 77 IAC 1120.140 (a) & (b)). A review of Fresenius Medical Care Holdings, Inc. audited financial statements indicates that the applicants have sufficient resources to fund this project.

	<b>2014</b>	<b>2015</b>	<b>2016</b>
Cash & Investments	\$195,280	\$249,300	\$357,899
Current Assets	\$4,027,091	\$4,823,714	\$5,208,339
Total Assets	\$18,489,619	\$19,332,539	\$20,135,661
Current Liabilities	\$2,058,123	\$2,586,607	\$2,799,192
Long Term Debt	\$2,669,500	\$2,170,018	\$2,085,331
Total Liabilities	\$9,029,351	\$9,188,251	\$9,602,364
Total Revenues	\$10,373,232	\$11,691,408	\$12,806,949
Expenses	\$9,186,489	\$10,419,012	\$11,185,474
Income Before Tax	\$1,186,743	\$1,272,396	\$1,621,175
Income Tax	\$399,108	\$389,050	\$490,932
<i>Net Income</i>	\$787,635	\$883,346	\$1,130,243

Source: 2014/2015/2016 Audited Financial Statements

<sup>6</sup> Operating lease is a contract wherein the owner, called the Lessor, permits the user, called the Lessee, to use of an asset for a particular period which is shorter than the economic life of the asset without any transfer of ownership rights. The Lessor gives the right to the Lessee in return for regular payments for an agreed period of time.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA AVAILABILITY OF FUNDS (77 IAC 1120.120)**

**B) Criterion 1120.130 – Financial Viability**

**To demonstrate compliance with this criterion the applicants must document that they have an “A” or better bond rating or have sufficient resources to fund the project internally to qualify for the financial waiver.<sup>7</sup>**

The applicants have qualified for the financial waiver because they have provided documentation that they have sufficient cash to fund this project. [See Table Six above]

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITYH (77 IAC 1120.130)**

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<sup>7</sup> Financial Viability Waiver: The applicant is NOT required to submit financial viability ratios if:

1. all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.
2. the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.
3. the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

**XIII. Economic Feasibility**

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

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

**To demonstrate compliance with these two criteria the applicants must demonstrate that the financing is reasonable. The State Board considers lease financing as debt financing.**

The applicants have attested that the entering into of a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic. 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 applicants provided a copy of a Letter of Intent to Lease 10,372/GSF of space located at 4809-4815 W. Midlothian Turnpike Crestwood, Illinois. The initial term is for fifteen (15) years between Net3 (Crestwood), LLC (landlord) and Dialysis Centers of America Illinois, LLC with the guarantor Fresenius Medical Care Holdings, Inc. The annual rent is \$26.75/sq. ft. and increases by 1.7% in Year 2 going forward. (See Application for Permit page 86-91)

Yearly	Monthly
\$277,451.00	\$23,121.00
\$282,167.67	\$23,514.00
\$286,964.52	\$23,914.00
\$291,842.91	\$24,320.00
\$296,804.24	\$24,734.00
\$301,849.92	\$25,154.00
\$306,981.36	\$25,582.00
\$312,200.05	\$26,017.00
\$317,507.45	\$26,459.00
\$322,905.08	\$26,909.00
\$328,394.46	\$27,366.00
\$333,977.17	\$27,831.00
\$339,654.78	\$28,305.00
\$345,428.91	\$28,785.00
\$351,301.20	\$29,275.00

The applicants have made the required attestation and the lease appears to be reasonable for a project of this size and scope.

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

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

To demonstrate compliance with this criterion the applicants must document meet the State Board Standards published in Part 1120 Appendix A.

**TABLE SEVEN  
Reasonableness of Project Costs**

	<b>Project Costs</b>	<b>State Board Standard</b>	<b>Project</b>	<b>Met Standard?</b>	
Modernization Contracts and Contingencies	\$1,610,100	\$194.87/gsf	\$1,617,421	\$193.99 gsf	Yes
Contingencies	\$141,100	15.00%	\$220,365	9.60%	Yes
Architectural/Engineering Fees	\$148,000	9.98%	\$160,688	9.19%	Yes
Movable or Other Equipment (not in construction)	\$372,400	\$1,288,392	\$53,683/station	\$15,517/station	Yes
Fair Market Value of Leased Space or Equipment	\$4,114,469		NA		
1.	Modernization and Contingencies Standard is \$178.33 (2015) inflated by 3% per year to the midpoint of construction				
2.	Contingencies are 15% of modernization contract.				
3.	A/E fees are based upon State of Illinois Capital Development Board Handbook				
4.	Movable or Other Equipment is \$39,945 (2008) inflated by 3% to the midpoint of construction.				

