



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-04	BOARD MEETING: October 22, 2019	PROJECT NO: 19-033	PROJECT COST:
FACILITY NAME: Fresenius Medical Care Skokie		CITY: Skokie	Original: \$8,143,244
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (Fresenius Medical Care Holdings, Inc. and Dialysis Centers of America, Inc. d/b/a Fresenius Medical Care Skokie) propose to discontinue an existing 14-station End Stage Renal Dialysis (ESRD) facility in Skokie and re-establish the 14 ESRD stations in a new facility, in Skokie, Illinois at a cost of \$8,143,244. The anticipated project completion date is September 30, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Fresenius Medical Care Holdings, Inc. and Dialysis Centers of America, Inc. d/b/a Fresenius Medical Care Skokie) propose to discontinue and re-establish a 14-station ESRD facility in Skokie, Illinois at a cost of \$8,143,244. The anticipated project completion date is September 30, 2021.
- The Applicants propose to discontinue an existing 14-station ESRD facility located at 9801 Wood Drive, Skokie, and relocate the facility in its entirety to 9336 Skokie Boulevard approximately 1.8 miles and 6 minutes away in Skokie.
- In 2000 the State Board approved the Applicants to establish a 14-station facility in Skokie in the HSA VII ESRD Planning Area as Permit #00-092 at a cost of \$1.9 million.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The proposed project is before the State Board because it discontinues and re-establishes a health care facility as defined at 20/ILCS 3960/3.

PURPOSE OF THE PROJECT:

- The Applicants stated *“After 18 years at its current site and with an unrenowable lease expiring on January 31, 2021, Fresenius Medical Care proposes to relocate the Skokie facility from 9801 Wood Drive, Skokie, to 9336 Skokie Boulevard, Skokie, to maintain access in this medically underserved area. Not only will access be continued, but the patients will be able to treat in a more efficient and modern facility. The physical structure of the Skokie facility is aging. However, the urgent need to relocate is due to the facility’s lease expiration with no option for renewal. To maintain access in this medically underserved area, Fresenius Medical Care is willing to invest in the relocation.”*

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and no letters of opposition or support were received by the State Board.

SUMMARY:

- The proposed facility will be in the HSA VII ESRD Planning Area¹ (Suburban Cook and DuPage counties). There is a calculated excess of 127 stations in the HSA VII ESRD Planning Area. The Applicants are not adding any additional stations but relocating from one site to another site approximately 1.8 miles and 6 minutes away because the lease at the current site is not renewable. The new facility will remain in the HSA VII ESRD Planning Area and the location of the new site remains in a federally designated medically underserved area or will be providing services to a medically underserved population.
- The 14-station facility is currently treating 57 patients and expect an additional 22 patients that will utilize the proposed facility prior to relocation/project completion (January 2021), and 39 patient referrals in the first two years after project completion. There are 8 facilities in the 5-mile radius of the proposed facility. Average utilization of these eight facilities is 59.5%. Seven of the eight facilities are not at the target utilization of 80%. The project is essentially a relocation of an existing 14-station ESRD facility, and no new stations will be introduced to the planning area.
- The Applicants have met all the requirements of the State Board.

¹**Note:** For Applicant facilities located in the counties of Cook and DuPage, the radius shall be 5 miles. The proposed facility will be in suburban Cook County. [77 ILAC 1110.230 (b) (5) (C)]

STATE BOARD STAFF REPORT

Project #19-033

Fresenius Kidney Care Skokie

APPLICATION/ CHRONOLOGY/SUMMARY	
Applicants(s)	Fresenius Medical Care Holdings, Inc. Dialysis Centers of America, Inc. d/b/a Fresenius Medical Care Skokie
Facility Name	Fresenius Kidney Care Skokie
Location	9336 Skokie Boulevard, Skokie
Permit Holder	Dialysis Centers of America, Inc. d/b/a Fresenius Medical Care Skokie
Operating Entity/Licensee	Dialysis Centers of America, Inc. d/b/a Fresenius Medical Care Skokie
Owner of Site	National Shopping Plazas Inc.
Proposed Gross Square Feet	9,375 GSF
Application Received	July 22, 2019
Application Deemed Complete	July 23, 2019
Financial Commitment Date	October 22, 2020
Anticipated Completion Date	September 30, 2021
Review Period Ends	November 20, 2019
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicants (Fresenius Medical Care Holdings, Inc., and Dialysis Centers of America, Inc. d/b/a Fresenius Medical Care Skokie) propose to relocate an existing 14-station ESRD facility in Skokie, Illinois at a cost of \$8,143,244. The anticipated project completion date is September 30, 2021.

