



# STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET NO:</b> H-04	<b>BOARD MEETING:</b> June 5, 2018	<b>PROJECT NO:</b> 18-004	<b>PROJECT COST:</b>
<b>FACILITY NAME:</b> Fresenius Medical Care Elgin		<b>CITY:</b> Elgin	Original: \$195,950
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA: VIII</b>

**PROJECT DESCRIPTION:** The Applicants (Fresenius Medical Care Elgin, LLC d/b/a Fresenius Medical Care Elgin, Fresenius Medical Care Holdings, Inc.) propose to add 5-stations to its existing 20-station facility located at 2130 Point Blvd, Elgin, Illinois. The cost of the project is \$195,950. The expected completion date is December 31, 2018.

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- The Applicants (Fresenius Medical Care Elgin, LLC d/b/a Fresenius Medical Care Elgin, Fresenius Medical Care Holdings, Inc.) propose to add 5-stations to its existing 20-station facility located at 2130 Point Blvd, Elgin, Illinois. The cost of the project is \$195,900. The expected completion date is December 31, 2018.

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

- The project is before the State Board because the project proposes to establish a health care facility as defined at 20 ILCS 3960/3
- 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 purpose of the project is to reduce the high-utilization of the existing 20-station facility.

### **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:**

- To add stations to an existing facility the State Board does not consider the need or excess of the stations in the ESRD Planning Area or the number of existing ESRD facilities and their utilization.
- The State Board requires a facility that is proposing to add stations to be at target utilization or above for the past 24-months and have a sufficient number of pre-ESRD patients that reside in the ESRD Planning Area that will require dialysis within 12-24 months after the additional stations are added. The existing facility has averaged 80% utilization over the past 24-months and is currently operating at 91.1%. The Applicants have identified 33 pre-ESRD patients that will need dialysis within 12-18 months. According to the Applicants *“this number of pre-ESRD patients does not account for the many patients who are diagnosed with end stage renal disease in the emergency room that have not been followed by a nephrologist for their kidney disease. There is no longer access to dialysis in the city of Elgin for my patients who live here.”*
- The Applicants have addressed a total 18 criteria and have successfully addressed them all.

**STATE BOARD STAFF REPORT**  
**Project #18-004**  
**Fresenius Medical Care Elgin**

<b>APPLICATION/CHRONOLOGY/SUMMARY</b>	
Applicants(s)	Fresenius Medical Care Elgin, LLC d/b/a Fresenius Medical Care Elgin, Fresenius Medical Care Holdings, Inc.
Facility Name	Fresenius Medical Care Elgin
Location	2130 Point Boulevard, Suite 800, Elgin, Illinois
Permit Holder	Fresenius Medical Care Elgin, LLC d/b/a Fresenius Medical Care Elgin, Fresenius Medical Care Holdings, Inc.
Operating Entity	Fresenius Medical Care Elgin, LLC d/b/a Fresenius Medical Care Elgin
Owner of Site	RP 2 Limited Partnership
Description	Addition of 5-ESRD Stations
Total GSF	10,900
Application Received	January 18, 2018
Application Deemed Complete	January 18, 2018
Review Period Ends	May 16, 2018
Financial Commitment Date	December 31, 2018
Project Completion Date	December 31, 2018
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	No

**I. Project Description**

The Applicants (Fresenius Medical Care Elgin, LLC d/b/a Fresenius Medical Care Elgin, Fresenius Medical Care Holdings, Inc.) propose to add 5-stations to its existing 20-station facility located at 2130 Point Blvd, Elgin, Illinois. The cost of the project is \$195,900. The expected completion date is December 31, 2018.

**II. Summary of Findings**

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

**III. General Information**

The Applicants are Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Elgin, LLC d/b/a Fresenius Medical Care Elgin Fresenius Medical Care. **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 Ventures, LLC has a 51% membership interest in Fresenius Medical Care Elgin, LLC. Neptune Group III, LLC has a 49% membership interest in Fresenius Medical Care Elgin, LLC.

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 Kidney Care projects approved by the State Board and their completion dates.

