



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET NO:</b> H-04	<b>BOARD MEETING:</b> April 17, 2018	<b>PROJECT NO:</b> 17-060	<b>PROJECT COST:</b> Original: \$5,863,604
<b>FACILITY NAME:</b> Fresenius Kidney Care Waukegan Park		<b>CITY:</b> Waukegan	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA:</b> VIII

**PROJECT DESCRIPTION:** The Applicantss (Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Lake County, LLC) are proposing to establish a twelve (12) station ESRD facility in 7,600 GSF of leased space in Waukegan, Illinois. The cost of the project is \$5,863,604, and the scheduled completion date is December 31, 2019.

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- The Applicantss (Fresenius Medical Care Holdings, Inc and Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park) are proposing the establishment of a twelve (12) station ESRD facility in 7,600 GSF of leased space in Waukegan, Illinois. The cost of the project is \$5,863,604, and the scheduled completion date is December 31, 2019.
- Two additional projects located in the HSA VIII ESRD Planning Area are on the April 17, 2018 Agenda.
  - Project #17-061-Dialysis Care Center Elgin to establish a 14-station ESRD facility in Elgin, Illinois
  - Project #17-066-DaVita North Dunes Dialysis to establish a 12-station ESRD facility in Waukegan, Illinois

### **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
- One of the objectives of the Health Facilities Planning Act is *“to assess the financial burden to patients caused by unnecessary health care construction and modification. Evidence-based assessments, projections and decisions will be applied regarding **capacity, quality, value and equity** in the delivery of health care services in Illinois. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.”* [20 ILCS 3960/2]

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

- The Applicantss state:  
*“The proposed 12-station Fresenius Kidney Care Waukegan Park ESRD facility, to be located in a Federally Designated Medically Underserved Area/Population (MUA/P), of HSA-08 in Lake County, will address the unique access issues that hinder healthcare for the disadvantaged patients residing in Waukegan. Specifically a significant number of patients with income below the poverty level, that because of high area clinic utilization, do not have reasonable access to life saving dialysis services. The two dialysis providers located in Waukegan are operating at an average 97.17% utilization Waukegan residents are 17% African American and 55% Hispanic. These minority populations are more likely to experience diabetes and hypertension leading to kidney failure. In addition, 22% of Waukegan residents live below the federal poverty level. The goal of Fresenius Kidney Care is to provide access to a medically underserved area of Lake County by establishing the Waukegan Park facility in Waukegan to directly address access issues where it is needed most.”*

### **PUBLIC HEARING/COMMENT:**

- A public hearing was offered but was not requested. The project file contains no letters of support and no letters of opposition.

### **SUMMARY:**

- There is a calculated excess of twenty four (24) stations in the HSA-VIII ESRD Planning Area, per the February 2018 Inventory Update. According to the Applicantss, there appears to be a need for twelve (12) stations, based on high utilization at existing facilities, and a need for ongoing access in a area designated as being medically underserved. However, there is an excess of 24 stations in the planning area and six (6) facilities within thirty (30) minutes of the proposed facility, reporting substandard utilization data for the last quarter (December 2017). It does

appear there will be an unnecessary duplication of service or a mal-distribution of stations in the planning area, due to underutilized ESRD facilities in the service area. The proposed facility will have a potential negative effect on existing facilities in the service area.

**CONCLUSIONS:**

- **The Applicantss addressed twenty one (21) criteria and did not meet the following:**

<b>State Board Standards Not Met</b>	
<b>Criteria</b>	<b>Reasons for Non-Compliance</b>
<b>Criterion 1110.1430(c)(1) – Planning Area Need</b>	There is a <b>calculated excess of twenty four (24) stations in the HSA-VIII ESRD Planning Area.</b> By rule the number of stations being proposed is in conformance with the projected station deficit as reflected in the latest updates to the Inventory.
<b>Criterion 1110.1430(d)(1), (2), (3) – Unnecessary Duplication/Maldistribution of Service/Impact on Other Providers</b>	Of the ten (10) facilities identified within the service area, 40%, are operating above the State Board Standard of 80%, which suggests unnecessary duplication of service, maldistribution of service, and the potential for a negative impact on other providers.