II. Summary of Findings

- A. State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1110.
- B. State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1120.

III. General Information

The Applicants are Fresenius Medical Care Holdings, Inc. and Dialysis Centers of America, Inc. d/b/a Fresenius Medical Care Skokie. 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.

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

IV. Health Service Area

The proposed project is in the HSA VII ESRD Planning Area. HSA VII consists of the Illinois counties of DuPage and Suburban Cook. As of September 2019, there is a calculated excess of 127 stations in this planning area. Since 2008 the State Board has seen an average annual growth in the number of ESRD patients of approximately 3.6% in this planning area. The Department is projecting a decrease in the estimated population in this planning area from 2017 to 2022 of approximately 330,600 residents or a 9.6% decrease.

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

Planning Area Population – 2017	3,424,900
In Station ESRD patients -2017	5,433
Area Use Rate 2017 ⁽¹⁾	1.586.324
Planning Area Population – 2022 (Est.)	3,094,300
Projected Patients – 2022 ⁽²⁾	4,908.6
Adjustment	1.33x
Patients Adjusted ⁽³⁾	6,528
Projected Treatments – 2022	1,018,428
Existing Stations	1,487
Stations Needed-2022	1,360
Number of Stations in Excess	127
<ol style="list-style-type: none"> 1. Usage rate determined by dividing the number of in-station ESRD patients in the planning area by the 2017 – planning area population per thousand. 2. Projected patients calculated by taking the 2022 projected population per thousand x the area use rate. Projected patients are increased by 1.33 for the total projected patients. 3. Projected treatments are the number of patients adjusted x 156 treatments per year per patient 	

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of \$2,486,250 and the Fair Market Value of Lease Expense of \$5,656,994.

TABLE TWO
Project Uses and Sources of Funds

Uses of Funds	Reviewable	Non-reviewable	Total	% of Total
Modernization Contracts	\$1,160,900	\$601,600	\$1,762,500	21.6%
Contingencies	\$111,150	\$57,600	\$168,750	2%
Architectural/Engineering Fees	\$118,800	\$61,200	\$180,000	2.3%
Movable or Other Equipment (not in construction contracts)	\$295,000	\$80,000	\$375,000	4.6%
Fair Market Value of Leased Space or Equipment	\$3,802,304	\$1,854,690	\$5,656,994	69.5%
Total Uses of Funds	\$5,488,154	\$2,655,090	\$8,143,244	100.00%
Sources of Funds				
Cash and Securities	\$1,685,850	\$800,400	\$2,486,250	30.5%
Leases (fair market value)	\$3,802,304	\$1,854,690	\$5,656,994	69.5%
Total Sources of Funds	\$5,488,154	\$2,655,090	\$8,143,244	100.00%

VI. Criterion 1110.290 – Discontinuation

These criteria pertain to the discontinuation of categories of service and health care facilities.

General Information Requirements

Reasons for Discontinuation

Impact on Access

The applicants propose to discontinue an existing 14-station ESRD facility located at 9801 Wood Drive, Skokie, and relocate the facility in its entirety to 9336 Skokie Boulevard (1.8 miles/6 minutes away), in Skokie. Both locations are located within a Federally Designated Medically Underserved Area, and all existing patients and medical records are expected to transfer to the new facility upon project completion. The discontinuation/relocation is expected to occur simultaneously on or before January 31, 2021, so no break in service occurs. FMC Skokie has been at its current location for 18 years. While the facility is aged, the applicants note the lease is expected to expire on January 31, 2021, with no option for renewal. The relocation of the 14-station facility will have no impact on access, due to the proximity of the existing and replacement facilities to one another (1.8 miles/6 minutes). An Impact on Access Statement is provided on page 43 of the application.