**Itemization of Project Costs**

<b>Itemization of Project Costs</b>	
<b>Modernization</b>	
General Conditions	\$91,792
Temp Facilities, Controls, Cleaning, Waste Management	\$4,590
Concrete	\$23,499
Masonry	\$27,905
Metal Fabrications	\$13,769
Carpentry	\$161,371
Thermal, Moisture & Fire Protection	\$32,678
Doors, Frames, Hardware, Glass & Glazing	\$125,755
Walls, Ceilings, Floors, Painting	\$296,489
Specialties	\$22,948
Casework, Fl Mats & Window Treatments	\$11,015
Piping, Sanitary Waste, HVAC, Ductwork, Roof Penetrations	\$587,470
Wiring, Fire Alarm System, Lighting	\$353,951
Miscellaneous Construction Costs	\$82,613
<b>Total</b>	<b>\$1,835,845</b>

Moveable or Other Equipment	
Dialysis Chairs	\$62,400
Clinical Furniture & Equipment	\$60,000
Office Equipment & Other Furniture	\$50,000
Water Treatment	\$150,000
TVs & Accessories	\$80,000
Telephones	\$20,000
Generator	\$10,000
Facility Automation	\$20,000
Other miscellaneous	\$30,000
<b>Total</b>	<b>\$482,400</b>

Source: Application for Permit page 37

**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) – Projected Operating Costs**

To demonstrate compliance with this criterion the applicants must document that the projected direct annual operating costs for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs mean the fully allocated costs of salaries, benefits and supplies for the service.

The applicants are projecting \$227.61 operating expense per treatment for the first full fiscal year at target utilization.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED OPERATING COSTS (77 IAC 1120.140 (D))**

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

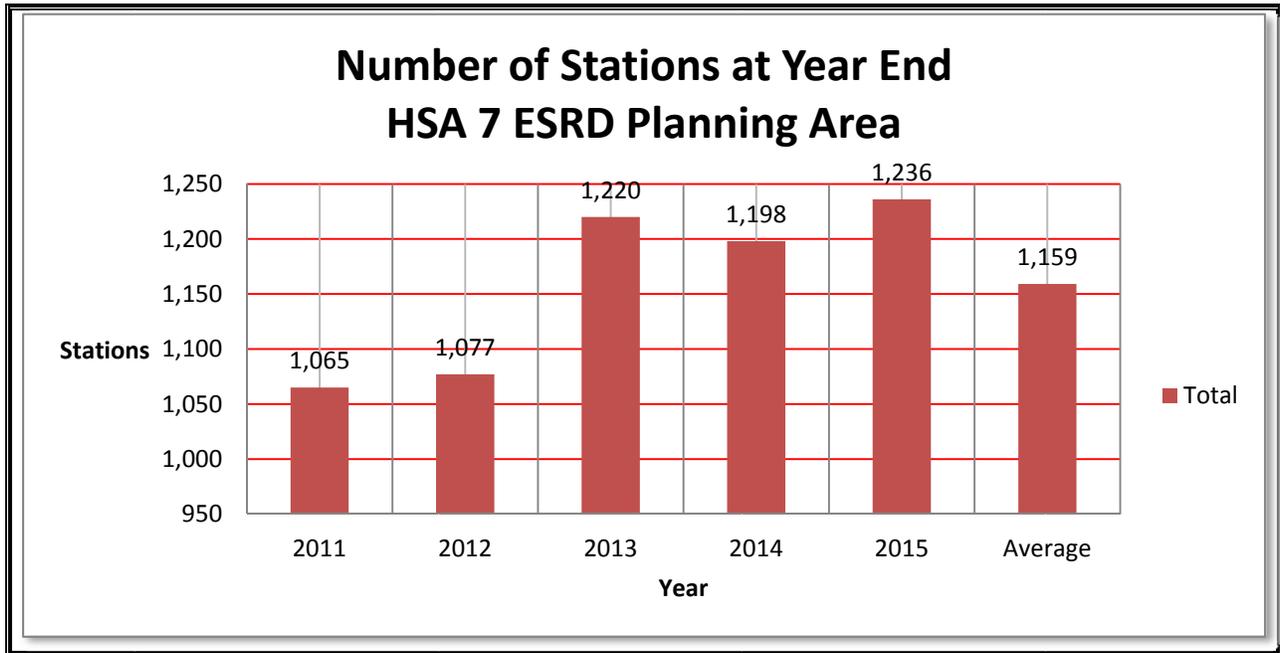
To demonstrate compliance with this criterion the applicants must provide the total projected annual capital costs for the first full fiscal year at target utilization but no more than two years following project completion. Capital costs are defined as depreciation, amortization and interest expense.

The applicants are projecting capital costs of \$12.06 per treatment for the first full fiscal year at target utilization.