<b>TABLE ONE</b>			
<b>Outstanding Fresenius Kidney Care Projects</b>			
<b>Project Number</b>	<b>Project Name</b>	<b>Project Type</b>	<b>Completion Date</b>
#15-028	Fresenius Kidney Care Schaumburg	Establishment	05/31/2018
#15-036	Fresenius Kidney Care Zion	Establishment	12/31/2018
#15-046	Fresenius Kidney Care Beverly Ridge	Establishment	10/31/2018
#15-050	Fresenius Kidney Care Chicago Heights	Establishment	09/30/2018
#15-062	Fresenius Kidney Care Belleville	Establishment	12/31/2018
#16-024	Fresenius Kidney Care East Aurora	Establishment	09/30/2018
#16-029	Fresenius Medical Care Ross Dialysis Englewood	Relocation Expansion	09/30/2018
#16-034	Fresenius Kidney Care Woodridge	Establishment	03/31/2019
#16-042	Fresenius Kidney Care Paris Community	Establishment	09/30/2018
#16-049	Fresenius Medical Care Macomb	Relocation Expansion	12/31/2018
#17-004	Fresenius Kidney Care Mount Prospect	Establishment	12/31/2018
#17-033	Fresenius Kidney Care Palatine	Expansion	12/31/2018
#17-023	Fresenius Medical Care Oswego	Expansion	12/31/2018
#17-025	Fresenius Kidney Care Crestwood	Relocation	09/30/2019
#17-027	Fresenius Medical Care Sandwich	Expansion	12/31/2018
#17-0347	Fresenius Medical Care Naperbrook	Expansion	12/31/2018
#17-038	Fresenius Kidney Care South Elgin	Establishment	12/31/2019

**IV. Project Uses and Sources of Funds**

The Applicants are funding the project with cash in the amount of \$110,000 and the FMV of leased space of \$85,950.

<b>TABLE TWO</b>		
<b>Project Uses and Sources of Funds</b>		
<b>Project Uses of Funds</b>	<b>Reviewable</b>	<b>Total</b>
Modernization Contracts	\$15,000	\$15,000
Movable or Other Equipment (not in construction contracts)	\$95,000	\$95,000
Fair Market Value of Leased Space or Equipment	\$85,950	\$85,950
<b>Total Uses of Funds</b>	<b>\$195,950</b>	<b>\$195,950</b>
<b>Source of Funds</b>	<b>Reviewable</b>	<b>Total</b>
Cash	\$110,000	\$110,000
FMV of Leased Space	\$85,950	\$85,950
<b>Source of Funds</b>	<b>\$195,950</b>	<b>\$195,950</b>

**V. Health Planning Area**

The proposed facility will be located 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.

<b>TABLE TWO</b>	
<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	.910
Planning Area Population – 2020 (Est.)	1,692,900
Projected Patients – 2020	1,541
Adjustment	1.33
Patients Adjusted	2,050
Projected Treatments – 2020 <sup>(3)</sup>	319,727
Existing Stations	451
Stations Needed-2020	427
<b>Number of Stations in Excess</b>	<b>24</b>

## VI. 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>1</sup> taken against any facility they own or operate or a certified listing of any adverse action taken.

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 38-39]
2. The Applicants have authorized the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connections the Applicants' certificate of need to add five ESRD stations. 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 38-39]
3. The site is owned by RP 2 Limited Partnership. This facility is currently operating; therefore a copy of the lease is not required.
4. This is a modernization project and evidence of compliance with Executive Order #2006-05 and the Illinois State Agency Historic Resources Preservation Act is not required.

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<sup>1</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)

## **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**

**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 project is to reduce the high-utilization of the existing 20-station facility. *The Elgin facility began operations as a 12-station ESRD facility in August 2011. Within 2 years the facility had surpassed 80% utilization and 2 more stations were added in late 2013. In August 2016, six more stations were added and as of December 2017 the facility is at 97% utilization. Only 4 more patients will place the facility at capacity. The facility has initiated a fourth shift that runs in the evening until midnight to accommodate the growth of ESRD in Elgin. This is not an optimal time for patients to receive treatment. The 5 additional stations are planned to eliminate the need for this shift. The other facility located in Elgin, DaVita Cobblestone is also operating above the 80% Board target utilization at 96% as of December 2017. Increasing the station count at the Fresenius Elgin facility will maintain access to dialysis services for Dr. Ray's patients in Elgin and avoid utilizing a 4<sup>th</sup> patient shift while the recently permitted South Elgin facility is being constructed. There is currently only access for an additional 4 patients at the Elgin facility and no access to treatment shift choices. The additional stations will also enable patients residing in Elgin to remain in Elgin for treatment instead of travelling out of the area to seek treatment which would result in a loss of continuity of care and overwhelming transportation problems.* [Application for Permit page 40]

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

**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.**

Information regarding the Safety Net Impact Statement was provided as required and can be reviewed at pages 66-69 of the Application for Permit.