VII. Background of the Applicants, Purpose of the Project, Safety Net Impact, Alternatives

A) Criterion 1110.110(a) - Background of the Applicant

To address this criterion the applicants must provide a list of all facilities currently owned in the State of Illinois and an attestation documenting that no adverse actions² have been taken against any applicant's facility 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 or a certified listing of adverse action taken against any applicant's facility; 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.

1. A listing of Fresenius Medical Care Dialysis Facilities has been provided at pages 47-48 of the Application for Permit.
2. The Applicants provided the necessary attestation that no adverse action has been taken against any facility owned or operated by the Applicants and authorization allowing the State Board and IDPH access to all information to verify information in the application for permit. [Application for Permit pages 49-50]
3. Evidence of ownership (Copy of the Letter of Intent to Lease the Property) of the site has been provided as required at pages 28-33 of the Application for Permit. Organizational relationships can be found at pages 35 of the Application for Permit.
4. A Certificate of Good Standing has been provided as required for Dialysis Centers of America-Illinois, Inc., as an incorporated entity with permission to transact business

² "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)

in the State of Illinois. An Illinois Certificate of Good Standing is evidence that an Illinois business franchise (i.e. Illinois Corporation, LLC or LP) is in existence, is authorized to transact business in the state of Illinois and complies with all state of Illinois business requirements and therefore is in "Good Standing" in the State of Illinois. [Application for Permit page 26]

5. 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.* [Application for Permit page 36]
6. The proposed location of the 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 the preservation and enhancement of both State owned and non-State owned historic resources* (20 ILCS 3420/1). [Application for Permit page 37]

B) Criterion 1110.110 (b) – 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 Applicants shall define the planning area or market area, or other area, per the applicant's definition. The Applicants shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project.

The Applicants stated in part that “*After 18 years at its current site and with an unrenowable lease expiring on January 31, 2021, Fresenius Medical Care proposes to relocate the Skokie facility from 9801 Wood Drive, Skokie, to 9336 Skokie Boulevard, Skokie, to maintain access in this medically underserved area. Not only will access be continued, but the patients will be able to treat in a more efficient and modern facility. The physical structure of the Skokie facility is aging. However, the urgent need to relocate is due to the facility’s lease expiration with no option for renewal. To maintain access in this medically underserved area, Fresenius Medical Care is willing to invest in the relocation.*” [Application for Permit page 51]

C) Criterion 1110.110 (c) Safety Net Impact

All health care facilities, except for skilled and intermediate long-term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). *Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation.* [20 ILCS 3960/5.4]

This is a substantive project. The Applicants provided the required safety net information at pages 94-96 of the Application for Permit.

TABLE THREE
Safety Net Information ⁽¹⁾

Year	2016	2017	2018
#Charity Care/Self Pay Patients	233	280	294
Net Patient Revenue	\$450,657,245	\$461,658,707	\$436,811,409
Amount of Charity Care/Self Pay	\$3,269,127	\$4,598,897	\$5,295,686
Cost of Charity Care/Self Pay	\$3,269,127	\$4,598,897	\$5,295,686
# Medicaid Patients	396	320	328
Medicaid Revenue	\$7,310,484	\$4,383,383	\$6,630,014

1. As a for-profit corporation Fresenius does not provide charity care per the Board's definition. Numbers reported are self-pay. Self-pay balances are written off to bad debt. Medicare may reimburse a portion of bad debt as part of cost reporting.

D) Criterion 1110.110 (d) - Alternatives to the Proposed Project

To demonstrate compliance with this criterion the Applicants must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The Applicants considered three alternatives to the proposed project

1. A project of greater or lesser scope
2. A joint venture project
3. Utilize other health care resources.

The Applicants rejected all three alternatives based on the following:

1. The imminent expiration of the lease leaves no options for expansion or reduction, and if evicted, the applicants and patients would lose access to a much-needed ESRD facility in the Skokie service area.
2. The facility is currently not a joint venture, and there is no desire to form a joint venture from outside parties at this time.
3. The applicants note there are no other dialysis facilities in the Skokie area to serve the existing patient base, should the facility not be allowed to establish a replacement.