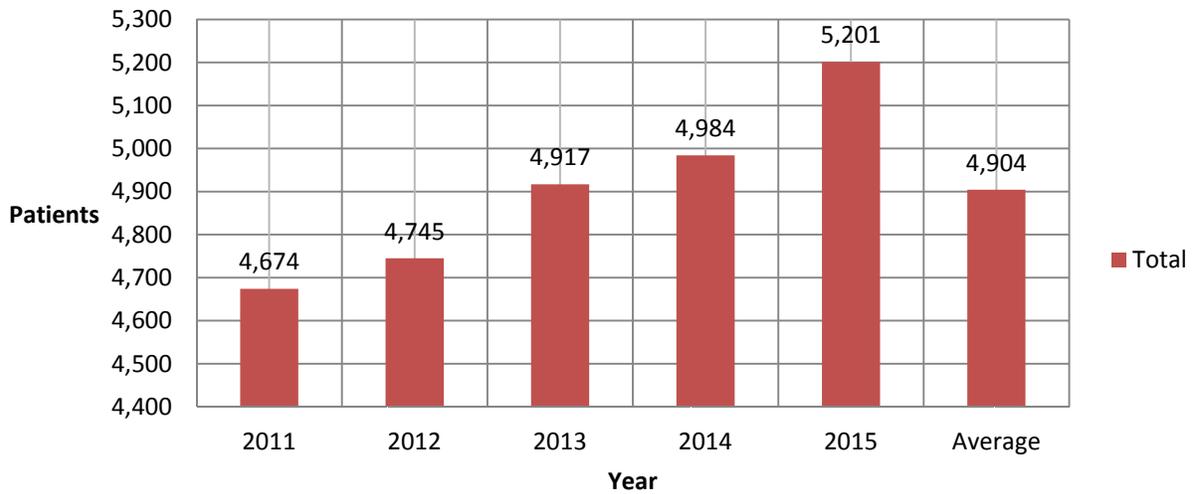
**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140 (e))**

<b>Appendix I</b>				
<b>Current and Pre-ESRD Patients Zip Code of Residence</b>				
<b>Zip Code</b>	<b>City</b>	<b>County</b>	<b>Number of Patients</b>	<b>Number of Pre-ESRD Patients</b>
60406	Blue Island	Cook	4	4
60406	Blue Island	Cook	3	
60409	Calumet City	Cook	1	
60415	Chicago Ridge	Cook	5	3
60419	Dolton	Cook	2	
60426	Harvey	Cook	2	3
60428	Markham	Cook	1	1
60429	Hazel Crest	Cook	1	
60436	Joliet	Will	6	
60443	Matteson	Cook	1	
60445	Midlothian	Cook	23	16
60452	Oak Forest	Cook	4	
60452	Oak Forest	Cook	2	
60453	Oak Lawn	Cook	3	
60457	Hickory Hills	Cook	1	
60458	Justice	Cook	1	
60462	Orland Park	Cook	1	
60463	Palos Heights	Cook		7
60464	Palos Park	Cook		4
60465	Palos Hills	Cook	5	2
60465	Palos Hills	Cook	1	
60466	Park Forest	Cook	1	
60469	Posen	Cook	1	
60472	Robbins	Cook	4	2
60472	Robbins	Cook	2	
60473	South Holland	Cook	1	
60482	Worth	Cook	4	3
60540	Naperville	Will	1	
60617	Chicago	Cook	1	
60620	Chicago	Cook	1	
60628	Chicago	Cook	5	
60636	Chicago	Cook	2	
60636	Chicago	Cook	1	
60637	Chicago	Cook	1	
60643	Chicago	Cook	1	
60649	Chicago	Cook	1	
60803	Alsip	Cook	3	7
60805	Evergreen Park	Cook	1	
60827	Calumet Park	Cook	2	
<b>Total</b>			<b>101</b>	<b>52</b>

Appendix II



## Number of Patients at Year End HSA 7 ESRD Planning Area



## Star Rating System

### Centers for Medicare & Medicaid Services (CMS) Star Ratings

*“The star ratings are part of Medicare’s efforts to make data on dialysis centers easier to understand and use. The star ratings show whether your dialysis center provides quality dialysis care - that is, care known to get the best results for most dialysis patients. The rating ranges from 1 to 5 stars. A facility with a 5-star rating has quality of care that is considered ‘much above average’ compared to other dialysis facilities. A 1- or 2- star rating does not mean that you will receive poor care from a facility. It only indicates that measured outcomes were below average compared to those for other facilities. Star ratings on Dialysis Facility Compare are updated annually to align with the annual updates of the standardized measures.”*

CMS assigns a one to five ‘star rating’ in two separate categories: best treatment practices and 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.

The Dialysis Facility Compare website currently reports on 9 measures of quality of care for facilities. These measures are used to develop the star rating. Based on the star rating in each of the two categories, CMS then compiles an ‘overall rating’ for the facility. As with the separate categories: the more stars, the better the rating. The star rating is based on data collected from January 1, 2012 through December 31, 2015.

# 17-025 Fresenius Medical Care Crestwood - Crestwood