The Applicants were asked to provide an update to the concerns expressed at the April 17, 2018 State Board Meeting regarding their contract status with the following State of Illinois Managed Care Providers: *[Applicants response in Italics]*

**For Option A – Statewide**

- Blue Cross Blue Shield of Illinois *Yes, contracted with both the Medicaid and dual eligible*
- Harmony Health Plan *Limited direct contract (about 3 locations) but the plan is very responsive to single patient Letters of Agreement for both Medicaid and dual eligible*
- IlliniCare Health Plan *Yes, only contracted with the Medicaid product, no contract for dual eligible*
- Meridian Health *Yes, contracted with both the Medicaid and dual eligible*
- Molina Healthcare of IL *No contract*

**For Option B – Cook County Only**

- CountyCare Health Plan *Yes, contracted with Medicaid (only product offered)*
- NextLevel Health *Yes, contracted with Medicaid*

**For DCFS Youth**

- IlliniCare Health Plan *Yes, contracted*

<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%
<ol style="list-style-type: none"> <li>1. Source: Pages 114-115 of the Application for Permit.</li> <li>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].</li> </ol>			

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

- 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**

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

The only alternative that the Applicants have not pursued is the proposed project. The facility became a joint venture between Fresenius Medical Care and the physicians supporting this facility in 2012. In late 2013, two additional stations were added. In 2016 six additional stations became operational. Project #17-038, Fresenius Kidney Care South Elgin, was approved to establish 12-stations at the November 14, 2017 meeting. Dr. Ray, Fresenius Elgin’s Medical Director, and his partners currently admit patients to DaVita Cobblestone and other area facilities per patient’s choice or place of residence. Utilizing the expansion space in the current site to prevent use of a 4<sup>th</sup> shift of patients that dialyze until midnight is the most effective way to provide immediate access while the South Elgin facility is undergoing construction. This will create uninterrupted access for Dr. Ray's Elgin patients and at the same time, meet the Board’s criterion. The cost of this project is \$195,950. [Application for Permit page 41]

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

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

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

The Applicants are proposing a 25-station facility in a total of 10,900 BGSF of space, which is 436 GSF per station. The State Board standard is 450-650 GSF per station or 16,250 BGSF. The Applicants have successfully addressed this criterion. (See Application for Permit page 50)

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

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

**To demonstrate compliance with this criterion the Applicants must document that the proposed project will be at the target occupancy of 80% within two years after project completion.**

The facility had 116 patients dialyzing in 20 stations with a 97% utilization rate as of December 31, 2017 and 110 patients as of March 31, 2018. Per the Applicants there are “33 pre-ESRD patients from the Elgin identified to be referred to the Elgin facility in the upcoming 18 months. The facility will be at 85% utilization upon initiating operations of the five additional stations surpassing target utilization.”

$$\begin{aligned} 110 + 33 &= 133 \text{ patients} \times 156 \text{ treatments per year} = 20,748 \text{ total} \\ &\qquad\qquad\qquad \text{treatments} \\ 25 \text{ stations} \times 936 \text{ treatments per year} &= 23,400 \text{ total treatments} \\ 20,748 \text{ treatments} \div 23,400 \text{ treatments} &= 88.66\% \end{aligned}$$

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

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

**To demonstrate compliance with this criterion the Applicants must document that the proposed facility will be at target occupancy two years after project completion.**

The Applicants provided the necessary assurance that they will be at target occupancy within two years after project completion. (See Application for Permit page 59)

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

## VIII. In-Center Hemo-dialysis Projects

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

To address this criterion the Applicants must provide a list of all facilities currently owned in the State of Illinois and an attestation documenting that no adverse actions have been taken against the Applicants by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities and Services Review Board; and authorization to the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of the application for permit.

This criterion has been addressed previously in this report

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

### B) **Criterion 1110.1430(c)(2) & (4) - Planning Area Need**

**The Applicants must document the following:**

#### **2) Service to Planning Area Residents**

**To demonstrate compliance with this sub-criterion the Applicants must document that the proposed dialysis facility will provide service to the residents of the proposed ESRD Planning Area.**

Ninety-three percent (93%) of the current patients dialyzing at the facility reside in the HSA VIII ESRD Planning Area. Approximately 70% of the 33 pre-ESRD patients reside within this Planning Area.

#### **4) Service Demand – Expansion of In-Center Hemodialysis Service**

**To demonstrate compliance with this sub-criterion the Applicants must document that the number of stations to be added for each category of service is necessary to reduce the facility's experienced high utilization and to meet a projected demand for service.**

#### Historical Utilization

Over the past 24-months, the facility has averaged 96 patients and 80% utilization for a 20-station facility. Currently the facility is operating at 91.1% utilization with 110 patients.