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

A) Criterion 1110. 120 (a) - Size of Project

To demonstrate compliance with this criterion the Applicants must document that that the physical space proposed for the project is necessary and appropriate. The proposed square footage cannot deviate from the square footage range indicated in Appendix B or exceed the square footage standard in Appendix B if the standard is a single number, unless square footage can be justified by documenting, as described in subsection (a)(2).

The Applicants are proposing 14 stations in 6,175 GSF of reviewable space or 441 GSF per station. The State Board Standard is 650 GSF per station. The Applicants have met this criterion.

B) Criterion 1110.120 (b) - Project Services Utilization

To demonstrate compliance with this criterion the Applicants must document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented. All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except where noted in 77 Ill. Adm. Code 1100. [Part 1110 Appendix B]

The Applicants have identified 57 existing ESRD patients that are expected to transfer to the replacement facility after project completion and 22 pre-ESRD patients that will require dialysis prior to relocation. Dr. Najafi has also identified 39 pre-ESRD patients expected to be referred to the new facility in the first two years after project completion, accounting for 118 patients expected to use the facility in the first two years after project completion. Should these patients require dialysis the Applicants will be at the target occupancy of 80% or more. The Applicants have successfully addressed this criterion.

$$\begin{aligned} 118 \text{ patients} \times 156 \text{ treatments per year} &= 18,408 \text{ treatments} \\ 14 \text{ stations} \times 936 \text{ treatments per year} &= 13,104 \text{ treatments} \\ 18,408 \text{ treatment} \div 13,104 \text{ treatments} &= 140\% \end{aligned}$$

C) Criterion 1110.120 (e) - Assurances

To document compliance with this criterion the Applicants representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after project completion, the Applicants will meet or exceed the utilization standards specified in Appendix B.

The Applicants have provided the necessary attestation at page 77 of the Application for Permit

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT, PROJECTED UTILIZATION, ASSURANCES (77 ILAC 1110.120 (a) (b) (e))

VIII. Establishment of ESRD Facility

A) Criterion 1110.230 (b) - Planning Area Need

The applicant shall document that the number of stations to be established or added is necessary to serve the planning area's population, based on the following:

- 1) 77 Ill. Adm. Code 1100
 - A) 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.
 - B) The number of stations proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the utilization standard specified in 77 Ill. Adm. Code 1100.

Per the September 2019 Inventory Update there is an excess of 127 stations in the HSA VII Planning Area. However, the proposed project seeks to relocate 14 existing ESRD stations to a modernized facility within the service area. The

applicants note both the former and proposed sites are in a Federally Designated Medically Underserved Area.

2) **Service to Planning Area Residents**

A) Applicants proposing to **establish or add stations** shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

All the 61 (100%) pre-ESRD patients and 51 (90%) of the existing patient base originate from within HSA-VII, as shown in the table below.

**TABLE FOUR
Patient Origin per HSA
Pre-ESRD Expected Referral Prior to Relocation**

County	HSA	# of Patients/Percentage
Suburban Cook County	7	22/100%
Pre-ESRD Referred in 2 Years After Relocation		
Suburban Cook County	7	39/100%
Current Patients FMC Skokie		
Chicago/Cook County	6	3/5%
Suburban Cook County	7	51/90%
Lake County	8	2/4%
McHenry County	8	1/1%
TOTAL		118

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

The number of stations proposed to establish a new in-center hemodialysis service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest 2-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new facility, the applicant shall submit projected referrals. The applicant shall document subsection (b)(3)(A) and either subsection (b)(3)(B) or (C).

The Applicants provided a signed and notarized referral letter from Christopher Najafi, M.D., a nephrologist with Lakeside Nephrology (application, pgs. 58-59), that states the practice (Fresenius Medical Care Skokie) is caring for 57 current ESRD patients and 444 Stage 3 and Stage 4 patients who live in the Skokie Area. The Applicants have identified 61 patients by zip code of residence that live within the 10-mile radius that will utilize the proposed facility should the proposed project be approved. The number of projected referrals exceed the historical referrals as required.