**STATE BOARD STAFF REPORT  
Fresenius Kidney Care Waukegan Park  
PROJECT #17-060**

<b>APPLICATION SUMMARY/CHRONOLOGY</b>	
Applicantss	Fresenius Medical Care Holdings, Inc. Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park
Facility Name	Fresenius Kidney Care Waukegan Park
Location	2602 Belvidere Road, Waukegan, Illinois
Application Received	October 30, 2017
Application Deemed Complete	October 31, 2017
Review Period Ends	February 28, 2018
Permit Holder	Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park
Operating Entity	Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park
Owner of the Site	Health Property Services
Project Financial Commitment Date	December 31, 2019
Gross Square Footage	7,600 GSF
Project Completion Date	December 31, 2019
Expedited Review	No
Can Applicantss Request a Deferral?	No
Has the Application been extended by the State Board?	No

**I. The Proposed Project**

The Applicantss (Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park) are proposing the establishment of a twelve (12) station ESRD facility in 7,600 GSF of leased space in Waukegan, Illinois. The cost of the project is \$5,863,604, and the completion date is December 31, 2019.

**II. Summary of Findings**

- A. State Board Staff finds the proposed project **is not** in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project is in conformance with the provisions of 77 ILAC 1120 (Part 1120).

**III. General Information**

The Applicantss are Fresenius Medical Care Holdings, Inc and Fresenius Medical Care Lake County, LLC d/b/a Fresenius Kidney Care Waukegan Park. **Fresenius Medical Care Holdings**, operating as Fresenius Medical Care North America or FMCNA, operates a network of some 2,100 dialysis clinics located throughout the continent. One of the largest providers of kidney dialysis services, FMCNA offers outpatient and in-home hemodialysis treatments for chronic kidney disease. The company's operating units

also market and sell dialysis machines and related equipment and provide renal research, laboratory, and patient support services. FMCNA oversees the North American operations of dialysis giant Fresenius Medical Care AG & Co. Fresenius Medical Care Lake County, LLC is a wholly owned subsidiary of Fresenius Medical Care Holdings, Inc.

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 dates.

<b>TABLE ONE</b>			
<b>Current Fresenius Projects and Status</b>			
<b>Project Number</b>	<b>Name</b>	<b>Project Type</b>	<b>Completion Date</b>
#15-028	FMC Schaumburg	Establishment	5/31/2018
#15-036	FMC Zion	Establishment	12/31/2018
#15-046	FMC Beverly Ridge	Establishment	10/30/2018
#15-050	FMC Chicago Heights	Establishment	09/30/2018
#15-062	FMC Belleville	Establishment	12/31/2018
#16-024	FMC Kidney Care East Aurora	Establishment	9/30/2018
#16-029	FMC Ross Dialysis – Englewood	Relocation/Exp. Establishment	12/31/2018
#16-034	FKC Woodridge	Establishment	3/31/2019
#16-035	FMC Evergreen Park	Relocation/Establishment	5/31/2018
#16-042	FKC Paris Community	Establishment	09/30/2018
#16-049	FMC Macomb	Relocation/Establishment	12/31/2018
#17-003	FMC Gurnee	Expansion	3/31/2018
#17-004	FKC Mount Prospect	Establishment	12/31/2018
#17-023	FMC Oswego	Expansion	12/31/2018
#17-024	FKC Springfield East	Establishment	3/31/2019
#17-025	FMC Crestwood	Relocation/Establishment	9/30/2019
#17-027	FMC Sandwich	Expansion	12/31/2018
#17-033	FMC Palatine	Expansion	12/31/2018
#17-034	FMC Naperbrook	Expansion	12/31/2018

#### IV. Health Service Area

Fresenius Kidney Care Waukegan Park will be located at 2602 Belvidere Road, Waukegan, Illinois in the HSA-VIII ESRD planning area. HSA-VIII includes Kane, Lake, and McHenry counties. The State Board has **projected an excess of twenty-four (24) ESRD stations by CY 2020.** The State Board has projected an increase in the population in this planning area of approximately 2% compounded annually and approximately 6.6% increase in the number of ESRD patients compounded annually in this ESRD Planning Area for the period 2015 to 2020.