#### Projected Referrals

The Applicants provided a referral letter from Raju Ray, M.D. the Medical Director of the Fresenius Medical Care Elgin dialysis facility. The Applicants stated

*“In this far west/northwest suburban region, my partners and I at NANI have referred 118 new patients for hemodialysis services over the past twelve months. We were treating 201 hemodialysis patients at the end of 2015, 276 at the end of 2016, and 347 at the end of 2017. Due to the growth we have seen in our practice in recent years, attributable to the growing Hispanic and elderly population in both Kane and McHenry Counties, and the addition of new physicians to the practice, it is expected that our number of*

*ESRD patients will continue to increase. We have approximately 130 Pre-ESRD patients living in the two Elgin zip codes and I expect that 33 of them would begin dialysis in the upcoming 12-18 months. This does not account for the many patients who are diagnosed with end stage renal disease in the emergency room that have not been followed by a nephrologist for their kidney disease. There is no longer access to dialysis in the city of Elgin for my patients who live here.” [Application for Permit pages 48-53]*

Based upon the information provided in the Application for Permit the Applicants have successfully addressed this criterion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC 1110.1430(c)(2) and (4))**

- C) Criterion 1110.1430(f) - Staffing**
- D) Criterion 1110.1430(g) - Support Services**
- E) Criterion 1110.1430(k) – Assurances**

The 20-station facility is certified by Medicare and if approved the 5-station addition will be certified by Medicare. Dr Ray, M.D, is the Medical Director. 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 Central DuPage Hospital, blood bank services, rehabilitation services and psychiatric services. Additionally, the appropriate assurances have been provided by the Applicants asserting the proposed facility will be at the target occupancy of eighty percent (80%) two years after project completion and that the proposed facility will meet the adequacy outcomes stipulated by the State Board. (See Application for Permit Pages 58-59)

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA STAFFING, SUPPORT SERVICES, ASSURANCES (77 ILAC 1110.1430(f), (g), and (k))**

**IX. FINANCIAL VIABILITY**

- A) Criterion 1120.120 – Availability of Funds**
- B) Criterion 1120.130 – Financial Viability**  
To demonstrate compliance with these two criteria the Applicants must document if the resources are available to fund the proposed project.

The Applicants are funding this project with cash and securities in the amount of \$110,000 and the fair market value of leased space totaling \$85,950. A review of the 2014/2015/2016 audited financial statements indicates there is sufficient cash to fund the project. Leased Space is an operating lease and not a capital lease and is paid over the term of the lease from cash generated by operation of the facility. Because the project will be funded with cash no viability ratios need to

be provided because the Applicants have qualified for the financial viability waiver.

<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
<small>Source: 2014/2015/2016 Audited Financial Statements</small>			

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA AVAILABILTY OF FUNDS FINANCIAL VIABILITY (77 ILAC 1110.140(a) & (b))**

**IX. 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 criteria the Applicants must attest that a lease is less costly and that the terms of the lease are reasonable.**

The applicant is paying for the project with cash on hand, and not borrowing any funds for the project. However, per the Board's rules the entering of a lease is treated as borrowing. As such, we are attesting 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. [Application for Permit pages 63-65]

Based upon the information provided in the Application for Permit; the Applicants have met the requirements of this criterion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING TERMS OF DEBT FINANCING (77 ILAC 1110.140(a) & (b))**

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

To demonstrate compliance with this criterion the Applicant must document that the costs are reasonable.

Modernization Costs are \$15,000 or \$20 per GSF. This is in compliance with the State Board Standard of \$136.41. [ $15,000 \div 750$  GSF for modernization = \$20.00 per GSF]

Movable Equipment is \$95,000 or \$19,000 per station. This is in compliance with the State Board Standard of \$52,119 per station. [ $95,000 \div 5$  stations = \$19,000 per station]

Fair Market Value of Leased Space is \$85,950. The State Board does not have a standard for this criterion.

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

To demonstrate compliance with this criterion the Applicants must provide the direct operating cost for the first year when the Applicants reach target occupancy but no more than two years after

The Applicants 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:	\$1,869,600
Estimated Medical Supplies:	\$511,680
Estimated Other Supplies (Exc. Dep/Amort):	\$2,164,800
Total	\$4,546,080
Estimated Annual Treatments:	19,680
<b>Cost Per Treatment:</b>	<b>\$231</b>

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

The Applicants are estimating \$12.20 in capital costs. This appears reasonable when compared to previously approved projects of this type.

Depreciation/Amortization:	\$240,000
Interest	\$0
Capital Costs:	\$240,000
Treatments:	19,680
<b>Capital Cost per Treatment</b>	<b>\$12.20</b>

# 18-004 Fresenius Medical Care Elgin - Elgin