- 5) **Service Accessibility**
The number of stations being established or added for the subject category of service is necessary to improve access for planning area residents. The applicant shall document the following:
- A) **Service Restrictions**
The applicant shall document that at least one of the following factors exists in the planning area:
 - 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 (b)(5) only, all services within the established radii outlined in subsection (b)(5)(C) meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

The proposed facility will be in the HSA VII ESRD Planning Area where a calculated excess of 127 stations exists. The Applicants are proposing the relocation of an existing 14-station facility to a new location approximately 1.8 miles and 6 minutes away, with no increase in the number of stations in this planning area. The Applicants have identified 61 pre-ESRD patients that will utilize the proposed facility within two years after completion. There is no absence of ESRD services in HSA VII ESRD Planning Area. The proposed facility will continue to be in a federally designated medically underserved area or be providing services to a medically underserved population. Average utilization of facilities within the 5-mile radius is 59.5% with seven of the eight facilities not at target occupancy.

TABLE FIVE
Facilities within the 5-mile GSA

Facility	City	Miles (1)	Stations (2)	Patients (3)	Jun-19	Met Standard?
FMC Skokie	Skokie	0	14	57	67.80%	No
FKC Evanston	Evanston	1.9	14	51	66.60%	No
Ctr. For Renal Replacement	Lincolnwood	2.6	16	55	56.20%	No
DaVita Evanston	Evanston	2.6	20	109	90.80%	Yes
DaVita Big Oaks	Niles	2.9	12	42	58.30%	No
FKC Rogers Park	Chicago	3	20	91	75%	No
FKC Northfield	Northfield	3.9	12	6	9.70%	No
FKC Niles	Niles	4.5	32	124	51.50%	No
Total Stations/Patients/ Average Utilization			140	535	59.50%	

1. Miles Determined by Map Quest
2. Stations as of September 2019
3. Utilization as of June 30, 2018

The Applicants state

“The proposed relocation site for Fresenius Medical Care Skokie dialysis facility will remain in Skokie, Cook County, and in HSA-07, which is a medically underserved area. According to the June 2019 station inventory there is an excess of stations in this HSA. However, this project is for the relocation of the Skokie facility to another location less than a mile away. It will not have any effect on the inventory or distribution of services. The Skokie facility has been at its current site for 18 years and the lease is ending January 31, 2021 with no option for renewal. If the facility is not relocated there will be no access to dialysis services in Skokie. It is imperative to maintain access for the current 57 patients and pre-ESRD patients identified who are expected to be referred to the facility.”

[Application for Permit page 62]

B) Criterion 1110.230 (c) - Unnecessary Duplication/Mal-distribution

- 1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:
 - A) A list of all zip code areas that are located, in total or in part, within the established radii outlined in subsection (c)(4) of the project's site;
 - B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and
 - C) The names and locations of all existing or approved health care facilities located within the established radii outlined in subsection (c)(4) of the project site that provides the categories of station service that are proposed by the project.
- 2) The applicant shall document that the project will not result in maldistribution of services. Mal-distribution exists when the identified area (within the planning area) has an excess supply of facilities, stations and services characterized by such factors as, but not limited to:
 - A) A ratio of stations to population that exceeds one and one-half times the State average;
 - B) Historical utilization (for the latest 12-month period prior to submission of the application) for existing facilities and services that is below the utilization standard established pursuant to 77 Ill. Adm. Code 1100; or
 - C) Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above utilization standards.
- 3) The applicant shall document that, within 24 months after project completion, the proposed project:
 - A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and
 - B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

1. There are 533,265 individuals that reside in the 5-mile radius of the proposed facility. There are 140 stations within this same radius. The ratio in this 5-mile radius is 1 station per 3,809 residents. The estimated population in the State of Illinois is 12,802,100 (2017 estimated) and the number of ESRD stations is 4,960. The ratio is 1 station per 2,581 residents in the State of Illinois. Based upon this comparison of the ratio there is no surplus of stations in this 5-mile radius.

	5-mile GSA	State of Illinois
Stations	140	4,960
Population	533,265 (Est)	12,802,100 (Est) (1)
Ratio	1 station per 3,809 residents	1 station per 2,581 residents

1. IDPH population estimate for 2017

2. There are eight facilities within the 5-mile radius operating at an average of 59.5% utilization. Seven of the eight facilities are not at target occupancy of 80%. See Table Four above. Within this 5-mile radius there would be no need for ADDITIONAL stations until 2026 based upon an average annual growth of 3.6%.