<b>Need Methodology HSA VIII ESRD Planning Area</b>	
Planning Area Population – 2015 (Est)	1,540,100
In Station ESRD patients -2015	1,541
Area Use Rate 2015 <sup>(1)</sup>	.910
Planning Area Population – 2020 (Est.)	1,692,900
Projected Patients – 2020 <sup>(2)</sup>	1,541
Adjustment	1.33
Patients Adjusted	2,050
Projected Treatments – 2020 <sup>(3)</sup>	319,727
Existing Stations	451
Stations Needed-2018	427
<b>Number of Stations in Excess</b>	<b>24</b>

#### V. Project Costs

The Applicantss are funding this project with cash and securities in the amount of \$2,038,000 and the fair market value of leased space and equipment of \$3,825,604. The estimated start-up costs and the operating deficit are projected to be \$879,262.

**TABLE THREE**  
**Project Costs and Sources of Funds**

<b>USE OF FUNDS</b>	<b>Reviewable</b>	<b>Non Reviewable</b>	<b>Total</b>	<b>% of Total</b>
Modernization Contracts	\$1,077,440	\$305,760	\$1,383,200	23.6%
Contingencies	\$106,560	\$30,240	\$136,800	2.4%
Architectural/Engineering Fees	\$117,000	\$33,000	\$150,000	2.5%
Movable or Other Equipment (not in construction contracts)	\$292,000	\$76,000	\$368,000	6.4%
Fair Market Value of Leased Space & Equipment	\$3,017,952	\$807,652	\$3,825,604	65.2%
<b>TOTAL USES OF FUNDS</b>	<b>\$4,610,952</b>	<b>\$1,252,652</b>	<b>\$5,863,604</b>	<b>100.00%</b>
<b>SOURCE OF FUNDS</b>	<b>Reviewable</b>	<b>Non Reviewable</b>	<b>Total</b>	
Cash and Securities	\$1,593,000	\$445,000	\$2,038,000	34.8%
Leases (fair market value)	\$3,017,952	\$807,652	\$3,825,604	65.2%
<b>TOTAL SOURCES</b>	<b>\$4,610,952</b>	<b>\$1,252,652</b>	<b>\$5,863,604</b>	<b>100.00%</b>

Source: Page 6 of the Application for Permit.

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

The following three (3) criteria are informational; no conclusion on the adequacy of the information submitted.

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

*“The proposed 12-station Fresenius Kidney Care Waukegan Park ESRD facility, to be located in a Federally Designated Medically Underserved Area/Population (MUA/P), of HSA-08 in Lake County, will address the unique access issues that hinder healthcare for the disadvantaged patients residing in Waukegan. Specifically a significant number of patients with income below the poverty level, that because of high area clinic utilization, do not have reasonable access to life saving dialysis services. The two dialysis providers located in Waukegan are operating at an average 97.17% utilization. Waukegan residents are 17% African American and 55% Hispanic. These minority populations are more likely to experience diabetes and hypertension leading to kidney failure. In addition, 22% of Waukegan residents live below the federal poverty level. The goal of Fresenius Kidney Care is to provide access to a medically underserved area of Lake County by establishing the Waukegan Park facility in Waukegan to directly address access issues where it is needed most.”*

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

**The Applicantss stated the following:**

*“The proposed Fresenius Kidney Care Waukegan Park dialysis facility will not have any impact on safety net services in the Waukegan area of Lake County. Fresenius Medical Care is a for-profit, publicly traded company and is not required to provide charity care, nor does it do so according to the Board’s definition”. “However, Fresenius Medical Care provides care to all patients regardless of their ability to pay.” “There are patients treated by Fresenius who either do not qualify for or will not seek any type of coverage for dialysis services.” “These patients are considered self-pay patients.” “These patients are invoiced as all patients are invoiced, however payment is not expected and Fresenius does not initiate any collections activity on these accounts.” “These unpaid invoices are written off as bad debt.” “Fresenius notes that as a for-profit entity, it does pay sales, real estate, and income taxes.” “It also provides community benefit by supporting various medical education activities and associations, such as the Renal,National Kidney Foundation and American Kidney Fund.” (Application, p. 114)*

