



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

MEMORANDUM

TO: Mike Constantino, Chief – Program Review Section
Division of Health Systems Development

FROM: Dale Galassie, Chairman
Illinois Health Facilities and Services Review Board

RE: Alteration Request for Project # 10-063

Facility: Fresenius Medical Care Lakeview

This is to advise you that I have reviewed the above-captioned alteration request within the requirements in 77 IAC 1130.750 and have determined the following:

The request is in compliance with the requirements in 77 IAC 1130.750 and the alteration request is approved.

This request is to be reviewed by the Health Facilities Planning Board.

This request is DENIED effective _____ because it does **NOT** comply with the requirements specified in 77 IAC 1130.750.

Other actions as follows:



Dale Galassie, Chairman
Illinois Health Facilities and
Services Review Board

9-19-12

Date



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DOCKET ITEM NUMBER: NA	BOARD MEETING: NA	PROJECT NUMBER: #10-063
PERMIT HOLDERS(S): Fresenius Medical Care Holdings, Inc. Fresenius Medical Care of Illinois, LLC		
FACILITY NAME and LOCATION: <u>Fresenius Medical Care Lakeview, Chicago</u>		

Project Description:

The permit holders are requesting an alteration to Permit #10-063 Fresenius Medical Care Lakeview in accordance with 77 IAC 1130.750 - Alteration of the Project. **This is the first alteration request for this project.** The permit holders are requesting that the cost of the approved certificate of need be decreased from \$1,348,446 to \$1,280,746 a total of \$67,700 and to decrease the number of stations proposed to be added by 4 stations for a total of 14 stations.



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STATE AGENCY REPORT
PERMIT ALTERATION REQUEST
Project #10-063

I. Project Description and Background Information

In December 2010, the State Board approved Permit #10-063 for the addition of eight stations to a 10 station ESRD facility located at 4008 N. Broadway, Suite 1200, Chicago, Illinois. The approved permit amount is \$1,348,446.

II. The Proposed Alteration

A. The following proposed alterations require State Board approval:

The permit holders are requesting that the cost of the approved certificate of need be decreased from \$1,348,446 to \$1,280,746 a total of \$67,700.

B. Reason(s) for the Proposed Alteration:

The addition of 8 stations would decrease needed office space at the facility. The permit holders are proposing to decrease the number of stations being added by four stations.

III. Applicable Rules

77 IAC 1130.750 specifies that a permit is valid only for the project as defined in the application and any change to the project subsequent to permit issuance constitutes an Alteration to the project.

Allowable alterations that require HFPB action are:

- 1) a change in the approved number of beds or stations provided that the change would not independently require a permit or exemption from HFPB;
- 2) abandonment of an approved category of service established under the permit;
- 3) any increase in the square footage of the project up to 5% of the approved gross square footage;



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- 4) any decrease in square footage greater than 5% of the project;
- 5) any increase in the cost of the project not to exceed 5% of the total project cost. This alteration may exceed the capital expenditure minimum in place when the permit was issued, provided that it does not exceed 5% of the total project cost;
- 6) any increase in the amount of funds to be borrowed for those permit holders that have not documented a bond rating of "A" or better;
- 7) any increase in the project costs components (i.e., line item amounts) if the increase is not in compliance with the 77 Ill. Adm. Code 1120 review criteria; or
- 8) any change that substantially changes the scope or changes the functional operation of the project, as defined in Section 1130.140.

V. **Summary of State Agency Findings**

Part 1110 is not applicable to this alteration.

The State Agency finds the proposed Alteration does appears to be in conformance with all applicable review criteria for Part 1120.

VI. **Projects Costs and Sources of Funds**

The total project cost is \$840,250 and includes \$378,746 that represents the fair market value ("FMV") of the space and equipment being leased. The permit holders will fund all remaining costs from cash and securities of \$840,250 and tenant improvements of \$61,750. Table One displays the project's cost and sources of funds information.

TABLE ONE Project Costs and Sources of Funds Use of Funds Amount		
	Approved Permit	Alteration
Modernization Contracts	646,000	642,000
Contingencies	60,000	60,000



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TABLE ONE Project Costs and Sources of Funds Use of Funds Amount		
A & E Fees	50,000	50,000
Movable or Other Equipment	160,000	150,000
FMV of Leased Space and Equipment	432,446	378,746
Total	\$1,348,446	\$1,280,746
Sources of Funds	Amount	Amount
Cash and Securities	854,250	840,250
FMV - Leased Space and Equipment	432,446	378,746
Other Funds and Sources (tenant	61,750	61,750
Total	\$1,348,446	\$1,280,746

Only those criteria that have been altered will be discussed as part of this alteration report.

VII. Review Criteria - Economic Feasibility

A. **Criterion 1120.310(c) - Reasonableness of Project Cost**

The criteria states:

"1) **Construction and Modernization Costs**

Construction and modernization costs per square foot for non-hospital based ambulatory surgical treatment centers and for facilities for the developmentally disabled, and for chronic renal dialysis treatment centers projects shall not exceed the standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. For all other projects, construction and modernization costs per square foot shall not exceed the adjusted (for inflation, location, economies of scale and mix of service) third quartile as provided for in the Means Building Construction Cost Data publication unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.



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- 2) **Contingencies**

Contingencies (stated as a percentage of construction costs for the stage of architectural development) shall not exceed the standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. Contingencies shall be for construction or modernization only and shall be included in the cost per square foot calculation.
BOARD NOTE: If, subsequent to permit issuance, contingencies are proposed to be used for other line item costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by the State Board prior to such use.
- 3) **Architectural Fees**

Architectural fees shall not exceed the fee schedule standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.
- 4) **Major Medical and Movable Equipment**
 - A) For each piece of major medical equipment, the applicant must certify that the lowest net cost available has been selected, or if not selected, that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.
 - B) Total movable equipment costs shall not exceed the standards for equipment as detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.
- 5) **Other Project and Related Costs**

The applicant must document that any preplanning, acquisition, site survey and preparation costs, net interest expense and other estimated costs do not exceed industry norms based upon a comparison with similar projects that have been reviewed."



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Modernization Contracts and Contingencies - These costs total \$702,000 or \$135.78 per gross square feet. ($\$702,000/5,170 \text{ GSF} = \$135.78/\text{GSF}$) This appears reasonable when compared to the State Board standard of \$136.55/GSF.

Contingencies - These costs total \$60,000 or 8.54% of modernization costs. This appears reasonable when compared to the State Board standard of 10%-15% of modernization costs.

Architect and Engineering Fees - These costs total \$50,000 or 7.12% of modernization and contingency costs. This appears reasonable when compared to the State Board standard of 6.76% -10.16% of modernization and contingency costs.

Moveable Equipment - These costs total \$150,000 or \$37,500 per station. This appears reasonable when compared to the State Board standard of \$41,143.

Fair Market Value of Leased Space - These costs are \$378,746. The State Board does not have a standard for these costs.

THE STATE AGENCY FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.310(c)).

VIII. **Other Information**

Included with this report is the alteration request.