TABLE SEVEN
Projection of Stations Needed based upon HSA VII Average
Growth within 5-mile GSA

Year	2019	2020	2021	2022	2023
Patients	535	555	575	596	618
Stations warranted	112	116	120	124	129
Year		2024	2025	2026	2027
Patients		641	665	689	711
Stations Warranted		134	138	143	148

3. The Applicants have stated *“The facility currently serves 57 patients and another 22 pre-ESRD patient are expected to be referred to the facility prior to relocation. Dr. Najafi, from Lakeside Nephrology, has also identified another 39 pre-ESRD patients in his practice who he expects will be referred to the facility in the first two years after the relocation. There are ample patients to bring the facility to the 80% utilization target within two years of the opening of the new site, therefore, maldistribution will not occur. Fresenius Kidney Care Skokie will be serving the same populations it has for the past 18 years and the current distribution of services will remain the same. The applicant is not a hospital; however, the utilization will not be lowered at any other ESRD facility due to the relocation of the Skokie facility. No patients have been identified to transfer to the new facility other than the current FMC Skokie patients. The Lakeside Nephrologists will continue to refer patients to a location near their homes and per the patient’s choice”*

The Applicants are not proposing to add stations or an additional facility to the HSA VII Planning Area or the 5-mile GSA and from the Staff’s review of the information submitted no new stations or facility will be needed until 2026 in this 5-mile GSA. The State Board (prior Board decisions) has determined that there is a need for 140 stations in this 5-mile GSA. The Applicants have successfully addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (77 ILAC 1110.230(c))

C) Criterion 1110.230(e) - Staffing

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and The Joint Commission staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

The Applicants have provided the necessary information as required by this criterion at pages 68-72 of the Application for Permit. The Applicants have successfully addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 ILAC 1110.230(e))

D) Criterion 1110.230 (f) - Support Services

An applicant proposing to establish an in-center hemodialysis category of service 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 information as required by this criterion at page 73 of the Application for Permit. The Applicants have successfully addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SUPPORT SERVICES (77 ILAC 1110.230 (f))

E) Criterion 1110.230 (g) - Minimum Number of Stations

The minimum number of in-center hemodialysis stations for an End Stage Renal Disease (ESRD)

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

The proposed facility will be in the Chicago-Naperville-Joliet-Gary, IL-IN-WI Metropolitan Statistical Area (MSA). The Applicants have met the requirements of this criterion as the proposed facility is for 14 stations.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CONTINUITY OF CARE (77 ILAC 1110.230 (g))

F) Criterion 1110.230 (h) - Continuity of Care

An applicant proposing to establish an in-center hemodialysis category of service shall 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 a sign copy of the Affiliation Agreement with Northshore University HealthSystem-Evanston Hospital. See Additional information provided by the Applicants in the project file. The Applicants have met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CONTINUITY OF CARE (77 ILAC 1110.230 (h))

G) Criterion 1110.230 (i) - Relocation of Facilities

This criterion may only be used to justify the relocation of a facility from one location in the planning area to another in the same planning area and may not be used to justify any additional stations. A request for relocation of a facility requires the discontinuation of the current category of service at the existing site and the establishment of a new category of service at the proposed location. The applicant shall 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.

The Applicants are proposing to relocate an existing 14-station ESRD facility from an existing site, in Skokie, Illinois. FMC Skokie has been located at 9801 Woods Drive for the last 18 years, and due to an expiring lease, must relocate. The new location (9336 Skokie Boulevard), is approximately 1.8 miles away, is in the same HSA, and remains in a federally designated medically underserved area. The applicants propose to seamlessly transfer services from the old facility to the new to not disrupt services to its existing patient base.