<b>TABLE FOUR <sup>(1)</sup></b>			
<b>SAFETY NET INFORMATION</b>			
<b>Fresenius Medical Care Facilities in Illinois</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Net Revenue</b>	<b>\$411,981,839</b>	<b>\$438,247,352</b>	<b>\$449,611,441</b>
<b>CHARITY</b>			
Charity (# of self-pay patients)	251	195	233
Charity (self-pay) Cost	\$5,211,664	\$2,983,427	\$3,269,127
% of Charity Care to Net Rev.	1.27%	0.68%	.072%
<b>MEDICAID</b>			
Medicaid (Patients)	750	396	320
Medicaid (Revenue)	\$22,027,882	\$7,310,484	\$4,383,383
% of Medicaid to Net Revenue	5.35%	1.67%	.097%
<p>1. Source: Pages 114-115 of the Application for Permit.</p> <p>2. Charity Care is defined by the State Board as care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third party payer. [20 ILCS 3960/3].</p>			

**Note to Table Three as provided by the Applicantss:**

**1)** Charity (self-pay) patient numbers decreased however, treatments were higher per patient (application, p. 114).

**2)** Charity (self-pay) patient numbers continue to decrease as Fresenius Financial Coordinators assist patients in signing up for health insurance in the Healthcare Marketplace. Patients who cannot afford the premiums have them paid by the American Kidney Fund.

**3)** Medicaid number of patients is decreasing as Fresenius Financial Coordinators assist patients in signing up for health insurance in the Healthcare Marketplace. Patients who cannot afford the premiums have them paid by the American Kidney Fund.

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

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

1. Do Nothing/Project of Greater or Lesser Scope.
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.

**Do Nothing/Project of Greater or Lesser Scope**

The Applicantss state the alternative of doing nothing would not address the over-utilization of existing ESRD clinics in Waukegan, and the ensuing lack of access. The Applicantss rejected this alternative, and there were no costs identified with this alternative.

**Pursue a Joint Venture or Similar Arrangement**

The Applicantss note this application was filed as a joint venture. Project costs identified with this alternative: \$5,863,604.

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

The Applicantss note the two clinics serving the Waukegan market are operating at a combined utilization rate of 97%, which is only seven patients away from cutting off all access to dialysis services in this area. The Applicantss further note that while facilities within a 30-minute travel radius may be underutilized, much of the Waukegan patient base relies on public transportation, making trips to outlying facilities burdensome and expensive. The physicians do not want their patient base to experience access issues or incur additional travel costs, so this alternative was rejected. There were no project costs identified.

After considering each of the three above mentioned alternatives, the Applicantss concluded that the optimal alternative for providing services to its patient base would be to establish a 12-station facility in Waukegan. Cost of the chosen alternative: \$5,863,604.

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

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

The Applicantss are proposing the construction of 7,600 GSF of leased space, 5,920 of it classified as clinical for 12 stations or four hundred ninety four (494) GSF per station. The State Board standard is 450-650 GSF per station. (See Application for Permit page 50)

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

The Applicantss have identified 61 pre-ESRD patients who live in the service area who could ultimately require dialysis in the first two years that the Waukegan Park facility is in operation, resulting in utilization surpassing the 80th percentile. (See Application for Permit page 55).

61 patients x 156 treatment per year = 9,516 treatments  
12 stations x 936 treatments per stations per year = 11,232 treatments  
9,516 treatments/11,232 treatments = 84.7% utilization

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

The Applicantss provided the necessary assurance that they will be at target occupancy within two years after project completion. (See Application for Permit page 102)

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

**VIII. In-Center Hemo-dialysis Projects**

**A) Criterion 1110.1430(b)(1) to (3) - Background of Applicantss**

**To address this criterion the Applicantss 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 Applicantsss 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 Applicantss provided sufficient background information, to include a list of facilities and the necessary attestations as required by the State Board at *pages 39-45 of the application for permit*. The State Board Staff concludes the Applicantss have met this criterion.

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

**B) Criterion 1110.1430 (c) (1) (2) (3) & (5) - Planning Area Need**  
**The Applicantss must document the following:**

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

To demonstrate compliance with this criterion the Applicantss must document that the proposed number of stations do not exceed the calculated need for stations.

The proposed facility will be located in the HSA-VIII ESRD Planning Area. **There is calculated excess of 24 ESRD stations** in this planning area, per the State Board’s February 2018 ESRD Inventory Update.

**2) Service to Planning Area Residents**

To demonstrate compliance with this criterion the Applicantss must document that proposed dialysis facility will provide service to the proposed ESRD Planning Area.

The Applicantss note the primary purpose of the project is to increase access to dialysis services for the residents of Waukegan (Lake County), Kane County, HSA-VIII, and address over-utilization at the neighboring ESRD facilities (FKC Waukegan Harbor and DaVita Waukegan). The Applicantss note the service area’s designation as a Federally Designated Medically Underserved Area/Population, and cite access issues for the patient base with the most need (new patients), due to the earlier mentioned over-utilization at the two nearby facilities. The referral population is broken down in Table Four by service area and zip code (see below). It does appear the proposed facility will serve the residents of the ESRD Planning Area.

<b>TABLE FIVE</b>				
<b>Patient Referral Base by Zip Code &amp; Service Area</b>				
<b>Zip Code</b>	<b>County</b>	<b>City</b>	<b>Stage 4</b>	<b>Stage 5</b>
60064	Lake County	North Chicago	12	0
60085	Lake County	Waukegan	49	15
<b>Total</b>			<b>61</b>	<b>15</b>

**3) Service Demand – Establishment of In-Center Hemodialysis Service**

To demonstrate compliance with this criterion the Applicantss must document the demand for the project by submitting physician referral letters.

Dr. Nino Alapishvili, M.D., and her associate Nephrologists from Nephrology Associates of Northern Illinois and Indiana, reports having treated approximately 349 patients in various stages of chronic kidney disease (Pre-ESRD) in the North Chicago/Waukegan market area. Of these patients, there are approximately 61 patients expected to begin dialysis at the proposed Waukegan Park facility in the first two years of operation. Pages 57-61 of the application contains zip code origins of historical patient referrals from the service area.

## 5) Service Accessibility

To demonstrate compliance with this criterion the Applicantss must document that at least one of the following factors exists in the planning area:

1. The absence of the proposed service within the planning area;
2. 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. 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;<sup>12</sup>

While the service area is designated a Medically Underserved Area and there are facilities in close proximity operating in excess of the State standard, there is an excess of twenty four stations in HSA-VIII, and it appears that the existing facilities can accommodate the workload of the proposed project.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC 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

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

The ratio of ESRD stations to population in the zip codes within a 30-minute radius of FKC Waukegan Park is 1 station per 4,953 residents according to the U.S. Census Bureau 2015 American Community Survey census, The State ratio is 1 station per 2,760 residents (based on State Board projections for 2015 of 12,978,800 Illinois residents and February 2018 State Board station inventory of

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<sup>1</sup> Medically Underserved Areas (MUAs) and Medically Underserved Populations (MUPs) identify geographic areas and populations with a lack of access to primary care services. 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 farm workers. Source: Health Resources and Services Administration

<sup>2</sup> Primary Care A basic level of care usually given by doctors who work with general and family medicine, internal medicine (internists), pregnant women (obstetricians), and children (pediatricians). A nurse practitioner (NP), a State licensed registered nurse with special training, can also provide this basic level of health care. Source: CMS Glossary

4,704). Based upon this methodology there is no surplus of stations in this 30-minute service area. [Application for Permit page 63]

Table Four shows that there are underutilized facilities in the service area. The Applicantss note the Waukegan area is designated as being Medically Underserved, and its residents encounter access limitations. Board staff notes there are four (4) facilities within the closest proximity of the proposed facility, having an average utilization of approximately eighty-four percent (84%). Although the Applicantss’ referral letter from Dr. Nino Alapishvili, M.D. provides sufficient referral patients to minimize impact on other providers, there are still six (6) underutilized facilities in the immediate service area susceptible to negative impact, and negative finding results for this criterion.

<b>TABLE SIX</b>						
<b>Facilities within thirty (30) minutes of the proposed facility and utilization</b>						
<b>Facility</b>	<b>City</b>	<b>Time</b>	<b>Stations</b>	<b>Medicare Star Rating</b>	<b>Utilization</b>	<b>Met Standard?</b>
DaVita Waukegan	Waukegan	5	24	3	100.6%	Yes
FKC Waukegan Harbor	Waukegan	6	21	3	93.6%	Yes
FKC Gurnee^	Gurnee	7	24	5	68%	No
FKC Lake Bluff	Lake Bluff	13	16	4	76%	No
DaVita Lake County	Vernon Hills	24	16	3	84%	Yes
FKC Highland Park	Highland Park	24	20	4	50.8%	No
FKC Round Lake	Round Lake	25	16	4	85.4%	Yes
FKC Mundelein	Mundelein	25	14	5	70.2%	No
FKC Deerfield	Deerfield	29	12	4	40.3%	No
<b>Total Stations/Average Utilization</b>			<b>163</b>		<b>74.3%</b>	
FKC Zion*	Zion	25	12	NA	0%	No
<b>Total Stations/Average Utilization</b>			<b>175</b>		<b>66.9%</b>	
^ Facility added 8 stations, June 2017 *Facility in Ramp-up, complete 12/31/18. Information from 4 <sup>th</sup> Quarter ESRD patient information for 2017 NA – Not enough data to calculate a score						