Over the past 12-months this facility has average approximately 55 patients or 65.5% utilization. While the facility is not at target occupancy it appears that service accessibility will be maintained in Skokie with the relocation of this facility. Additionally, the Applicants have identified a number of pre-ESRD patients that will utilize the relocated facility within 12-24 months of opening.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION RELOCATION OF FACILITIES (77 ILAC 1110.230 (i))

H) Criterion 1110.230 (j) - Assurances

The applicant 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 Applicants have provided the necessary assurance as required at page 77 of the Application for Permit.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.230 (j))

IX. FINANCIAL VIABILITY

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

The Applicants are funding this project with cash and securities of \$2,486,250 and the fair market value of leased space totaling \$5,656,994. A review of the 2014/2015/2016 audited financial statements indicates there is enough cash to fund the project. Because the project will be funded with cash no viability ratios need to be provided.³

TABLE EIGHT
FMC Holdings Inc. Audited Financial Statements
(Dollars in Thousands 000)
December 31st

	2014	2015	2016	2017	2018
Cash & Investments	\$195,280	\$249,300	\$357,899	\$569,818	\$1,842,592
Current Assets	\$4,027,091	\$4,823,714	\$5,208,339	\$4,519,571	\$2,553,285
Total Assets	\$18,489,619	\$19,332,539	\$20,135,661	\$19,822,127	\$20,666,711
Current Liabilities	\$2,058,123	\$2,586,607	\$2,799,192	\$2,900,783	\$3,280,491
Long Term Debt	\$2,669,500	\$2,170,018	\$2,085,331	\$1,755,960	\$1,243,728
Total Liabilities	\$9,029,351	\$9,188,251	\$9,602,364	\$9,279,633	\$8,492,116
Total Revenues	\$10,373,232	\$11,691,408	\$12,806,949	\$13,919,204	\$13,587,028
Expenses	\$9,186,489	\$10,419,012	\$11,185,474	\$12,003,776	\$11,268,979
Income Before Tax	\$1,186,743	\$1,272,396	\$1,621,175	\$1,915,428	\$2,318,049
Income Tax	\$399,108	\$389,050	\$490,932	\$407,606	\$451,500
<i>Net Income</i>	\$787,635	\$883,346	\$1,130,243	\$1,507,822	\$1,866,549

Source: 2014/2015/2016/2017/2018 Audited Financial Statements

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA AVAILABILITY OF FUNDS AND FINANCIAL VIABILITY (77 ILAC 1120.120 & 77 ILAC 1120.130)

³ 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.

X. **ECONOMIC FEASIBILITY**

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

The Applicants provided a copy of a letter of intent to lease 9,375 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 \$34.00 per SF, which shall escalate on an annual basis by two percent (1.75%) per year, beginning at the beginning of year three.

The Applicants attested that entering a lease (borrowing) is less costly than liquidating 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 pages 91-92)

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

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

Only Reviewable Costs are reviewed in this criterion. As illustrated in Table Seven, the Applicants are in compliance with the Standards in Part 1120 Appendix A.

Modernization and Contingency costs are \$1,272,500 or \$206 per GSF. This appears reasonable when compared to the State Board Standard of \$206.74 per GSF (2020 construction mid-point).

Contingencies Costs are \$111,150 or 9.6% of modernization costs. This appears reasonable when compared to the State Board Standard of 10%-15%.

Architectural and Engineering Costs are \$118,800 and are 9.3% of the modernization and contingency costs. This appears reasonable when compared to the State Board Standard of the 6.76% - 10.16%.

Movable and Other Equipment are \$295,000, which equates to \$21,071 per unit (14 stations). The State Board standard for these costs is \$56,952 per unit (2020).

Fair Market Value of the Lease or Equipment These costs total \$3,802,304. The State Board does not have a standard for these costs.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION REASONABLENESS OR PROJECT COSTS (77 ILAC 1125.800)

D) Criterion 1120.140(d) - Direct Operating Costs

The Applicants shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) 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 estimating \$263.36 per treatment in direct operating costs. The State Board does not have a standard for this cost.

Estimated Personnel Expense:	\$1,040,435
Estimated Medical Supplies:	\$415,068
Estimated Other Supplies (Exc. Dep/Amort):	\$910,959
Total	\$2,366,462
Estimated Annual Treatments:	8,986
Direct Cost Per Treatment:	\$263.36

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

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

The Applicants shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The Applicants are estimating \$13.42 in capital costs. The State Board does not have a standard for this cost.

Depreciation/Amortization:	\$120,627
Interest	\$0
Capital Costs:	\$120,627
Treatments:	8,986
Capital Cost per Treatment:	\$13.42

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

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