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE/MADISTRIBUTION/IMPACT ON OTHER FACILITIES (77 ILAC 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. Dr Jawad Munir, M.D, will be the Medical Director for Fresenius Kidney Care, Waukegan Park. 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 Advocate Condell Medical Center, Libertyville: blood bank services, rehabilitation services and psychiatric services. The Applicantss are proposing 12 stations and the minimum number of stations in an MSA is eight stations. Continuity of care will be provided at Advocate Condell Medical Center, Libertyville as stipulated in the agreement provided in the application for permit. Additionally, the appropriate assurances have been provided by the Applicantss 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 90-102)

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA STAFFING, SUPPORT SERVICES, MINIMUM NUMBER OF STATIONS, CONTINUITY OF CARE, ASSURANCES (77 ILAC 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 Applicantss are funding this project with cash and securities of \$2,038,000 and the fair market value of leased space totaling \$3,825,604. A review of the 2014/2015/2016 audited financial statements indicates there is sufficient cash to fund the project. Because the project will be funded with cash no viability ratios need to be provided. Table Seven below outlines Fresenius Medical Care Credit Rating.

<b>TABLE SEVEN</b>			
<b>FMC Holdings Inc. Audited Financial Statements</b>			
<b>(Dollars in Thousands 000)</b>			
<b>December 31<sup>st</sup></b>			
	<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			

## **IX. ECONOMIC FEASIBILITY**

- A) Criterion 1120.140(a) – Reasonableness of Financing Arrangements**
- B) Criterion 1120.140(b) – Terms of Debt Financing**

The Applicantss provided a copy of a letter of intent to lease 7,600 GSF rentable contiguous square feet with an initial lease term of fifteen (15) years with three (3) five (5) year renewal options. The annual base rental rate shall be \$28.00 per SF, which shall escalate on an annual basis by two percent (2%) per year, beginning at the beginning of year three.

The Applicantss 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 Applicants to buy the property and build a structure itself to house a dialysis clinic. (See Application for Permit page 111)

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

Only Clinical Costs are reviewed in this criterion.

**Modernization and Contingencies Costs** are \$1,148,480 or \$194.00 per GSF for 5,920 GSF of clinical space. 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 \$106,560, and are 9.8% of the modernization costs identified for this project. This is in compliance with the State standard of 10%-15%.

**Architectural Fees** are \$117,000 and are 9.8% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 6.90% to 10.36%.

**Movable or Other Equipment** – These costs are \$292,000 or \$24,333 per station (12 stations). This appears reasonable when compared to the State Board Standard of \$52,119 per station.

**Fair Market Value of Leased Space and Equipment** – These costs are \$3,017,952. The State Board does not have a standard for these costs.

**D) Criterion 1120.140(d) - Direct Operating Costs**

The Applicantss are estimating \$1,265.61 per treatment in direct operating costs. This appears reasonable when compared to previously approved projects of this type.

Estimated Personnel Expense:	\$9,248,256
Estimated Medical Supplies:	\$162,653
Estimated Other Supplies (Exc. Dep/Amort):	\$1,086,566
Total	\$10,497,476
Estimated Annual Treatments:	8,294
<b>Cost Per Treatment:</b>	<b>\$1,265.61</b>

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

The Applicantss are estimating \$25.32 in capital costs. This appears reasonable when compared to previously approved projects of this type.

Depreciation/Amortization:	\$210,000
Interest	\$0
Capital Costs:	\$210,000
Treatments:	8,294
<b>Capital Cost per Treatment</b>	<b>\$25.32</b>

**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 ILAC 1120.120, 130, 140(a), (b), (c), (d) and (e))**

# 17-060 FKC Waukegan Park - Waukegan

